Community Investment Corporation and Affiliate

Financial Report
September 30, 2011 and 2010

Contents

McGladrey

Independent Auditor's Report

To the Board of Directors
Community Investment Corporation and Affiliate
Chicago, Illinois

We have audited the consolidated statements of financial condition of Community Investment Corporation and Affiliate (the "Corporation") as of September 30, 2011 and 2010, and the consolidated statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Community Investment Corporation and Affiliate at September 30, 2011 and 2010, and their activities and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

Schaumburg, Illinois
December 16, 2011

Community Investment Corporation and Affiliate

Consolidated Statements of Financial Condition
September 30, 2011 and 2010

	Community Investment Corporation	Community Initiatives, Inc.	Eliminations	2011 Consolidated	2010 Consolidated
Assets					
Cash	$ 1,593,351	$ 2,422,191	$ -	$ 4,015,542	$ 854,053
Restricted cash	16,394,923	-	-	16,394,923	18,264,124
Loans, net of allowance of $1,728,571 in 2011 and $1,294,702 in 2010	270,838,149	-	-	270,838,149	246,399,712
Defaulted mortgages purchased	-	1,770,603	-	1,770,603	2,665,958
Program and other receivables	-	6,989,809	-	6,989,809	5,696,261
Furniture and equipment, net	126,411	-	-	126,411	106,796
Real estate held for sale, net of valuation of $395,000 in 2011 and $245,000 in 2010	1,598,583	-	-	1,598,583	1,630,868
Other assets	2,645,138	97	(2,137,287)	507,948	279,622
	$ 293,196,555	$ 11,182,700	$ (2,137,287)	$ 302,241,968	$ 275,897,394
Liabilities and Net Assets					
Notes payable	$ 257,772,522	$ 11,161,762	$ (2,056,774)	$ 266,877,510	$ 240,959,155
Advance payments by borrowers	9,522,327	-	-	9,522,327	9,260,053
Accounts and fees payable	3,499,013	80,513	(80,513)	3,499,013	4,023,875
	270,793,862	11,242,275	(2,137,287)	279,898,850	254,243,083
Net assets (deficit)					
Unrestricted					
Undesignated	5,862,227	(59,575)	-	5,802,652	4,888,399
Designated	13,950,936	-	-	13,950,936	13,888,087
	19,813,163	(59,575)	-	19,753,588	18,776,486
Temporarily restricted	2,589,530	-	-	2,589,530	2,877,825
	22,402,693	(59,575)	-	22,343,118	21,654,311
	$ 293,196,555	$ 11,182,700	$ (2,137,287)	$ 302,241,968	$ 275,897,394

See Notes to Consolidated Financial Statements.

Community Investment Corporation and Affiliate

Consolidated Statements of Activities
Years Ended September 30, 2011 and 2010

	Community Investment Corporation	Community Initiatives, Inc.	Eliminations	2011 Consolidated	2010 Consolidated
Revenue					
Interest	$ 13,255,040	$ -	$ (71,632)	$ 13,183,408	$ 12,535,556
Loan servicing income and other fees	2,359,615	-	(816,685)	1,542,930	1,529,265
Loan origination fees	1,084,239	-	-	1,084,239	1,143,157
Corporate grant income	157,330	758,668	-	915,998	921,504
Program income	-	582,718	-	582,718	377,184
Gain on sale of defaulted mortgages	-	112,726	-	112,726	414,978
	16,856,224	1,454,112	(888,317)	17,422,019	16,921,644
Expenses					
Interest	11,043,785	71,632	(71,632)	11,043,785	10,924,797
Compensation and benefits	4,151,505	-	-	4,151,505	3,881,909
Contractual and consulting fees	244,769	704,485	(704,485)	244,769	213,246
Depreciation and amortization	72,931	7,826	-	80,757	66,825
Rent	368,700	62,004	(62,004)	368,700	341,394
Utilities	30,917	-	-	30,917	32,100
Equipment rental and maintenance	56,564	-	-	56,564	52,158
Travel	45,387	-	-	45,387	36,850
Supplies	84,139	-	-	84,139	93,302
Advertising and program support	327,119	67,835	(50,196)	344,758	302,609
	16,425,816	913,782	(888,317)	16,451,281	15,945,190
Operating surplus from operating activities before government grant income for loan losses and provision for loan losses	430,408	540,330	-	970,738	976,454
Government grant income restricted for loan losses	-	-	-	-	1,000,000
Loan servicing income restricted for loan loss reimbursement	1,056,701	-	-	1,056,701	463,234
Investor Restricted Reserve provision for loan losses	(1,056,701)	-	-	(1,056,701)	(1,663,244)
Provision for Corporation loan losses	(78,245)	-	-	(78,245)	(825,000)
Valuation reserve on Corporation real estate held for sale	(150,000)	-	-	(150,000)	(245,000)
Loss on loans in Regency loan sale	(384,557)	-	-	(384,557)	(294,359)
Losses reimbursed to RAL investors, prior to renewed Note Purchase Agreement	-	-	-	-	(314,011)
Gain on sale of real estate held for sale	8,129	-	-	8,129	27,020
	(604,673)	-	-	(604,673)	(1,851,360)
Operating surplus (deficit) from operating activities	(174,265)	540,330	-	366,065	(874,906)
Government grant income	750,000	1,689,002	-	2,439,002	3,373,396
Government grant disbursements	-	(1,689,002)	-	(1,689,002)	(3,458,395)
Other grant disbursements	(138,963)	-	-	(138,963)	(293,450)
Loss on donated property	-	-	-	-	(104,607)
Increase (decrease) in unrestricted net assets	436,772	540,330	-	977,102	(1,357,962)
Government grant income-temporarily restricted	181,000	-	-	181,000	1,250,000
Government grants released from restriction	(469,295)	-	-	(469,295)	(762,387)
Increase (decrease) in temporarily restricted net assets	(288,295)	-	-	(288,295)	487,613
Increase (decrease) in net assets	148,477	540,330	-	688,807	(870,349)
Net assets (deficit)					
Beginning of year	22,254,216	(599,905)	-	21,654,311	22,524,660
End of year	$ 22,402,693	$ (59,575)	$ -	$ 22,343,118	$ 21,654,311

See Notes to Consolidated Financial Statements.

Community Investment Corporation and Affiliate

Consolidated Statements of Cash Flows
Years Ended September 30, 2011 and 2010

	Community Investment Corporation	Community Initiatives, Inc.	Eliminations	2011 Consolidated	2010 Consolidated
Cash Flows from Operating Activities					
Increase (decrease) in net assets	$ 148,477	$ 540,330	$ -	$ 688,807	$ (870,349)
Depreciation and amortization	80,757	-	-	80,757	66,825
Investor Restricted Reserve provision for loan losses	1,056,701	-	-	1,056,701	1,663,244
Provision for corporation loan losses	78,245	-	-	78,245	825,000
Valuation reserve on real estate held for sale	150,000	-	-	150,000	245,000
Loss on loans repurchased in Regency loan sale	384,557	-	-	384,557	294,359
Loss (gain) on sale of foreclosed real estate	8,129	(112,726)	-	(104,597)	(414,978)
Changes in:					
Restricted cash	1,869,201	-	-	1,869,201	(5,788,872)
Other receivables	-	(50,764)	(1,242,784)	(1,293,548)	(1,113,881)
Other assets	(633,144)	-	353,127	(280,017)	339,847
Accounts and fees payable	(346,361)	(346,294)	219,487	(473,168)	(1,040,435)
Advance payments by borrowers	262,274	-	-	262,274	507,106
Net cash provided by (used in) operating activities	3,058,836	30,546	(670,170)	2,419,212	(5,287,134)
Cash Flows from Investing Activities					
Net fundings of mortgage loans	(28,785,223)	-	-	(28,785,223)	(32,144,067)
Additions to furniture and equipment	(100,372)	-	-	(100,372)	(18,384)
Sales of foreclosed real estate	2,701,439	1,008,078	-	3,709,517	6,824,192
Net cash provided by (used in) investing activities	(26,184,156)	1,008,078	-	(25,176,078)	(25,338,259)
Cash Flows from Financing Activities					
Net proceeds from notes payable	24,185,322	1,062,863	670,170	25,918,355	27,977,611
				-	
Net cash provided by financing activities	24,185,322	1,062,863	670,170	25,918,355	27,977,611
Increase (decrease) in cash	1,060,002	2,101,487	-	3,161,489	(2,647,782)
Cash					
Beginning of year	533,349	320,704	-	854,053	3,501,835
End of year	$ 1,593,351	$ 2,422,191	$ -	$ 4,015,542	$ 854,053
Supplemental schedule of noncash investing and financing activities					
Transfer of mortgage loans to real estate held for sale after loan foreclosure	$ 2,835,538	$ -	$ -	$ 2,835,538	$ 3,023,227
Cash paid for interest	11,071,511	71,632	(71,632)	11,071,511	10,958,786

See Notes to Consolidated Financial Statements.

Note 1. Nature of Activities and Significant Accounting Policies

Community Investment Corporation is a nonprofit organization whose investors include certain financial institutions in Chicago, Illinois, as well as other corporations and foundations. The Corporation's purpose is to conserve and revitalize older neighborhoods and low- and moderate-income housing in the six-county Chicago metropolitan area through private and public investment. The Corporation generates income primarily through the origination, placement (on an unlimited recourse basis) and servicing of loans through its Resource Apartment Lending Program (RAL).

Community Initiatives, Inc. (CII) was incorporated in July 2002 as a nonprofit affiliate to hold and service loans for troubled properties. The Board of Directors of Community Initiatives, Inc. is controlled by Community Investment Corporation.

Community Investment Corporation and Community Initiatives, Inc. are exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and applicable state law.

Principles of consolidation: The consolidated financial statements include the accounts of Community Investment Corporation and its affiliate Community Initiatives, Inc. (Corporation). All significant intercompany accounts and transactions are eliminated in consolidation.

Presentation: For financial reporting purposes, the Corporation’s activities are primarily unrestricted. Unrestricted net assets are not subject to donor-imposed restrictions. The Corporation separately classifies in its financial statements temporarily restricted net assets and changes therein. Certain grants and any other contributions received with donor stipulations limiting the use of the donated assets are included in temporarily restricted activities. When a restriction is satisfied, which in the case of the Corporation generally occurs when amounts are expended for restricted purposes, temporarily restricted net assets are reduced by the expended amounts. The Corporation does not report any permanently restricted net assets.

Reclassification: Certain amounts in the 2010 consolidated financial statements have been reclassified to conform to the 2011 presentation. These reclassifications did not result in any changes to previously reported increases or decreases to net assets.

Use of estimates: In preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to change in the near term relate to the determination of the allowance for loan losses and the valuation of foreclosed assets.

Cash: Cash consists of cash on hand and bank deposits which, at times, may exceed federally insured limits. The Corporation has not experienced any losses in these accounts and management believes the Corporation is not exposed to any significant credit risks on its cash accounts.

Restricted cash: Restricted cash is invested in an overnight investment account. It consists of advance payments by borrowers for taxes and insurance and remittances of borrowers' principal and interest payments which are then paid to the Corporation's investors, whose investments are reflected in notes payable. Restricted cash also includes loan servicing income and other payments received by the Corporation that are intended to fund potential loan losses.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Loans: Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off generally are reported at their outstanding unpaid principal balances adjusted for charge-offs, the allowance for loan losses, and any deferred fees or costs on originated loans. Interest income is accrued on the unpaid principal balance. Loan origination fees charged to borrowers approximate the Corporation's cost to originate the loans and are recognized as income when received.

The accrual of interest on mortgage loans is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged-off 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 charged-off 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 accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for loan losses: The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility 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 more information becomes available.

The allowance for loan losses consists of specific allocations on certain loans and a general reserve component. The specific allocations relate to loans that are classified as impaired. For those loans that are classified as impaired, an allocation is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general reserve component covers nonclassified loans and is based on historical charge-off experience. Other adjustments may be made to the allowance for pools of loans after an assessment of internal or external influences on credit quality that are not fully reflected in the historical loss data.

The Corporation originates loans through the Resource Apartment Lending Program (RAL). Under this program, financial institutions invest in RAL under collateral pass-through notes issued in accordance with the Investors Note Purchase Agreement (INPA). The Investor Restricted Reserve, which is a component of the total allowance for loan losses, is limited by a contractual amount included in the INPA as described in Note 2.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

A loan is considered impaired when, based on current information and events, it is probable that the Corporation will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan by loan basis for commercial and construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

Troubled debt restructurings: A loan is classified as a troubled debt restructuring when a borrower is experiencing financial difficulties that lead to a restructuring of the loan, and the Company grants concessions to the borrower in the restructuring that it would not otherwise consider. These concessions may include rate reductions, principal forgiveness, extension of maturity date and other actions intended to minimize potential losses. A loan that is modified at a market rate of interest may no longer be classified as troubled debt restructuring in the calendar year subsequent to the restructuring if it is in compliance with the modified terms. Performance prior to the restructuring is considered when assessing whether the borrower can meet the new terms and may result in the loan being returned to accrual at the time of the restructuring or after a shorter performance period.

Depreciation: Depreciation of furniture and equipment is being computed under the straight-line method over the estimated useful lives of the assets.

Accrued rent: Rental expense is recognized over the term of the lease, inclusive of the portion of annual base year increases as set forth in the lease agreement. Such amounts are amortized over the life of the lease on a straight-line basis.

Mortgage servicing rights: The Corporation recognizes the assets of the rights to service mortgage loans for others, as those rights are acquired. Originated mortgage servicing rights are amortized over the estimated lives of the serviced loans. At September 30, 2011 and 2010, all mortgage servicing rights had been completely amortized.

Transfers of financial assets: Transfers of financial assets are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Corporation, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge of exchange the transferred assets, and (3) the Corporation does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Real estate held for sale: Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less cost to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in net expenses from foreclosed assets. Losses on foreclosed real estate are limited to contractual amounts included in the RAL INPA.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Operating activities: Operating activities are considered to be the recurring, budgetary revenue and expenses of the Corporation. Items such as government grant income and disbursements and other grant disbursements are separate, project-specific activities which are not considered to be the Corporation's core operating activities and are therefore classified separately.

Income taxes: The Corporation adopted the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Corporation may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Corporation and various positions related to the potential sources of unrelated business taxable income. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. At September 30, 2011, there were no unrecognized tax benefits identified or recorded as liabilities.

The Corporation files Form 990 in the U.S. federal jurisdiction and the state of Illinois. The Corporation is generally no longer subject to examination by the Internal Revenue Service for years before 2007.

Subsequent events: The Corporation has evaluated subsequent events for potential recognition and/or disclosure through December 16, 2011, the date the consolidated financial statements were available to be issued.

Pending adoption of new accounting principles: Accounting guidance for transfers and servicing was amended to enhance reporting about transfers of financial assets, including securitizations, and where companies have continuing exposure to the risks related to transferred financial assets. The new authoritative accounting guidance eliminates the concept of a “qualifying special-purpose entity” and changes the requirements for derecognizing financial assets. The new authoritative accounting guidance also requires additional disclosures about all continuing involvements with transferred financial assets including information about gains and losses resulting from transfers during the period. The adoption of the accounting guidance did not have an impact on the Corporation’s consolidated financial statements.

Accounting guidance issued entitled *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses* will require the Corporation to expand disclosures about the credit quality of loans and the related reserves against them on a prospective basis. The additional disclosures will include details on past due loans, credit quality indicators, and modifications of loans. The Corporation will adopt this standard beginning with its consolidated financial statements for the year ended September 30, 2012. Management expects that the consolidated financial statements will include significantly more disclosure related to the credit quality and the related allowance for loan losses after adoption.

Note 2. Loans

Through the Resource Apartment Lending (RAL) program, the Corporation originates mortgage loans collateralized by multifamily rental properties in the Chicago metropolitan area. Financial institutions invest in the loans under collateral pass-through notes issued in accordance with the Investors Note Purchase Agreement. Loans under the Investors Note Purchase Agreement (INPA) are originated through March 15, 2015. All RAL mortgage loans are pledged as collateral for the nonrecourse collateral pass-through notes (Note 5). The Corporation is not obligated to remit delinquent principal and interest payments. Any loss realized on RAL mortgage loans is recognized through the Investor Restricted Reserve as established by the INPA.

Note 2. Loans (Continued)

Mortgage loans receivable consisted of the following:

	September 30, 2011	September 30, 2010
Resource Apartment Lending Program (RAL)	$ 233,989,920	$ 211,235,820
Construction commitments	46,582,175	44,615,250
Undisbursed portions of construction loans	(12,837,821)	(12,216,269)
Total RAL loans	267,734,274	243,634,801
Community development loans	1,596,852	1,081,015
General Board of Pension loans	237,450	241,151
Energy loans	2,353,287	2,081,837
University of Chicago loans	644,857	655,610
Total Other Loans	4,832,446	4,059,613
Total Loans	272,566,720	247,694,414
Less: Allowance for Loan Loss	1,728,571	1,294,702
Net Loans	$ 270,838,149	$ 246,399,712

Mortgage loan commitments outstanding at September 30, 2011 and 2010, were approximately $2,578,380 and $6,072,250, respectively.

Community development loans are funded by the Corporation through operations and are not intended to be sold.

In September 2005, the General Board of Pensions and Health Benefits of the United Methodist Church (GBPHB) agreed to purchase from the Corporation $25,000,000 of fixed rate loans originated over the following three years. The Corporation retains a 1 percent ownership and provides a 9 percent guarantee against loss of principal on the pool. Pursuant to an amended agreement in July 2007, GBPHB agreed to purchase $75,000,000 in fixed rate loans which extended through 2010. As of September 30, 2011 and 2010, loans sold to GBPHB were approximately $23,399,200 and $23,770,800, respectively.

Energy loans are funded through MacArthur Foundation Notes, Grand Victoria Foundation grants, and matching grant funds provided by the City of Chicago to provide low interest loans for borrowers wishing to increase the energy efficiency of their real estate. Energy loans may also be funded by the Corporation through operations.

University of Chicago loans are funded through a loan from the University to be used for the improvement of neighborhood housing. The Corporation is not liable for losses on these loans as risk of loss is passed on to the University as noted within the University of Chicago loan agreement.

The Corporation serviced approximately $11,559,000 and $15,207,000 of loans for others at September 30, 2011 and 2010, respectively.

Note 2. Loans (Continued)

Under the terms of the INPA, the holders of the nonrecourse collateral pass-through notes issued through the RAL are required to purchase all loans eligible for sale. Loans approved under the RAL program become eligible to sell when construction is complete, a loan is not in default, and the project has achieved a 1.05 debt service coverage ratio.

An allowance for loan loss account under the INPA, called the Investor Restricted Reserve account, has been established by the Corporation to reimburse note holders for losses of principal on notes sold to the investors. The Investor Restricted Reserve account was initially funded by the Corporation. $1,000,000 was deposited by the Corporation into restricted cash accounts, and $200,000 is held by the Corporation in an unrestricted account. These initial funds will reimburse note holders for the first $1,200,000 in losses of loan principal. From the Corporation's monthly collection of the loan servicing fee, the Corporation deposits monthly the sum equal to one-half of one percent (0.5%) into the Investor Restricted Reserve. The Corporation will reimburse note holders for losses of loan principal up to the balance of funds available in the Investor Restricted Reserve. The Corporation informs investors of any loans that are delinquent on a monthly basis, and recommends them being placed on nonaccrual status. The Corporation is not obligated to reimburse for losses incurred which exceed the balance of the Investor Restricted Reserve. No losses were passed through to the investors participating in the Investor Restricted Loss Reserve Program during the years ended September 30, 2011 and 2010 in excess of the Investor Restricted Reserve. Those investors not participating in the Investor Restricted Loss Reserve Program directly incurred $6,687 and $83,618 in losses in the years ended September 30, 2011 and 2010, respectively. Management believes that the reserve is adequate to cover anticipated losses.

The following is a summary of the changes in the allowance for loan losses for the year ended September 30, 2011:

	Investor Restricted Reserve	Corporation Loans	Total
Balance, October 1, 2009	$ -	$ -	$ -
Provision for loan losses	1,663,244	825,000	2,488,244
Loans charged-off	(561,402)	(400,000)	(961,402)
Recoveries of loans previously charged-off	-	-	-
Expenses eligible for reimbursement	(232,140)	-	(232,140)
Balance, September 30, 2010	869,702	425,000	1,294,702
Provision for loan losses	1,056,701	78,245	1,134,946
Loans charged-off	(606,456)	(58,245)	(664,701)
Recoveries of loans previously charged-off	6,687	-	6,687
Expenses eligible for reimbursement	(43,063)	-	(43,063)
Balance, September 30, 2011	$ 1,283,571	$ 445,000	$ 1,728,571

Note 2. Loans (Continued)

Under the RAL INPA, certain expenses incurred by the Corporation are eligible for reimbursement through the Investor Restricted Reserve.

In addition to the above corporation loans reserve, the Board of Directors has designated $2,192,127 and $2,420,372 of Unrestricted Net Assets as a reserve for corporation loans as of September 30, 2011 and 2010, respectively.

Prior to the renewal of the RAL agreement in the year ended September 30, 2010, the Corporation's Board of Directors approved loss reimbursements to investors of $314,011 in the year ended September 30, 2010. Those reimbursements are not included in the rollforward above, as these were not contractually obligated payments and were not funded through the Investor Restricted Reserve.

The following is a summary of information pertaining to impaired and non-accrual loans:

	September 30, 2011	September 30, 2010
Impaired loans without a valuation allowance - RAL	$ 1,088,425	$ 4,070,325
Impaired loans without a valuation allowance - Corporate loans	-	44,125
Impaired loans with a valuation allowance - RAL	1,386,447	2,337,497
Impaired loans with a valuation allowance - Corporate loans	662,138	572,797
Total impaired loans	$ 3,137,010	$ 7,024,744
Valuation allowance related to impaired loans - RAL	$ 1,163,000	$ 581,699
Valuation allowance related to impaired loans - Other loans	145,000	125,000
Total non-accrual loans	7,758,022	4,379,995
Total loans past-due ninety days or more and still accruing	-	-
Loans performing under temporary workout agreements	4,621,012	-

There were three loans performing under temporary workout agreements as of September 30, 2011. There were no loans performing under temporary workout agreements as of September 30, 2010.

A loan is classified as performing under temporary workout agreements when a borrower is experiencing financial difficulties that lead to a restructuring of the loan. Management will restructure the loan by allowing interest-only payments for a short term. There is no concession made by way of rate reduction, principal forgiveness, extension of maturity date, or other similar actions. Any forbearance of payment, which is not to exceed one year, is added to the balloon payment at the maturity of the loan. Performance prior to the restructuring is considered when assessing whether the borrower can meet the new terms of the agreement. All loans are performing as agreed as of September 30, 2011.

No additional funds are committed to be advanced in connection with impaired loans.

Loans in foreclosure included in impaired loans totaled $2,640,112 and $3,938,843 at September 30, 2011 and 2010, respectively. Loans in foreclosure are loans no longer performing as the Corporation pursues title to the collateralized property.

Note 3. Defaulted Mortgages Purchased

Defaulted loans purchased by Community Initiatives, Inc. are multi-family projects that failed at other lending institutions. These mortgages were purchased at a discount and under the assumption that they are not interest bearing assets, and are therefore not considered impaired. The Corporation appoints a receiver, completes foreclosure to obtain title, and resells the property. Total purchased loans were $1,770,603 and $2,655,958 as of September 30, 2011 and 2010, respectively.

The ongoing costs of preserving and converting the assets to owned real estate were capitalized as part of the balance of the purchased loan. Interest costs on the line of credit used to purchase the mortgages are expensed. Property values indicate that all costs and fees will be recovered on the sale of the properties to new owners. In the years ended September 30, 2011 and 2010, the Corporation recognized project fee income of $452,396 and $366,919, respectively, on the sales of these properties.

Note 4. Real Estate Held for Sale

Real estate held for sale represents the net realizable value of the outstanding mortgage loan balance at the date of foreclosure and deferred expenses incurred in connection with the subsequent foreclosure. The carrying value approximates the fair value of the collateral. Prior to the renewal of the INPA as described in Note 2, the holders of the nonrecourse collateral pass-through notes issued through the RAL are liable for expenses incurred by the Corporation in connection with the foreclosures. Under the terms of the new INPA, the Corporation is now liable for these expenses up to the amount in the Investor Restricted Reserve, as described in Note 2.

The following is a summary of the changes in the valuation reserve for Corporation real estate held for sale for the years ended September 30, 2011 and 2010:

	September 30, 2011	September 30, 2010
Balance at beginning of year	$ 245,000	$ -
Provision for REO losses	150,000	245,000
REO property losses on sale	-	-
Recoveries on REO properties previously charged-off	-	-
Balance at September 30,	$ 395,000	$ 245,000

The valuation allowance as of September 30, 2011 is for one Corporation loan and includes a provision to cover estimated foreclosure and selling costs of $80,000.

The Company did not recognize any valuation allowance on RAL repossessed real estate in the years ended September 30, 2011 and 2010. Included in the real estate held for sale balance were RAL program properties with balances of $1,679,000 and $1,188,000 as of September 30, 2011 and 2010, respectively. The RAL real estate is held at book value as losses are not recognized through the Investor Restricted Reserve until disposition, according to the agreement. Estimated losses on these RAL program properties based on internal valuations are $660,000 and $410,000 as of September 30, 2011 and 2010, respectively.

Note 5. Notes Payable

Notes payable consisted of the following:

	2011	2010
Resource Apartment Lending Program nonrecourse collateral pass-through notes	$ 217,490,698	$ 203,767,232
DOH TBI grants payable	8,686,233	8,522,804
Distressed Condo Fund ARRA Program	418,756	91,934
MacArthur Foundation notes	8,000,000	7,000,000
University of Chicago loan	670,740	670,740
PNC Energy Loan Fund	332,365	-
CMAP Loan Guarantee Fund	1,500,000	-
JP Morgan Chase Resource Apartment Lending Program line-of-credit demand notes	28,900,000	20,000,000
	265,998,792	240,052,710
Accrued interest payable	878,718	906,445
	$ 266,877,510	$ 240,959,155

Under the RAL, mortgage loans are funded from the proceeds of nonrecourse collateral pass-through notes to the Corporation's investors. The notes are collateralized by specific groups of mortgage loans originated through the RAL. RAL mortgage loans bear interest rates, including the Corporation's subsidies, ranging from 3.875 percent to 9.50 percent. Monthly repayments of principal and interest on the nonrecourse collateral pass-through notes are made from collections of principal and interest payments received on the underlying mortgage loans.

At September 30, 2011 and 2010, the Corporation had commitments from investors to purchase nonrecourse collateral pass-through notes totaling $413,250,000 and $408,250,000, respectively. The current non-recourse collateral trust note purchase agreement expires September 15, 2015.

Under the Department of Housing (DOH) grant agreement, Community Initiatives, Inc. is provided funds for reimbursable costs incurred under their troubled building initiative program. These funds are required to be returned to the DOH under conditions specified in the agreement.

The Corporation has four separate notes with the MacArthur Foundation. The first MacArthur Foundation note for $1,000,000 was entered into in the year ended September 30, 2008, matures in 2015 and bears interest at 3 percent, payable quarterly. The second note for $2,000,000 was entered into in the year ended September 30, 2008, matures in 2018 and bears interest at 2 percent. The third note for $1,000,000 was also entered into in the year ended September 30, 2008, matures in 2021 and bears interest at 1 percent. The fourth note for $5,000,000 was entered into in the year ended September 30, 2010, ($3,000,000 received in 2010, $1,000,000 received in 2011 and $1,000,000 to be received in 2012), matures in 2020 and bears interest at 1 percent.

Under the terms of the JP Morgan Chase line-of-credit demand notes, the Corporation may borrow up to $30,000,000. Borrowings under the agreement bear interest at the prime rate or 30 day LIBOR plus 2.50 percent and the prime rate plus 0.10 percent (September 30, 2011 and 2010, respectively), and are collateralized by certain mortgage loans issued through the RAL. The line-of-credit demand note was renewed on March 2, 2011 and matures on May 27, 2012.

Note 6. Loan Guaranty

The City of Chicago maintains a deposit of approximately $230,000 with Chicago Title and Trust Company as a part of a loan guaranty agreement with the Corporation under the single-family mortgage program. The agreement with the City stipulates that interest income derived from this deposit accrues to the Corporation as reimbursement for the administrative expenses it incurs. The Corporation did not receive a reimbursement for administrative costs and expenses incurred during the years ended September 30, 2011 and 2010.

Note 7. Program and Other Receivables

Under the Troubled Buildings Initiative with the City of Chicago Department of Housing and/or as a court appointed receiver for identified troubled buildings, Community Initiatives, Inc. funds repairs of the buildings. Reimbursements are received through the program and as buildings are sold. Other receivables of $2,056,774 and $1,242,784, as of September 30, 2011 and 2010, respectively, are from Community Investment Corporation and are eliminated upon consolidation.

Note 8. Other Assets

Other assets consisted of the following:

	2011	2010
Other loans receivable	$ 452,145	$ 245,038
Prepaid expenses	55,803	34,584
	$ 507,948	$ 279,622

Note 9. Unrestricted Net Assets

The Board of Directors has designated certain unrestricted net assets, as follows:

	2011	2010
Community Development Funds	$ 9,724,642	$ 8,960,753
Loan Loss Reserve Funds	4,226,294	4,927,334
	$ 13,950,936	$ 13,888,087

The Community Development Funds are used at management's discretion in the promotion of the Corporation's mission in the form of grants or low-interest loans. The outstanding loans from this fund were $1,596,852 and $1,081,015 at September 30, 2011 and 2010, respectively, and are included in loans.

The Community Development Funds are funded by the Community Development Financial Institutions (CDFI) Fund grants and the Corporation’s operating surplus. CDFI grants of $6,000,000 have been awarded to the Corporation, to be used to augment and expand the Corporation's neighborhood preservation grant programs. This year the CDFI granted CIC $750,000 to assist in its mission to preserve affordable housing.

Note 9. Unrestricted Net Assets (Continued)

Included in the Loan Loss Reserve Funds as of September 30, 2011 and 2010, was $1,134,148 and $1,461,949, respectively, which was set aside as a reserve in connection with the 2003 sale of certain mortgage loans as specified in the sale agreement. Losses cannot exceed the amount in the reserve. The Corporation recognized a loss on this portfolio of $384,577 and $294,359 for the years ended September 30, 2011 and 2010, respectively.

Note 10. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of:

	2011	2010
TIF/NIP City of Chicago Grant Funds	$ 1,007,977	$ 1,007,977
Energy Savers City of Chicago Grant Fund	34,709	492,004
SRO City of Chicago Grant Fund	362,162	362,162
IHDA Community Grant Fund	180,000	11,000
TIF/Midwest City of Chicago Grant Fund	4,682	4,682
DOE Grant Energy Loan Guarantee Fund	1,000,000	1,000,000
	$ 2,589,530	$ 2,877,825

The TIF/NIP City of Chicago Grant Fund was created with a grant from the Department of Housing of the City of Chicago. These are matching grant funds provided to owners of multi-family properties in designated Chicago neighborhoods in accordance with the grant guidelines.

The Energy Savers Grant Fund was created with a grant from the City of Chicago. This is a $750,000 matching grant fund to provide energy efficient rehabilitation assistance to qualified owners of multi-family buildings, housing persons and families of low-moderate income. The program is designed to complement the CIC Energy Savers lending program.

The SRO City of Chicago Grant Fund was funded by a $2,000,000 grant from the Department of Housing of the City of Chicago. The goal of the program is to provide owners of single room occupancy properties with access to additional grant capital to make necessary building repairs in order to enhance the quality of life for the residents of their properties.

The IHDA Community Grant Fund received a $300,000 grant from the Illinois Affordable Housing Trust Fund in fiscal 2007. The grant is to provide matching funds for the CIC Neighborhood Outreach Fund for units occupied by low or very low income households.

The TIF/Midwest City of Chicago Grant Fund was created with a grant from the Department of Housing of the City of Chicago. This is a $1,000,000 grant provided to owners of multi-family properties in designated Chicago neighborhoods in accordance with the grant guidelines.

The City of Chicago Department of Environment (DOE) funded a grant to the Corporation from an Energy Efficiency and Conservation Block Grant from the United States Department of Energy in the year ended September 30, 2010. It is a $1,000,000 grant to guarantee energy retrofit loans originated by the Corporation. The grant enabled the Corporation to access low interest long-term funds to expand its energy loan programs.

Note 10. Temporarily Restricted Net Assets (Continued)

Changes in temporarily restricted net assets consisted of:

	2011	2010
Government grants received	$ 181,000	$ 1,250,000
Release of restrictions - Grant funds expended	(469,295)	(762,387)
Increase (decrease) in temporarily restricted net assets	(288,295)	487,613
Temporarily restricted net assets		
Beginning of year	2,877,825	2,390,212
End of year	$ 2,589,530	$ 2,877,825

Expenditures for TIF/NIP City of Chicago Grant Fund were $0 and $57,391 as of September 30, 2011 and 2010, respectively. Expenditures for Energy Savers City of Chicago Grant Fund were $457,295 and $257,996 as of September 30, 2011 and 2010, respectively. Expenditures for IHDA Community Grant Fund were $12,000 and $447,000 as of September 30, 2011 and 2010, respectively.

Note 11. Employee Benefit Plans

The Corporation maintains a 401(k) defined-contribution employee benefit plan covering substantially all of its employees. Total expense relating to the plan was approximately $192,000 and $151,400 during fiscal years 2011 and 2010, respectively. Under the plan, the Corporation makes annual contributions on behalf of each eligible employee in the amount of 6 percent of the employee's annual compensation. In addition, eligible employees may contribute to the plan through payroll deferrals, which the Corporation then matches with an amount equal to 1 percent of the salary deferral for every 2 percent of the deferral by the employee, up to a maximum of 2 percent.

Note 12. Lease Commitments

The Corporation leases office space under a noncancelable lease expiring in 2020. The agreement provides for increased annual rental payments and rent adjustments for increases in building operating expenses and taxes. At September 30, 2011, the future minimum rental payments under the lease were as follows:

2012	$ 214,248
2013	219,936
2014	225,624
2015	231,312
2016	237,000
Thereafter	960,798
	$ 2,088,918

Note 13. Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Techniques that are consistent with the market approach, the income approach and/or the cost approach should be used in the determination of fair value. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, there is a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

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

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

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

A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

<u>Assets and Liabilities Recorded at Fair Value on a Recurring Basis</u>

At September 30, 2011 and 2010, Community Investment Corporation has no assets or liabilities recorded at fair value on a recurring basis.

<u>Assets and Liabilities Recorded at Fair Value on a Nonrecurring Basis</u>

Community Investment Corporation may be required, from time to time, to measure certain assets and liabilities at fair value on a nonrecurring basis in accordance with generally accepted accounting principles.

Impaired loans: Impaired and other problem loans are evaluated and valued at the time the loan is identified as impaired, at the lower of cost or value, less estimated costs to sell. For loans included in the RAL, the maximum loss in the Investor Restricted Reserve is considered when determining the aggregate amount of loss. Fair value is a measure based on the value of the collateral, generally real estate, securing these loans and is classified at a Level 3 in the fair value hierarchy. Appraised values may be discounted based on management's historical knowledge, changes in market conditions from the time of valuation, and/or management's expertise. At September 30, 2011 and 2010, there were $2,048,585 and $2,910,294 in impaired loans valued at $740,585 and $2,203,595, respectively, using Level 3 inputs.

Real estate held for sale: Real estate held for sale is carried at the lower of cost or fair value, less estimated costs to sell. Any valuation adjustments required at the date of transfer are charged to the allowance for loan losses. The fair value of real estate held for sale is estimated using Level 3 inputs based on customized discounts from appraised values. At September 30, 2011 and 2010, there were $1,993,582 and $2,275,868 of real estate held for sale, valued at $1,598,583 and $1,630,868, respectively, using Level 3 inputs.

Note 13. Fair Value Measurements (Continued)

Disclosure of fair value information about financial instruments, whether or not recognized in the statements of financial condition is required. Certain financial instruments and all nonfinancial instruments are excluded from the disclosure requirements. Accordingly, the total fair value amounts presented do not represent the underlying value of the Corporation.

The following methods and assumptions were used by the Corporation in estimating its fair value disclosures for financial instruments:

Cash and restricted cash: The carrying amounts reported in the consolidated statements of financial condition for these instruments approximate their fair values.

Resource Apartment Lending Program mortgage and other loans: These financial instruments are variable rate loans that reprice periodically. Because the Corporation is not required to remit delinquent principal and interest payments to the investors, it does not have any credit risk in its portfolio. Accordingly, the carrying amounts reported in the consolidated statements of financial condition for these instruments approximate their fair values.

Real estate held for sale: Real estate held for sale approximates the fair market value of the collateral, based on appraisals done by the Corporation or other qualified firms.

Notes payable: These financial instruments are primarily variable rate notes whose price is tied directly to the yield obtained on the Resource Apartment Lending Program mortgage loans. Because the loans are variable rate loans that reprice periodically, the carrying amounts reported in the consolidated statements of financial condition for these instruments approximate their fair values.

Accrued interest: The carrying amounts of accrued interest receivable and payable approximate their fair values.