

Mile High Community Loan Fund, Inc.

Financial Statements

December 31, 2007 and 2006

(With Independent Auditor's Report Thereon)

Independent Auditor's Report

**Board of Directors
Mile High Community Loan Fund, Inc.:**

We have audited the accompanying statements of financial position of Mile High Community Loan Fund, Inc. (the Fund) as of December 31, 2007 and 2006, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mile High Community Loan Fund, Inc. as of December 31, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Kundinger, Corder & Engle, P.C.

April 17, 2008

Mile High Community Loan Fund, Inc.
Statements of Financial Position
December 31, 2007 and 2006

	2007	2006
Assets:		
Current assets:		
Cash and cash equivalents	\$ 31,559	427,572
Short-term investments (note 3)	3,895,290	3,119,231
Accrued interest receivable	31,206	79,403
Contributions receivable (note 2)	50,000	75,000
Loans receivable, less loan loss reserve of \$190,129 and \$399,239 (note 4)	3,708,915	3,594,358
Total current assets	<u>7,716,970</u>	<u>7,295,564</u>
Noncurrent assets:		
Contributions receivable (note 2)	50,000	100,000
Loans receivable, less loan loss reserve of \$217,974 and \$23,050 (note 4)	1,314,764	977,950
Foreclosed property held for sale (note 4)	690,000	1,000,000
Other assets	3,959	5,103
Restricted cash	22,565	-
Furniture and equipment, net of accumulated depreciation of \$20,360 and \$20,360	15,040	-
Total noncurrent assets	<u>2,096,328</u>	<u>2,083,053</u>
Total assets	<u>\$ 9,813,298</u>	<u>9,378,617</u>
Liabilities and Net Assets:		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 29,292	40,074
Interest payable	8,501	1,167
Total current liabilities	<u>37,793</u>	<u>41,241</u>
Noncurrent liabilities:		
Escrow deposits payable	22,565	-
Notes payable (note 6)	2,475,000	1,725,000
Other liabilities (note 7)	2,950,000	2,350,000
Total noncurrent liabilities	<u>5,447,565</u>	<u>4,075,000</u>
Total liabilities	<u>5,485,358</u>	<u>4,116,241</u>
Net assets:		
Unrestricted:		
Designated - loan capital (note 8)	3,855,013	4,697,709
Designated - operating reserve (note 8)	322,927	314,889
Undesignated	100,000	149,778
Total unrestricted net assets	<u>4,277,940</u>	<u>5,162,376</u>
Temporarily restricted (note 9)	<u>50,000</u>	<u>100,000</u>
Total net assets	<u>4,327,940</u>	<u>5,262,376</u>
Commitments and contingencies (notes 4, 6, 7, and 10)		
Total liabilities and net assets	<u>\$ 9,813,298</u>	<u>9,378,617</u>

See accompanying notes to financial statements.

Mile High Community Loan Fund, Inc.
Statement of Activities
Year Ended December 31, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue, gains and support:			
Grants and contributions	\$ 101,841	-	101,841
Loan fees	62,526	-	62,526
Interest income on loans	330,648	-	330,648
Net investment income	181,832	-	181,832
Miscellaneous income	400	-	400
Recovery of loan loss	100,488	-	100,488
Net assets released from restrictions due to satisfaction of expenditure requirements	<u>50,000</u>	<u>(50,000)</u>	<u>-</u>
Total revenue, gains and support	<u>827,735</u>	<u>(50,000)</u>	<u>777,735</u>
Expenses:			
Program services:			
Loan program:			
Provision for loan loss reserve	925,233	-	925,233
Other loan program services	578,857	-	578,857
Total loan program services	<u>1,504,090</u>	<u>-</u>	<u>1,504,090</u>
Technical assistance	9,902	-	9,902
Total program services	<u>1,513,992</u>	<u>-</u>	<u>1,513,992</u>
Supporting services:			
Management and general	115,516	-	115,516
Fundraising	82,663	-	82,663
Total supporting services	<u>198,179</u>	<u>-</u>	<u>198,179</u>
Total expenses	<u>1,712,171</u>	<u>-</u>	<u>1,712,171</u>
Change in net assets	(884,436)	(50,000)	(934,436)
Net assets, beginning of year	<u>5,162,376</u>	<u>100,000</u>	<u>5,262,376</u>
Net assets, end of year	<u>\$ 4,277,940</u>	<u>50,000</u>	<u>4,327,940</u>

See accompanying notes to financial statements.

Mile High Community Loan Fund, Inc.
Statement of Activities
Year Ended December 31, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue, gains and support:			
Grants and contributions	\$ 138,425	100,000	238,425
Loan fees	30,185	-	30,185
Interest income on loans	286,914	-	286,914
Net investment income	140,630	-	140,630
Miscellaneous income	126	-	126
Net assets released from restrictions due to satisfaction of expenditure requirements	<u>25,000</u>	<u>(25,000)</u>	<u>-</u>
Total revenue, gains and support	<u>621,280</u>	<u>75,000</u>	<u>696,280</u>
Expenses:			
Program services:			
Loan program:			
Provision for loan loss reserve	130,606	-	130,606
Other loan program services	<u>295,082</u>	<u>-</u>	<u>295,082</u>
Total loan program services	425,688	-	425,688
Technical assistance	<u>12,084</u>	<u>-</u>	<u>12,084</u>
Total program services	<u>437,772</u>	<u>-</u>	<u>437,772</u>
Supporting services:			
Management and general	96,679	-	96,679
Fundraising	<u>44,776</u>	<u>-</u>	<u>44,776</u>
Total supporting services	<u>141,455</u>	<u>-</u>	<u>141,455</u>
Total expenses	<u>579,227</u>	<u>-</u>	<u>579,227</u>
Change in net assets	42,053	75,000	117,053
Net assets, beginning of year	<u>5,120,323</u>	<u>25,000</u>	<u>5,145,323</u>
Net assets, end of year	<u>\$ 5,162,376</u>	<u>100,000</u>	<u>5,262,376</u>

See accompanying notes to financial statements.

Mile High Community Loan Fund, Inc.
Statement of Functional Expenses
Year Ended December 31, 2007

	<u>Program Services</u>			<u>Supporting Services</u>			<u>Total Expenses</u>
	<u>Loan Program</u>	<u>Technical Assistance</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fund-raising</u>	<u>Total Supporting Services</u>	
Expenses:							
Salaries	\$ 85,525	7,258	92,783	52,340	60,587	112,927	205,710
Benefits	14,369	1,219	15,588	8,974	10,179	19,153	34,741
Provision for loan loss reserves	925,233	-	925,233	-	-	-	925,233
Impairment of foreclosed asset	310,000	-	310,000	-	-	-	310,000
Interest expense	108,852	-	108,852	-	-	-	108,852
Professional services	9,116	49	9,165	31,477	410	31,887	41,052
Occupancy	7,153	607	7,760	4,467	5,067	9,534	17,294
Advertising and marketing	-	-	-	4,700	-	4,700	4,700
Travel	3,836	-	3,836	-	-	-	3,836
Computer expense	5,483	263	5,746	1,932	2,192	4,124	9,870
Insurance expense	-	-	-	3,114	-	3,114	3,114
Membership and subscriptions	1,193	101	1,294	745	845	1,590	2,884
Office supplies	1,268	108	1,376	792	898	1,690	3,066
Printing and copying	87	7	94	204	62	266	360
Training	1,366	15	1,381	110	125	235	1,616
Real property taxes	21,809	-	21,809	-	-	-	21,809
Other	8,800	275	9,075	6,661	2,298	8,959	18,034
Total expenses	\$ 1,504,090	9,902	1,513,992	115,516	82,663	198,179	1,712,171

See accompanying notes to financial statements.

Mile High Community Loan Fund, Inc.
Statement of Functional Expenses
Year Ended December 31, 2006

	<u>Program Services</u>			<u>Supporting Services</u>			<u>Total Expenses</u>
	<u>Loan Program</u>	<u>Technical Assistance</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fund-raising</u>	<u>Total Supporting Services</u>	
Expenses:							
Salaries	\$ 83,831	8,801	92,632	42,083	32,612	74,695	167,327
Benefits	11,960	1,256	13,216	6,004	4,653	10,657	23,873
Provision for loan loss reserves	130,606	-	130,606	-	-	-	130,606
Interest expense	92,595	-	92,595	-	-	-	92,595
Professional services	51,517	159	51,676	29,636	590	30,226	81,902
Occupancy	6,694	703	7,397	3,360	2,604	5,964	13,361
Advertising and marketing	-	-	-	5,213	-	5,213	5,213
Travel	2,685	-	2,685	-	-	-	2,685
Computer expense	9,237	-	9,237	-	-	-	9,237
Insurance expense	-	-	-	1,716	-	1,716	1,716
Membership and subscriptions	1,348	142	1,490	677	525	1,202	2,692
Office supplies	1,391	146	1,537	698	541	1,239	2,776
Printing and copying	887	93	980	445	345	790	1,770
Training	1,218	128	1,346	611	474	1,085	2,431
Real property taxes	23,874	-	23,874	-	-	-	23,874
Other	5,580	418	5,998	5,099	1,552	6,651	12,649
Depreciation	2,265	238	2,503	1,137	880	2,017	4,520
Total expenses	\$ 425,688	12,084	437,772	96,679	44,776	141,455	579,227

See accompanying notes to financial statements.

Mile High Community Loan Fund, Inc.
Statement of Cash Flows
Years Ended December 31, 2007 and 2006

	2007	2006
Cash flows from operating activities:		
Change in net assets	\$ (934,436)	117,053
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	-	4,520
Provision for loan loss	925,233	130,606
Impairment of foreclosed asset	310,000	-
Recovery of loan loss	(85,800)	-
Decrease (increase) in operating assets:		
Accrued interest receivable	48,197	79,468
Contributions receivable	75,000	(150,000)
Other assets	1,144	(3,740)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	(10,782)	39,387
Interest payable	7,334	(13,333)
Net cash provided by operating activities	335,890	203,961
Cash flows from investing activities:		
Loan payments received	3,388,878	4,924,493
Loans disbursed	(4,679,682)	(4,989,986)
Purchases of furniture and equipment	(15,040)	-
Net change in investments	(776,059)	(200,937)
Net cash used in investing activities	(2,081,903)	(266,430)
Cash flows from financing activities:		
Proceeds from notes payable	750,000	-
Proceeds from other liabilities	600,000	500,000
Repayments of notes payable	-	(50,000)
Net cash provided by financing activities	1,350,000	450,000
Net (decrease) increase in cash and cash equivalents	(396,013)	387,531
Cash and cash equivalents, beginning of year	427,572	40,041
Cash and cash equivalents, end of year	\$ 31,559	427,572
Noncash investing and financing activities:		
In 2006, the Fund acquired real estate property with a carrying amount of \$1,000,000 through foreclosure of the related loan.		
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	\$ 101,458	100,890

See accompanying notes to financial statements.

Mile High Community Loan Fund, Inc.

Notes to Financial Statements

December 31, 2007 and 2006

(1) Summary of Significant Accounting Policies

(a) General

The Mile High Community Loan Fund, Inc. (the Fund), formerly known as Mile High Housing Fund, Inc., was established in 1999 as a private, not-for-profit community development financial institution (CDFI). The Fund's mission is to invest in affordable housing and other assets to improve economic opportunities of low income persons and communities.

In 2007, the Fund volunteered to participate in CARS, the CDFI Assessment Rating System, a comprehensive, third-party (Opportunity Finance Network, the CDFI National Trade Association) analysis of community development financial institutions that is designed to aid investors and donors in their decision making. CARS uses a comprehensive methodology, including on-site visits to rate CDFIs in the areas of Impact Performance and Financial Strength and Performance. The Financial Strength and Performance Rating uses a CAMEL (Capital, Assets, Management, Earnings, Liquidity) analysis to assess overall credit worthiness. The Fund was awarded an 'A3' rating. The rating equates to satisfactory or above in all the categories of assessment.

(b) Basis of Accounting

The accompanying financial statements of the Fund have been prepared on the accrual basis of accounting, and accordingly reflect all significant receivables, payables, and other liabilities.

(c) Financial Statement Presentation

Financial statement presentation follows the requirements of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards ("SFAS") No. 117, *Financial Statements of Not-For-Profit Organizations*. Under SFAS No. 117, the Fund is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. There are no permanently restricted net assets at December 31, 2007 and 2006.

(d) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Mile High Community Loan Fund, Inc.

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(e) Contributions and Contributions Receivable

The Fund accounts for contributions in accordance with the requirements of the Financial Accounting Standards Board in SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Unconditional contributions receivable are recognized as revenues in the period the promise is received. Conditional contributions receivable are recognized when the conditions on which they depend are substantially met.

(f) Cash and Cash Equivalents

The Fund considers all unrestricted highly liquid investments with an original maturity of three months or less, and which are not held as part of an investment portfolio, to be cash equivalents. Restricted cash, which is required to be kept in a separate bank account, are escrow deposits received from certain borrowers for insurance and property taxes.

(g) Furniture and Equipment

Furniture and equipment is stated at cost or, if donated, at the fair market value at the date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets ranging from three to five years. The Fund capitalizes all fixed asset purchases over \$2,500 with an estimated useful life of three years or more.

(h) Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are stated at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the statement of activities.

Mile High Community Loan Fund, Inc.

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(i) Concentrations of Credit Risk

Financial instruments which potentially subject the Fund to concentrations of credit risk consist of cash accounts, money market accounts and certificates of deposit which may, during the year, exceed the federally insured limit set by the Federal Deposit Insurance Corporation (FDIC) and the Securities Investor Protection Corporation (SIPC). The Fund reduces credit risk by placing its cash, money market accounts and certificates of deposit with creditworthy, high quality financial institutions.

The Fund provides financing to affordable housing and nonprofit facility developers. Concentrations of credit risk with respect to loans receivable is limited due to the Fund's loan policies which set a maximum loan size for each loan and also limits the total amount loaned to a borrower.

(j) Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(k) Income Tax Status

The Fund is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and it qualifies for the charitable contribution deduction. However, income from activities not directly related to its tax-exempt purpose is subject to taxation as unrelated business income.

(2) Contributions Receivable

Contributions receivable consist of amounts due for current and future operations and are due as follows:

Less than one year	\$ 50,000
One to five years	<u>50,000</u>
	\$ <u>100,000</u>

Amounts due in more than one year have not been discounted to present value since the effect would not be significant. All contributions receivable are considered to be collectible.

Mile High Community Loan Fund, Inc.

Notes to Financial Statements, Continued

(3) Short-Term Investments

Short-term investments are stated at fair value and consist of the following at December 31:

	<u>2007</u>	<u>2006</u>
Money market funds	\$ 3,020,101	2,235,459
Certificates of deposit	<u>875,189</u>	<u>883,772</u>
	<u>\$ 3,895,290</u>	<u>3,119,231</u>

All investment income consists of interest income and totaled \$181,832 and \$140,630 for 2007 and 2006, respectively.

(4) Loans Receivable

Loans receivable consist of simple interest loans to not-for-profit and for-profit developers for predevelopment, acquisition, bridge, construction and mini-perm costs of affordable housing and other community assets for low income individuals and families. Interest rates range from 4% to 10% per annum. The majority of the loans receivable are due in one year or less. At December 31, 2007, loans receivable maturities were as follows:

<u>Year Ended</u> <u>December 31,</u>	
2008	\$ 3,899,044
2009	691,833
2010	358,403
2011	-
2012	<u>482,502</u>
	5,431,782
Less loan loss reserve	<u>(408,103)</u>
	<u>\$ 5,023,679</u>

All loans are secured by certain property specified in the related loan documents.

A committee approved by the Board of Directors meets regularly throughout the year to approve new loans, review existing loans, and assess the risk of those loans. The loan loss reserve is based on this risk assessment, which considers the following: collectibility of the loans based on past experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of the 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. Loans are considered delinquent depending on the contractual terms.

Mile High Community Loan Fund, Inc.

Notes to Financial Statements, Continued

(4) Loans Receivable, continued

A summary of the activity in the allowance for loan losses for the year ended December 31, 2007 is as follows:

Balance, beginning of year	\$ 422,289
Provision charged to operations	880,814
Loan charged off	(895,000)
Balance, end of year	\$ <u>408,103</u>

One loan totaling \$895,000 was charged off during the year. Because the Fund is in third position on the property and due to the current real estate market, the Fund determined that this loan is unlikely to be recovered. However, the Fund continues to vigorously pursue recovery of the loan from the borrower, exercising its rights under the loan agreement and applicable laws.

Another loan which was delinquent at December 31, 2005 was put into foreclosure in 2006. In February 2007, the Fund negotiated a loan loss recovery settlement with the borrower. The borrower paid \$12,500 in cash and signed a secured promissory note for \$85,800 at a 5% interest rate. Both principal and accrued interest are due on February 7, 2017. Additionally, the Fund was the successful bidder on the property at the foreclosure sale and received the deed to the vacant land in August 2006. The Fund is actively trying to sell this property. In accordance with Statement of Financial Accounting Standards ("SFAS") No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, the carrying amount of foreclosed assets classified as held for sale should be based on its fair value less the costs to sell at the acquisition date. Based on the most recent appraisal less the current estimated costs to sell the property, the foreclosed property is reflected on the statement of financial position as of December 31, 2007 at \$690,000, which is a decrease of \$310,000 from the original value of \$1,000,000 recorded at December 31, 2006. A decline in the current real estate market is the cause for the impairment of this property, and thus an impairment loss of \$310,000 has been recorded on the 2007 statement of activities. As of January 4, 2008, the property is under contract; however, the sale is contingent upon several factors, including the buyer obtaining affordable housing tax credits.

At December 31, 2007, the Fund has an outstanding loan receivable with another not-for-profit organization, which the Fund provides 60.9% or \$780,000 of the original financing on a loan. The Fund also participates in another loan with a not-for-profit organization, which the Fund provides 33.55% or \$470,000 of the original loan financing. At December 31, 2006 the Fund had an outstanding loan receivable with another not-for-profit organization that has provided 20.4% or \$200,000 of the original financing on the loan. This loan was paid off in 2007. Only the Fund's share of these loans is recorded on the statement of financial position.

The Fund has no outstanding loan commitments to borrowers at December 31, 2007.

Mile High Community Loan Fund, Inc.

Notes to Financial Statements, Continued

(4) Loans Receivable, continued

The Fund's board of directors includes a manager at the Lakewood Housing Authority, which has an outstanding loan receivable with the Fund.

(5) Below Market Interest Rate Loans

Generally accepted accounting principles require not-for-profit organizations to record interest expense (income) and contribution revenue (expense) in connection with loans that are interest free or that have below-market interest rates. The Fund believes there is no material difference between community development finance market rates and the stated rates of loans in the Fund's portfolio. Consequently no adjustments have been made to the financial statements to reflect rate differentials.

(6) Notes Payable

Notes payable consists of the following at December 31:	<u>2007</u>	<u>2006</u>
Unsecured loan from the Lakewood Housing Authority with 0% interest with unpaid principal balance due January 7, 2011	\$ 50,000	50,000
Unsecured loan from the City of Arvada with 0% interest with unpaid principal balance due January 7, 2010	75,000	75,000
Unsecured loan from the City of Englewood with 0% interest with unpaid principal balance due January 7, 2011	50,000	50,000
Unsecured loan from the City of Boulder with 0% interest with unpaid principal balance due January 5, 2011	50,000	50,000
Unsecured loan from Colorado Housing and Finance Authority with 2% interest which is paid quarterly; the unpaid principal balance and accrued interest is due December 1, 2010	1,500,000	1,500,000
Unsecured loan from Calvert Social Investment Foundation with 4.5% interest which is paid semi-annually; the unpaid principal balance and accrued interest is due June 30, 2012	250,000	-
Unsecured loan from Seedco Financial Services, Inc. with 6 month LIBOR minus .89 percentage points variable rate interest (4.02% at 12/31/07) which is paid quarterly; the unpaid principal balance and accrued interest is due September 27, 2012	<u>500,000</u>	<u>-</u>
	\$ <u>2,475,000</u>	<u>1,725,000</u>

Mile High Community Loan Fund, Inc.

Notes to Financial Statements, Continued

(6) Notes Payable, Continued

As of December 31, 2007, required future annual principal payments are as follows:

Year Ended <u>December 31,</u>	
2008	\$ -
2009	-
2010	1,575,000
2011	150,000
2012	<u>750,000</u>
	\$ <u>2,475,000</u>

Performance Covenants

The Fund is required to meet certain performance covenants as specified in the individual note agreements, including, among other requirements, maintaining: a specified minimum unrestricted net asset balance, specified loan to loan capital ratios, and specified capital deployment rates.

At December 31, 2007, the Fund was in compliance with all loan covenants and reporting requirements.

(7) Other Liabilities

“Other liabilities” is comprised of equity equivalent investments. An equity equivalent investment has an indefinite term and is fully subordinate to all other Fund liabilities. Following is a summary of the equity equivalent investments at December 31:

<u>Lender</u>	<u>Repayment terms</u>	<u>Interest rate</u>	<u>2007</u>	<u>2006</u>
U.S. Bancorp Community Development Corporation	Quarterly interest only	2%	\$ 1,000,000	1,000,000
KeyBank National Association	Quarterly interest only	4%	350,000	350,000
Wells Fargo Community Development Corporation	Quarterly interest only	2%	1,000,000	1,000,000
Bank of the West	Quarterly interest only	2%	500,000	-
Horizon Bank	Quarterly interest only	3%	<u>100,000</u>	<u>-</u>
			\$ <u>2,950,000</u>	<u>2,350,000</u>

Mile High Community Loan Fund, Inc.

Notes to Financial Statements, Continued

(7) Other Liabilities, Continued

Performance Covenants

In connection with its \$350,000 financing from KeyBank National Association, the Fund must meet certain performance covenants, including the requirement for the Fund to maintain: a minimum equity base of no less than \$2,000,000 and subordinated debt not above 80% of the Fund's loan capital. In addition, the Fund agrees to not commit to or provide any new loans if their net asset balance is less than \$1,250,000, to not allow its ratio of loans payable to net asset balance to exceed 3 to 1, and to maintain a loan loss reserve in accordance with the Fund's loan loss reserve policy. At December 31, 2007, the Fund was in compliance with all covenants and reporting requirements.

Line of Credit

In May 2006, Enterprise Community Loan Fund provided the Fund with a \$2,000,000 unsecured line of credit with a maturity date of May 11, 2008. The interest rate on this line of credit is 5% for the first twelve months and increases to 5.5% thereafter. In June 2007, Fannie Mae provided the Fund with a \$1,000,000 unsecured line of credit with a maturity date of June 18, 2011. The interest rate on this line of credit is variable based on the three month LIBOR rate plus 20 basis points, which was at 5.33% at December 31, 2007. No amounts were outstanding under either of these lines of credit agreements at December 31, 2007 or 2006.

Subsequent Financing

In February 2008, the Fund received a \$300,000 unsecured loan from Wachovia Bank, with 2% interest which is payable quarterly with the unpaid principal and accrued interest due on January 31, 2015.

Other

The Fund's board of directors include: an officer of Wells Fargo, an officer of KeyBank, an officer with Enterprise Community Partners, a manager with the Colorado Housing and Finance Authority, a manager with Lakewood Housing Authority, and a manager with the City of Boulder Housing and Community Development.

(8) Designations of Unrestricted Net Assets

At December 31, 2007, a portion of unrestricted net assets totaling \$3,855,013 has been designated by the board of directors for lending activities. The board has also designated \$322,927 for an operating reserve which is based on six months of budgeted operating expenses for the subsequent year.

(9) Restrictions on Net Assets

At December 31, 2007 temporarily restricted net assets consisted of contributions receivable for future operations.

Mile High Community Loan Fund, Inc.

Notes to Financial Statements, Continued

(10) Operating Leases

The Fund leases its office space under a non-cancelable operating lease agreement which expires on August 31, 2011. Future minimum lease payments required under this operating lease are as follows:

2008	\$ 15,028
2009	15,991
2010	17,171
2011	<u>11,994</u>
	\$ <u>60,184</u>

Rent expense was \$14,486 and \$13,361 for the years ended December 31, 2007 and 2006, respectively.