COMMUNITY LOAN FUND OF NEW JERSEY, INC. AND SUBSIDIARIES

Consolidated Financial Statements
and Supplementary Schedules

September 30, 2013

(With Independent Auditors' Report Thereon)

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and Supplementary Schedules

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KPMG LLP
New Jersey Headquarters
51 John F. Kennedy Parkway
Short Hills, NJ 07078-2702

Independent Auditors' Report

The Board of Directors
Community Loan Fund of New Jersey, Inc. and Subsidiaries:

We have audited the accompanying consolidated financial statements of Community Loan Fund of New Jersey, Inc. and Subsidiaries (the Organization), which comprise the consolidated statement of financial position as of September 30, 2013, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Community Loan Fund of New Jersey, Inc. and Subsidiaries as of September 30, 2013, and the changes in their net assets and their cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included in the schedules is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

January 31, 2014

COMMUNITY LOAN FUND OF NEW JERSEY, INC. AND SUBSIDIARIES

Consolidated Statement of Financial Position

September 30, 2013

Assets

Cash and cash equivalents	$	9,346,477
Accrued interest and dividends receivable		371,761
Investments (note 8)		19,584,752
Grants receivable		1,497,000
Loans receivable, net of allowance for uncollectible loans of $2,060,000 (notes 4, 5 and 16)		37,698,040
Purchased credit impaired loans held for investment (note 6)		1,627,641
Real property held for sale		9,978,387
Program-related investments (note 7)		4,938,815
Fixed assets, net (note 9)		4,654,982
Other assets (note 10)		2,538,062
	$	92,235,917

Liabilities and Net Assets

Liabilities:		
Accounts payable	$	584,413
Unearned fee income		255,858
Accrued interest payable		216,399
Funds held in trust, escrows, and other (note 12)		8,312,100
Long-term debt (note 13):		
Notes payable		49,293,135
Subordinated notes payable		2,000,000
Mortgage payable		3,098,935
Total long-term debt		54,392,070
Total liabilities		63,760,840
Net assets:		
Unrestricted (note 3):		
Community Loan Fund of New Jersey and subsidiaries		16,760,003
Noncontrolling interests in subsidiaries		458,076
Total unrestricted net assets		17,218,079
Temporarily restricted (notes 11 and 14)		10,806,998
Permanently restricted (notes 11 and 14)		450,000
Total net assets		28,475,077
Total liabilities and net assets	$	92,235,917

See accompanying notes to consolidated financial statements.

COMMUNITY LOAN FUND OF NEW JERSEY, INC. AND SUBSIDIARIES

Consolidated Statement of Activities

Year ended September 30, 2013

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating revenues, gains, and other support:				
Interest from loans receivable	$ 2,849,423	—	—	2,849,423
Investment interest and dividends	245,914	25,604	—	271,518
Total investment income	3,095,337	25,604	—	3,120,941
Interest expense	(1,776,209)	—	—	(1,776,209)
Net investment income	1,319,128	25,604	—	1,344,732
Provision for loan losses, net (note 5)	(715,616)	—	—	(715,616)
Net investment income after provision for loan losses	603,512	25,604	—	629,116
Contributions, gifts, and grants (note 11)	2,574,404	1,797,000	100,000	4,471,404
Fees	1,466,123	779	—	1,466,902
Gain on sale of real property held for sale	385,919	—	—	385,919
Net assets released from restrictions	1,462,266	(1,462,266)	—	—
Total operating revenues, gains, and other support	6,492,224	361,117	100,000	6,953,341
Operating expenses:				
Program services	3,656,148	—	—	3,656,148
Supporting services:				
Management and general	506,017	—	—	506,017
Fundraising	307,986	—	—	307,986
Total supporting services	814,003	—	—	814,003
Total operating expenses	4,470,151	—	—	4,470,151
Changes in net assets before nonoperating revenues (expenses) and gains (losses)	2,022,073	361,117	100,000	2,483,190
Nonoperating revenues (expenses) and gains (losses):				
Rental income of $1,678,764, net of rental expenses of $1,852,861	(174,097)	—	—	(174,097)
Gain from insurance recoveries, net of write-offs	810,367	—	—	810,367
Contributions from noncontrolling interests	616	—	—	616
Realized gain on investments	76,441	—	—	76,441
Unrealized gain (loss) on investments	681,904	(104,948)	—	576,956
Total nonoperating income (loss)	1,395,231	(104,948)	—	1,290,283
Increase in net assets	3,417,304	256,169	100,000	3,773,473
Net assets, beginning of year	13,800,775	10,550,829	350,000	24,701,604
Net assets, end of year	$ 17,218,079	10,806,998	450,000	28,475,077

See accompanying notes to consolidated financial statements.

COMMUNITY LOAN FUND OF NEW JERSEY, INC. AND SUBSIDIARIES

Consolidated Statement of Cash Flows

Year ended September 30, 2013

Cash flow from operating activities:	
Increase in net assets	$ 3,773,473
Adjustment to reconcile increase in net assets to net cash provided by operating activities:	
Contributions from noncontrolling interests reported as financing activities	(616)
Realized gain on investments	(76,441)
Unrealized gain on investments	(576,956)
Accretion of interest income	(309,668)
Provision for uncollectible loans receivable, net	715,616
Gain on sale of real property held for sale	(385,919)
Gain from insurance recoveries, net of write-offs	(810,367)
Depreciation and amortization	281,551
Changes in operating assets and liabilities:	
Accrued interest and dividends receivable	(76,961)
Grants receivable	(43,194)
Other assets	2,048,211
Accounts payable	40,450
Unearned fee income	(3,023)
Accrued interest payable	(60,223)
Funds held in trust and escrows	2,901,021
Net cash provided by operating activities	7,416,954
Cash flow from investing activities:	
Repayment of loans receivable	13,495,488
Issuance of loans receivable	(15,070,972)
Purchase of credit impaired loans	(1,317,973)
Proceeds from sale of investments	32,992,176
Purchases of investments	(32,927,624)
Purchase of program-related investments	(3,353,972)
Proceeds from sale/maturity of program-related investments	3,372
Change in restricted deposits	241,416
Purchase of servicing rights for certain loans	(150,000)
Proceeds from sale of real property held for sale	2,988,460
Purchases of real property held for sale	(5,234,396)
Insurance proceeds	1,173,652
Purchases of fixed assets	(1,455,415)
Net cash used in investing activities	(8,615,788)
Cash flow from financing activities:	
Contributions from noncontrolling interests	616
Increase in other assets	(580,598)
Payments on mortgage payable	(51,249)
Proceeds from issuance of notes payable	7,159,669
Payments on notes payable	(7,395,267)
Net cash used in financing activities	(866,829)
Net decrease in cash and cash equivalents	(2,065,663)
Cash and cash equivalents:	
Beginning of year	11,412,140
End of year	$ 9,346,477
Supplemental disclosure of cash flow information:	
Cash paid during year for interest	$ 1,836,432
Noncash:	
In-kind donations	$ 280,000

See accompanying notes to consolidated financial statements.

(1) Organization

New Jersey Community Capital is the registered trade name utilized by Community Loan Fund of New Jersey, Inc. and its subsidiaries (the Organization) for its financial products, consulting services, and affordable housing preservation and development services.

Community Loan Fund of New Jersey, Inc.

Community Loan Fund of New Jersey, Inc. (CLFNJ) was formed for the purpose of providing capital and technical assistance in order to build the economic self-sufficiency of low-income individuals and communities.

CLFNJ is the sole member of Community Asset Preservation Corporation (CAPC), Community Lending Partners of New Jersey, Inc. (Lending Partners), National Community Capital, LLC (NCC), National Community Capital II, LLC (NCC II), and NCC Holdings, LLC (NCC Holdings). Lending Partners is the sole member of Teen Street Preservation, LLC (Teen Street). Additionally, CLFNJ owns the majority of the voting shares of University Ventures, Inc. (University Ventures) and Hamilton East Associates, LLC (Hamilton East). These entities are consolidated in the Organization's consolidated financial statements.

CLFNJ has a 51.72% noncontrolling interest in Operation Neighborhood Recovery and is accounted for using the equity method.

CLFNJ has a 24.44% interest in NJCC Hurricane Sandy Fund 1, LLC (Hurricane Sandy Fund) and a 25.9% interest in NJCC Fund 1, LLC (NJCC Fund 1) and therefore, accounts for these investments using the equity method.

CLFNJ has formed the following special purpose entities (SPEs): Community Equity Fund of New Jersey I, LLC; NJCC CDE FOT LLC; NJCC CDE UVS LLC; NJCC CDE RBS LLC; NJCC CDE I LLC; and NJCC CDE II LLC (collectively, NMTC I); NJCC Irvington Avenue, LLC, NJCC CDE Washington Place, LLC; NJCC CDE Essex LLC; NJCC CDE Mercer LLC, and NJCC CDE Newark LLC (collectively, NMTC II); and NJCC CDE Trenton LLC (NMTC III). The SPEs are not consolidated in the Organization's consolidated financial statements. CLFNJ serves as the managing member of each of the SPEs in NMTC I, NMTC II, and NMTC III. The limited partners in the SPEs have substantive participating rights, and accordingly, the SPEs are accounted for using the equity method.

Operating Divisions

CLFNJ has aligned its operations into several operating divisions: Community Loan Fund, Proprietary Managed Assets, Third Party Managed Assets, NMTC I, II and III, University Ventures, Hamilton East, CAPC, and Restart and Restart the Shore. A discussion of each follows:

Community Loan Fund

Community Loan Fund provides financing and technical assistance to three primary sectors: housing, community services, and businesses. To maximize its impact, Community Loan Fund provides flexible and creative financing through a broad spectrum of credit offerings to customers who either lack access to capital or cannot afford the cost of capital from conventional sources.

Proprietary Managed Assets

Proprietary Managed Assets (Managed Assets) include loan pools developed by CLFNJ and targeted to specialized sectors as follows:

(a) Affordable Housing Fund

Nonprofits and community-based organizations have historically encountered difficulties associated with securing predevelopment financing. Predevelopment costs, including site control, architectural renderings, feasibility studies, and engineering and environmental reports, are capital intensive, yet vital to the success of a project. In 1997, a dedicated pool of predevelopment funds, the Affordable Housing Fund (the AHF), focused on the affordable housing sector, was created. The AHF was rolled into the Neighborhood Prosperity Fund in 2013.

(b) Neighborhood Prosperity Fund

The purpose of the Neighborhood Prosperity Fund (NPF) is to provide a permanent, flexible source of lending capital for high-impact neighborhood stabilization projects in areas of economic distress. As a revolving loan fund, the capital will be recycled for developers of such projects to continually acquire, renovate, and place troubled properties back on the market.

(c) Charter Fund

In 2007, CLFNJ received a grant from the United States Department of Education (USDOE). The purpose of the Charter Fund is to credit enhance loans, leases, and investments made on behalf of charter schools for their facility needs.

(d) Communities at Work Fund

Communities at Work Fund is used to support charter school facilities lending.

(e) ReBuild Fund

In 2013, the Organization formed the ReBuild Fund to provide quick access to low-interest capital to small businesses in New Jersey that were impacted by Hurricane Sandy.

Third Party Managed Assets

Third Party Managed Assets include loan pools administered by CLFNJ.

(a) Sustainable Employment and Economic Development Loan Program (SEED Fund)

During 2000, CLFNJ successfully submitted a proposal to manage a predevelopment loan pool for community economic development projects sponsored by nonprofit organizations and community development corporations. The program is managed on behalf of the Housing and Community Development Network of New Jersey, a trade association serving the community development corporation sector. CLFNJ services and administers the program on behalf of the Housing and Community Development Network of New Jersey.

(b) Asbury Park Urban Enterprise Zone Revolving Loan Fund

In 2003, the City of Asbury Park's Urban Enterprise Zone (UEZ) announced a revolving microloan program with certain services provided by CLFNJ. The program is established to provide low-interest-rate financial assistance of up to $25,000 to new and established companies in Asbury Park. The UEZ entered into a contractual relationship whereby CLFNJ services and administers the program on behalf of the UEZ.

(c) Bank of America Fund (BofA Fund)

In 2005, Bank of America capitalized a predevelopment loan fund for housing and real estate initiatives. The program is established to provide low-interest-rate financial assistance to nonprofit and for-profit developers looking to create and preserve affordable housing and develop real estate in low- to moderate-income communities. CLFNJ services and administers the program on behalf of Bank of America.

(d) Camden POWER (Camden Fund)

CLFNJ manages the portfolio of loans to eligible business establishments in Camden for the purpose of energy efficiency and health and life safety improvements. CLFNJ services and administers the program on behalf of the City of Camden.

(e) TICIC Portfolio

In 2013, CLFNJ purchased the rights to service a multiple participant loan portfolio originated and previously serviced by Thrift Institutions Community Investment Corporation of New Jersey (TICIC), an affiliate of the NJBankers Association.

NMTC

The Organization, through SPEs managed by CLFNJ, provides investment capital and technical assistance to companies spurring revitalization efforts in New Jersey's low-income communities historically lacking access to traditional sources of capital.

As a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the Code), and therefore, without tax liability, CLFNJ cannot itself use New Market Tax Credits (NMTCs). In order to utilize the allocation received by CLFNJ, the Organization suballocates NMTC investment authority to various Limited Liability Companies (LLCs) organized and managed by CLFNJ. These LLCs are Community Development Entities (CDEs). The Organization seeks to suballocate NMTC investment authority to CDEs that provide investments in projects that accomplish goals consistent with the mission of the Organization.

NMTC I

In 2003, CLFNJ was notified it had received a $15 million allocation of NMTCs from the United States Department of Treasury's Community Development Financial Institutions Fund in the first round of a national economic development initiative.

NMTC II

In 2009, CLFNJ was notified it had received a $35 million allocation of NMTCs from the United States Department of Treasury's Community Development Financial Institutions Fund in the seventh round of a national economic development initiative.

NMTC III

In 2013, CLFNJ received a $30 million allocation of NMTCs from the United States Department of Treasury's Community Development Financial Institutions in the eleventh round of a national economic development initiative.

University Ventures

In 2004, Community Loan Fund of New Jersey, Inc. acquired an 81.5% controlling interest in the voting common stock and a majority interest in the nonvoting common stock of University Ventures, a specialized small businesses investment company (SSBIC) licensed by the United States Small Business Administration.

University Ventures provides capital and managerial assistance to small business, specifically targeting the needs of entrepreneurs who have been denied the opportunity to own and operate a business because of social or economic disadvantage.

Hamilton East

In May 2008, CLFNJ acquired an 85% membership interest in Hamilton East, a limited liability company organized in the State of New Jersey.

Hamilton East was created to acquire, own, manage, operate, develop, improve, lease, maintain, repair, and otherwise deal in and with certain premises situated in the City of Bridgeton, New Jersey. Hamilton East owns, and has available for rent, buildings with 156 residential apartment units. Hamilton East is operating pursuant to two Section 8 contracts, numbers NJ39M000055 and NJ39M000054, which expire September 30, 2030.

CAPC

In May 2010, CLFNJ became the sole member of CAPC.

CAPC was created to negotiate bulk purchases of mortgage notes, real estate owned (REO), and other properties from financial institutions and convey the properties in smaller numbers to partnering nonprofit organizations, private institutions, local government agencies, and other partners able to rehabilitate and return the property to productive use.

ReStart and ReStart the Shore

In 2013, CLFNJ established its ReStart family of programs as an innovative home preservation initiative designed to prevent foreclosures and stabilize communities. CLFNJ won the right to purchase two pools of delinquent Federal Housing Administration (FHA) loans from the U.S. Department of Housing and Urban Development (HUD), and later was directly awarded the right to purchase an additional pool. NJCC

Fund 1 acquired a pool of 110 mortgages of properties and NCC Holdings acquired 15 mortgages of properties both located in the greater Newark, New Jersey area. CLFNJ was also engaged as a loss mitigation advisor by other purchasers of FHA loan pools. The loss mitigation services are provided by NCC II.

NCC Tampa Fund 1, LLC (Tampa Fund) acquired a pool of 119 mortgages of properties located in the greater Tampa, Florida area. CLFNJ is servicing these loans on behalf of Tampa Fund.

During 2013, CLFNJ was awarded the right to purchase a pool of 517 delinquent FHA loans related to properties located in areas of New Jersey that were impacted by Hurricane Sandy. These loans will be acquired by the Hurricane Sandy Fund in 2014.

NCC and NCC II provide investment management services to NJCC Fund 1, Tampa Fund, Hurricane Sandy Fund, and NCC Holdings.

(2) Summary of Significant Accounting Policies

The significant accounting policies followed by the Organization are described below:

(a) Accrual Basis

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting.

(b) Basis of Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met by actions of the Organization and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. All resources granted to the NeighborWorks America Revolving Loan for housing and capital projects must be maintained permanently.

(c) Principles of Consolidation

The consolidated financial statements include the accounts of CLFNJ and its wholly owned subsidiaries Lending Partners, CAPC, NCC, NCC II, and NCC Holdings, its majority owned subsidiaries, University Ventures and Hamilton East. All intercompany accounts and transactions have been eliminated in consolidation.

(d) Cash and Cash Equivalents

Cash equivalents include short-term investments with original maturities of three months or less, and include money market funds that are not maintained by the investment managers.

(e) Loans Receivable and Allowance for Uncollectible Loans Receivable

The Organization provides commercial and mortgage loans to entities that support the development, preservation, and operation of housing, community services, and businesses primarily in New Jersey. Loans receivable are stated at unpaid principal balances less an allowance for loan losses. Interest on loans is recognized over the term of the loan and is calculated using the interest method on principal amounts outstanding.

The accrual of interest on loans is discontinued when the loans are 90 days past due unless the credit is well secured and in the process of collection. Past due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual or are charged off at an earlier date if management believes, after considering economic conditions, business conditions, and collection efforts, that 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 reserved and recorded as bad debt expense. The interest on these loans is accounted for on the cash basis until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest payments contractually due are brought current and future payments are reasonably assured.

The allowance for uncollectible loans receivable 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 netted against the loan loss provision.

The allowance for uncollectible loans receivable 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.

(f) Troubled Debt Restructured (TDR) Loans

TDR loans are those loans whose terms have been modified because of deterioration of the financial condition of the borrower. The concessions made by the Organization are principally reductions in interest rate or extensions of maturities. In cases where the loan is collateral dependent, the Organization measures impairment as the difference between the loan and the fair value of the collateral (less cost to sell the collateral) based upon recent appraisals. In general, the Organization obtains appraisals annually or more frequently if economic circumstances dictate.

(g) Purchased Credit Impaired (PCI) Loans

PCI loans are initially recorded at fair value based on the transaction price with no allowance for loan loss. Under Accounting Standards Codification Subtopic 310-30, the PCI loans are aggregated and accounted for as pools of loans based on common risk characteristics. The allowance for loan losses on PCI loans is measured at each financial reporting date based on future expected cash flows. This assessment and measurement is performed at the pool level and not at the individual loan level.

Accordingly, decreases in expected cash flows resulting from further credit deterioration, on a pool basis, as of such measurement date compared to those originally estimated are recognized by recording a provision and allowance for credit losses on PCI loans. Subsequent increases in the expected cash flows of the loans in each pool would first reduce any allowance for loan losses on PCI loans; and any excess will be accreted prospectively as a yield adjustment. The analysis of expected cash flows for loan pools incorporates expected sale prices of foreclosed property less costs to sell, and estimated principal and interests on the loans prior to foreclosure. Actual cash flows could differ from those expected.

The difference between the undiscounted cash flows expected at acquisition and the investment in the PCI loans (the carrying value), or the "accretable yield," is recognized as interest income over the life of the pool of loans.

(h) Investments

The Organization records its investments in marketable securities at fair value based on quoted prices. Program-related investments are accounted for using the cost or equity methods, as appropriate.

Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the consolidated statement of financial position.

(i) Property Held for Sale

The Organization acquires certain real properties either through purchase or foreclosure which it holds, improves, repairs, and sells. Such properties are valued at the lower of cost or fair value as determined by appraisals, and are $9,978,387 at September 30, 2013.

(j) Property and Equipment

Fixed assets are carried at cost less accumulated depreciation. Contributed assets are recorded at fair value at the date of the gift. Maintenance and minor repair costs are expensed as incurred. Building, improvements, furniture, and equipment are depreciated on a straight-line basis over their estimated useful lives.

Description	Estimated life
Computers and equipment	3 years
Building and improvements	40 years

(k) Intangible Asset

As a result of an acquisition of servicing rights for certain loans in fiscal year 2013, the Organization recorded a license. The useful life of the license is 10 years and is attributable to the average remaining life of the loans the Organization will service. Amortization expense of $15,000 was recorded for the year ended September 30, 2013. The license is tested for impairment whenever events or circumstances indicate that the carrying amount of the asset may not be recoverable from undiscounted future cash flows. No impairment loss was recorded in 2013. The amount recorded for the license at September 30, 2013 is $135,000 and is recorded in other assets in the accompanying consolidated statement of financial position.

(l) Financing Costs

Hamilton East incurred costs in the amount of $301,373 in relation to financing costs. These costs are included in other assets in the accompanying consolidated statement of financial position. Amortization of the costs is calculated over a 10-year period using the straight-line method. Accumulated amortization at September 30, 2013 was $175,218. Amortization expense for the year ended September 30, 2013 amounted to $29,012.

(m) Unearned Fee Income

Commitment fees are recorded as unearned fee income when received. The deferred commitment fees are then amortized and recorded as commitment fee income based on the life of the loan.

(n) Funds Held in Trust, Escrows, and Other

Funds held in trust, escrows, and other are held in a high-credit quality financial institution. Funds held in trust, escrows, and other include security deposits. Upon termination of the lease with the tenant, the security deposit and interest earned on the funds are due and payable to the tenant after deducting for any tenant caused damages or rent arrearages.

Funds held in trust also include third-party resources entrusted to the Organization’s oversight, generally for its Third Party Managed Assets programs. The Organization does not record the loans receivable associated with these programs in its consolidated financial statements as its responsibility is limited to servicing and/or administering the loans.

(o) Contributions, Gifts, and Grants

Contributions, gifts, and grants are reported in the accompanying consolidated financial statements at their estimated fair value at date of receipt or binding commitment. The Organization records contributions and grants as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Temporarily restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions. However, if a restriction is fulfilled in the same time period in which the contribution or grant is received, the Organization reports the support as unrestricted. Unconditional promises to give are recognized as revenues or gains in the period received. Conditional promises to give are recognized as revenue when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, using risk-adjusted interest rates applicable to the years in which the promises are received to discount the amounts.

Contributions of donated noncash assets are recorded at their estimated fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair value in the period received.

During the year ended September 30, 2013, the Organization received $280,000 of donated noncash assets, which is included in contributions, gift, and grants income. There were no contributed services meeting the requirements of recognition in the consolidated financial statements for these periods.

(p) Income Taxes

CLFNJ and Lending Partners are exempt from federal income taxes under Section 501(c)(3) of the Code. As nonprofit entities, they are also exempt from New Jersey corporate income taxes.

In 2009, CAPC obtained exemption from federal and state income tax, as an organization described in Section 501(c)(3) of the Code and was generally exempt from income taxes pursuant to Section 501(a) of the Code prior to 2012. In 2012, CAPC was informed that it was no longer a tax-exempt organization under Section 501(a) due to loss of exempt status as a Section 501(c)(3) organization. CAPC is in the process of filing to reinstate its tax-exempt status on a retroactive basis. Management believes it is more likely than not that this tax exemption will be reinstated retroactively to date of formation and will not be liable for income taxes. Therefore, provision for current and deferred income taxes has not been recorded.

University Ventures is a for-profit corporation with federal net operating loss carryover of $956,762, federal capital loss carryover of $275,000 and federal loss reserve of $165,000, all as of December 31, 2012, resulting in federal deferred tax assets of approximately $469,850. In addition, there is a state net operating loss carryover of $986,732 and state loss reserve of $165,000, as of December 31, 2012, resulting in state deferred tax assets of approximately $103,656. Given the history of losses for University Ventures, a full valuation allowance has been taken for federal and state deferred tax assets.

Hamilton East and Operation Neighborhood Recovery are LLCs treated as partnerships for tax purposes and, as such, the income or loss generated from the LLC is reported by members on their respective returns. Teen Street, NCC, NCC II, and NCC Holdings is each a single-member LLC treated as a disregarded entity with respect to its sole member; each such member is exempt under Code Section 501(c)(3).

There are certain transactions that could be deemed unrelated business income and could result in a tax liability. Management reviews transactions to estimate potential tax liabilities using a threshold or more likely than not. It is management’s estimation that there are no material tax liabilities that need to be recorded.

(q) Functional Allocation of Expenses

The cost of providing various programs and other activities has been summarized on a functional basis in the consolidated statement of activities. Costs are allocated between program services, management and general, and fundraising based on an evaluation of the related benefits. Interest expense and rental expense are not included in functional expenses in the consolidated statement of activities, but are considered to be a program activities. For a description of program activities, see note 1 of the consolidated financial statements.

(r) Operating Measure

Nonoperating revenues (expenses) and gains (losses) include rental income, net of rental expenses, changes in noncontrolling interests, and gains (losses) on investments, and other nonrecurring items.

(s) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(3) Changes in Unrestricted Net Assets Attributable to CLFNJ's Controlling Interest and Noncontrolling Interests

		Controlling	Noncontrolling	Total
Unrestricted net assets at beginning of year	$	13,438,688	362,087	13,800,775
Changes in net assets before nonoperating activity		2,013,111	8,962	2,022,073
Nonoperating activity		1,308,204	86,411	1,394,615
Contributions from noncontrolling interests		—	616	616
Change in unrestricted net assets		3,321,315	95,989	3,417,304
Unrestricted net assets at end of year	$	16,760,003	458,076	17,218,079

(4) Loans Receivable

The Organization, directly or through agreements with other entities, provides credit facilities primarily in the form of loans receivable.

(a) Community Loan Fund

Loans are primarily to nonprofit organizations, although loans are also made to for-profit corporations, partnerships, and individuals for business purposes. Loans are generally for terms of three months to seven years.

At September 30, 2013, variable rate loans of $306,725 had interest rates of 7.0%. At September 30, 2013, fixed rate loans of $26,206,555 had interest rates ranging from 1.5% to 8.5%.

At September 30, 2013, there are no loans classified as 90 days past due that accrue interest. At September 30, 2013, there were two loans, classified as nonaccrual with a total balance of $2,041,422.

On a case-by-case basis, the Organization may agree to modify the contractual terms of a borrower's loan to assist customers who may be experiencing financial difficulty, as well as preserve the Organization's loan position in the loan. If the borrower is experiencing financial difficulties and a concession has been made at the time of such modification, the loan is classified as a TDR loan.

All TDRs are classified as impaired loans, which are individually evaluated for impairment. At September 30, 2013, there were four loans with balances that total $2,564,250 that were considered TDR loans.

(b) Proprietary Managed Assets – AHF

At September 30, 2013, loans bear interest at an annual rate of 3.0% to 8.0% and are either unsecured or, if applicable, secured by the assets financed. At September 30, 2013, these loans amounted to $1,650,098.

(c) Camden POWER

At September 30, 2013, the loan receivable of $498,580 bears interest at 2.0% per annum. The loan matures on August 10, 2018.

(d) University Ventures

University Ventures has a $500,000 loan receivable from Red Restaurant Ventures, LLC (Red) under a four-year credit facility at 13.5% interest. In May 2011, Red filed for Chapter 11 bankruptcy. University Ventures performed a lien search and noted that they are the only secured party. As part of the bankruptcy proceedings, Red is required to make monthly payments of $2,000, which Red has done to date. At September 30, 2013, this loan amounted to $280,000.

University Ventures also has a $50,000 loan receivable due on May 20, 2015, with interest payable at 5.0% per annum from Greyston Bakery, Inc. At September 30, 2013, this loan amounted to $50,000.

(e) Lending Partners

Loans receivable are primarily to nonprofit organizations and for-profit corporations and partnership entities. All loans are collateralized by liens on the assets financed.

Variable rate loans are generally for terms of one to sixty months and generally bear interest rates based on LIBOR. At September 30, 2013, variable rate loans bear interest at 4.0% to 7.5% per annum and amounted to $3,094,375. Fixed rate loans are generally for twelve to seventy-eight months and bear interest rates based on LIBOR. At September 30, 2013, fixed rate loans bear interest at 6.25% to 8.0% per annum and amounted to $7,671,707. At September 30, 2013, there were three loans classified as 90 days past due and are not accruing interest, with a total balance of $806,979.

(5) Allowance for Uncollectible Loans Receivable

The following table presents the changes in the allowance for uncollectible loans receivable at September 30, 2013:

Opening balance	$	2,004,750
Less write-offs		(660,366)
Add provision for uncollectible loan receivable, net		715,616
Ending balance	$	2,060,000

(6) PCI Loans

The following table summarizes acquisition date information for PCI loans acquired during the year ended September 30, 2013:

Contractually required payments	$	5,686,629
Nonaccretable difference		(3,099,414)
Cash flows expected to be collected		2,587,215
Accretable yield		(1,269,242)
Initial carrying amount at acquisition		1,317,973
Accretion recorded during the year as interest income		309,668
Carrying value at September 30	$	1,627,641

(7) Program-Related Investments

Program-related investments at September 30, 2013 are as follows:

NMTC I:		
Community Equity Fund of New Jersey I, LLC (CEFNJ I, LLC)	$	1,894
NJCC CDE I LLC		317,711
NJCC CDE II LLC		258
NJCC CDE FOT LLC		2,078
NJCC CDE RBS LLC		2,600
NJCC CDE UVS LLC		481
NMTC II:		
NJCC CDE Irvington Avenue LLC		560
NJCC CDE Mercer LLC		861
NJCC CDE Newark LLC		516
NJCC CDE Washington Place LLC		714
NJCC CDE Essex LLC		1,020
NMTC III:		
NJCC CDE Trenton LLC		600
University Ventures, Inc.:		
Acelero, 8% cumulative convertible preferred stock		376,415
City National Bancshares Corporation, 6% noncumulative preferred stock		200,000
TerraCycle, Inc., Series E preferred stock		200,000
Other:		
Hurricane Sandy Fund		2,000,000
NJCC Fund 1		1,347,712
Community Development Trust, Inc.		500
Operation Neighborhood Recovery, LLC		284,761
Socially Responsible Certificates of Deposit:		
Self Help Credit Union, 0.8%, 7/2/13		100,134
Self Help Credit Union, 1.75% 12/23/12		100,000
	$	4,938,815

CLFNJ contributed $2,000,000 and $1,347,712 to Hurricane Sandy Fund and NJCC Fund 1, respectively, in fiscal year 2013.

The table below sets forth overview information about the NMTC I, II, and III entities:

	Managing member ownership stake	Managing member initial investment	Investor member(s) initial investment	Assets at December 31, 2012	Liabilities at December 31, 2012	Net income (loss) for December 31, 2012
NMTC I:						
CEFNJ I, LLC	0.1%	$ 2,500	2,500,000	2,087,257	12,800	(231,982)
NJCC CDE I LLC	25.51 (0.01% as managing member)	255,100 ($100 as managing member)	744,900	36,535,323	35,432,097	21,320
NJCC CDE II LLC	0.01	325	3,250,000	2,638,302	6,000	(119,671)
NJCC CDE FOT LLC	0.1	2,500	2,500,000	2,089,362	10,125	(215,179)
NJCC CDE RBS LLC	0.1	2,750	2,750,000	2,614,793	13,400	81,672
NJCC CDE UVS LLC	0.1	500	500,000	487,109	6,070	18,024
NMTC II:						
NJCC CDE Irvington Ave LLC	0.01	488	4,874,512	4,923,543	54,613	290,821
NJCC CDE Mercer LLC	0.01	800	8,000,000	8,332,260	63,280	300,836
NJCC CDE Newark LLC	0.01	512	5,125,000	5,162,726	—	28,405
NJCC CDE Washington Place LLC	0.01	700	7,000,000	7,056,602	96,081	172,664
NJCC CDE Essex LLC	0.01	1,000	10,000,000	10,020,014	49,990	197,447
NMTC III:						
NJCC CDE Trenton LLC	0.01	600	6,000,000	—	—	—

As of September 30, 2013, all of the New Market Tax Credits have been expended for NMTC I and NMTC II.

(8) Investments and Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices in active markets for identical assets or liabilities
- Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quotes prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liabilities

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows, and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair value may not be realized in the immediate settlement of the financial asset and do not reflect any premium or discount that could result from offering for sale at one time an entire holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed.

The carrying values of the Organization's financial instruments, other than marketable investments, as of September 30, 2013 approximate their estimated fair values. The following methods and assumptions were used to estimate the fair value of the financial instruments: the carrying amounts of cash equivalents, loans receivable, grants receivable, and accounts payable approximates fair value due to the short-term nature of these amounts. The inputs used for the fair value estimates of these financial instruments are unobservable and are considered Level 3 in the fair value hierarchy. The carrying value of notes payable, subordinated notes payable, and mortgage payable approximates fair value and is based on current market prices, which are significant observable inputs and are considered Level 2 in the fair value hierarchy.

The following is a description of the valuation methodologies used for the Organization's investments measured at fair value and included in the fair value hierarchy table. There have been no changes in the methodologies used for periods presented in these financial statements.

Certificates of deposit and mortgage- and asset-backed securities: Valued based on yields currently available on comparable securities of issuers with similar credit rates.

U.S. government securities and municipal bonds: Valued at the closing price reported on the active market on which the individual securities or bonds are traded at September 30, 2013.

Money market and U.S. equity securities: Valued at the closing prices reported on the active market at September 30, 2013.

The following table represents the Organization's fair value hierarchy for its financial assets measured at fair value on a recurring basis as of September 30, 2013:

	Level 1	Level 2	Level 3	Total
Investments:				
Certificates of deposit	$ —	3,629,780	—	3,629,780
U.S. government securities	3,002,528	—	—	3,002,528
Money market mutual funds	4,361,054	—	—	4,361,054
Mortgage and asset-backed securities	—	2,705,985	—	2,705,985
U.S. equity securities:				
Consumer discretionary	1,346,667	—	—	1,346,667
Consumer staples	340,893	—	—	340,893
Energy	431,490	—	—	431,490
Financial services	586,792	58,231	—	645,023
Healthcare	735,261	—	—	735,261
Industrials	878,222	—	—	878,222
Information technology	1,024,724	—	—	1,024,724
Materials	184,935	—	—	184,935
Other	60,447	—	—	60,447
Telecommunications	97,252	—	—	97,252
Utilities	140,491	—	—	140,491
	$ 13,190,756	6,393,996	—	19,584,752

Advisory fees relating to marketable investments amounted to $128,400 for the year ended September 30, 2013.

(9) Fixed Assets

Fixed assets at September 30, 2013 consist of the following:

Land	$ 321,000
Computers and equipment	381,598
Building and improvements	5,017,518
	5,720,116
Less accumulated depreciation	(1,065,134)
Fixed assets, net	$ 4,654,982

Depreciation expense for the year ended September 30, 2013 amounted to $237,539.

(10) HUD Program Restricted Deposits

Hamilton East is subject to a Section 8 Housing Assistance Payments agreement with HUD, and a significant portion of the project's rental income is received from HUD.

Hamilton East performs its services under contract with HUD. Tenants of the project are required to pay rent based upon their income. HUD provides rental supplements to make up the difference between actual rent per unit and the amount the tenant is required to pay. Net support from HUD for the year ended September 30, 2013 was $990,905. Under the HUD agreement, Hamilton East may not increase gross rents charged to tenants without HUD approval.

Under the agreement with HUD, Hamilton East is permitted to provide distributions to its members from funds provided by rental operations as follows: 1) surplus cash, as defined by HUD, is available for such purposes, 2) the project is in compliance with all outstanding notices of requirements for proper maintenance, and 3) there is no default under the regulatory agreement or under the mortgage note. There were no distributions for the year ended September 30, 2013.

Hamilton East pays a monthly management fee of six percent of gross rents collected, to Alexa Management, for 154 residential units. No management fees are paid for two additional units occupied by the building superintendent and the management office. Total management fee expense was $64,216 for the year ended September 30, 2013.

Under the terms of the agreement with the mortgagee, Hamilton East is required to fund certain reserve accounts. Hamilton East has segregated a total of $474,630 as of September 30, 2013, which is included in other assets in the accompanying consolidated statement of financial position and is detailed as follows:

Operating reserve	$	123,699
Replacement reserve		156,037
Tax reserve		56,370
Insurance reserve		138,524
	$	474,630

The reserve accounts consist of money market accounts, which are stated at fair value. The money market accounts are considered Level 1 financial assets. In accordance with provisions of the Hamilton East mortgage documents, cash is held by Prudential Multifamily Mortgage, Inc. (Prudential) to be used for the replacement of Bridgeton Villas I and II properties with the approval of HUD. As of September 30, 2013, the replacement reserve for Bridgeton Villas I and Bridgeton Villas II were $156,037.

(11) Grants

(a) Credit Enhancement Grant

On June 13, 2006, the Organization received a credit enhancement grant from the U.S. Department of Education. The Organization was awarded $8,150,000 to use as credit enhancement for the financing of current and future charter schools. The project period began on August 10, 2009 and ends on the date on which all of the grant funds and earnings thereon have been expended for eligible grant project purposes or when financing supported by the grant project has been retired, whichever is later. The grant allows the Organization to also use the investment income earned on the award. For the year ended September 30, 2013, the net investment return was $(87,025). During the year ended September 30, 2013, $3,727,692 was used to credit enhance loans issued by the Organization to charter schools and $2,273,790 was used to credit enhance loans issued by outside organizations. As of September 30, 2013, $2,148,518 is the amount available to use as credit enhancement.

(b) NeighborWorks America

The Organization is a subrecipient of a grant through NeighborWorks America. NeighborWorks America provided a permanently restricted grant in the amount of $350,000 during the year ended September 30, 2012 for making affordable loans for housing and capital projects. This amount is permanently restricted although proceeds on capital projects, or interest earned, over and above corpus may be transferred to unrestricted net assets furthering the Organization’s mission. However, should the Organization become defunct, all remaining grant funds, interest earnings, capital project proceeds, and the loan and capital projects portfolios representing the use of these funds will revert to NeighborWorks America. Additionally, NeighborWorks America provided a series of unrestricted grants totaling $211,211 during the year ended September 30, 2013.

(c) Camden POWER (Program Offering Widespread Economic Recovery)

The Organization received a grant from the New Jersey Economic Environmental Protection Agency through Camden Power in the amount of $500,000 to provide funds for up to 40 Camden businesses to fund certain professional fees incurred in connection with energy efficiency and health and life safety improvements, including project management fees, development, engineering, and architectural fees.

Additionally, the Organization will manage the portfolio of $1,790,000 for the servicing and administering of loans to eligible business establishments for the same purpose of energy efficiency and health and life safety improvements. These particular funds make up federal grant money for which a fee is charged by the Organization for each loan disbursed.

(12) Funds Held in Trust, Escrows, and Other

The funds held in trust, escrows, and other funds consist of the following:

SEED funds	$ 60,128
BofA funds	839,899
Camden Power funds	1,600,334
TICIC funds	1,814,582
Escrows	2,106,055
Conditional program advances	1,706,448
Other	184,654
	$ 8,312,100

(13) Long-Term Debt

Balances at September 30, 2013 are as follows:

(1) Community Loan Fund

Notes payable of the Community Loan Fund division represent loans by approximately 116 individuals, religious organizations, foundations, units of government and financial institutions in principal amounts ranging from $200 to $4,000,000. Notes payable bear interest at rates ranging from 0% to 5.5%, payable at varying maturities of one to fifteen years through 2028. The notes are unsecured.	$	26,201,122
Community Loan Fund has $10,000,000 in credit facilities from an insurance company to support its lending activities with interest rates between 4.75% to 5.00% payable at varying maturities between 2016 and 2020.		10,000,000
The Community Loan Fund division has an aggregate of $1,000,000 of Equity Equivalent Investments at September 30, 2013. The Equity Equivalent Investments, evidenced by notes, have a stated maturity of 10 years; however, upon the stated maturity, the term shall automatically be extended for the period of one additional year, and thereafter each such extended maturity date shall automatically be extended for one additional year, unless the investor exercises its right to cancel the automatic maturity extension provisions of the investment. The Equity Equivalent Investments are subordinated and junior in right of payment to all obligations of CLFNJ. These are unsecured.		

Closing date	**Stated maturity**	**Rate**		
June 20, 2002	June 20, 2014	4.75%	$	500,000
November 29, 2012	November 29, 2022	2.00		500,000

(Continued)

(2) Proprietary Managed Assets – AHF

Notes payable of the Affordable Housing Fund division represents recoverable grants from financial institutions. The notes are noninterest bearing and have stated maturities in fiscal year 2014. The notes are unsecured.	$	241,000

(3) Hamilton East

Hamilton East has a $3,360,000 first mortgage loan with interest at 6.05%, payable to Federal National Mortgage Association (FNMA), in monthly installments of principal and interest of $20,253 for the financing of the purchase of the land and buildings along with various other associated costs therewith. The loan, which matures September 2017, is secured by the property located in Bridgeton, New Jersey.	$	3,098,935

(4) CAPC

CAPC has an aggregate $4,000,000 of a credit facility, with an interest rate of 6.5%, to support its activities maturing September 2014. This note is secured by properties purchased by CAPC.	$	3,379,335
CAPC has a note from a foundation for $500,000 bearing interest at 3.0% with a maturity in 2017.		500,000

(5) NCC

NCC has a note from a venture capital fund for $50,000 bearing interest at 2.0% with a maturity date of May 29, 2015	$	50,000

(6) Lending Partners

Lending Partners has an aggregate $13,500,000 of variable rate and $6,000,000 of fixed rate credit facilities from financial institutions to support its lending activities. The credit facilities are secured by the loans provided by Lending Partners.				
The variable rate credit facility is priced at LIBOR plus 3.0% and expires April 30, 2014. Individual notes underlying the credit facility mature at various times through 2015.			$	4,550,000
The fixed rate credit facility is priced at LIBOR plus 3.0% and expires April 30, 2014. Individual notes underlying the credit facility mature at various times through 2017.				4,371,678
Lending Partners has an aggregate $1,000,000 of Equity Equivalent Investments. The Equity Equivalent Investments, evidenced by notes, have a stated maturity of 10 years; however, upon the stated maturity, the term shall automatically be extended for the period of one additional year, and thereafter each such extended maturity date shall automatically be extended for one additional year, unless the investor exercises its right to cancel the automatic maturity extension provisions of the investment. The Equity Equivalent Investments are subordinate and junior in right of payment to all other obligations of Lending Partners. The Equity Equivalent Investments are unsecured.				
Closing date	**Stated maturity**	**Rate**		
June 30, 2005	June 30, 2015	4.44%	$	500,000
December 30, 2005	December 30, 2015	3.87		500,000
Total notes payable, subordinated notes payable, and mortgage payable			$	54,392,070

Aggregate maturities of the Organization's long-term debt payments during the next five years ending September 30 and thereafter are as follows:

	Community Loan Fund	NCC	Managed assets	CAPC	Hamilton East	Lending Partners	Total
2014	$ 10,434,197	—	241,000	3,379,335	54,480	3,645,192	17,754,204
2015	8,604,068	50,000	—	—	57,916	4,593,459	13,305,443
2016	6,549,024	—	—	—	61,059	676,270	7,286,353
2017	4,711,333	—	—	500,000	2,925,480	1,006,757	9,143,570
2018	3,401,000	—	—	—	—	—	3,401,000
Thereafter	3,501,500	—	—	—	—	—	3,501,500
	$ 37,201,122	50,000	241,000	3,879,335	3,098,935	9,921,678	54,392,070

(14) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at September 30, 2013:

Credit enhancements from USDOE grant	$	8,676,666
General lending from CDFI grant		1,347,000
Camden County businesses involved in energy efficiency improvements		333,332
Loan loss reserves		400,000
Other		50,000
	$	10,806,998

Permanently restricted net assets at September 30, 2013 were primarily restricted for:

Revolving loan fund for housing and capital projects, income from which is expendable to support operations	$	450,000

(15) Commitments and Contingencies

(a) Operating Lease

The Organization leases equipment and office space under noncancelable operating leases through various dates expiring in 2021. The office lease has an option to renew for two successive periods of five years. Future minimum lease obligations as of September 30, 2013 are as follows:

2014	$	114,830
2015		104,830
2016		113,570
2017		104,650
2018		104,650
2019 and thereafter		348,833
	$	891,363

Rent expense for office space amounted to $117,997 for the year ended September 30, 2013.

(b) Contingent Liabilities for Charter Fund

At September 30, 2013, the Organization has $6,528,697 of contingent guarantees outstanding for the benefit of 19 charter school transactions. The guarantees expire at various times through 2019.

(c) Commitments

In the normal course of business, the Organization has various outstanding commitments that are not reflected in the accompanying consolidated financial statements. At September 30, 2013, the principal commitments of the Organization are as follows:

Financings committed but not yet closed:		
Community Loan Fund	$	2,002,101
Affordable Housing Fund		350,000
Camden Power Fund		100,000
Lending Partners		5,202,476
	$	7,654,577
Financings closed but not yet funded:		
Community Loan Fund	$	2,699,308
Affordable Housing Fund		1,631,716
Camden Power Fund		100,000
Lending Partners		3,104,262
	$	7,535,286

(16) Concentrations

Financial instruments that potentially subject the Organization to credit risk include loans receivable from entities amounting to $39,758,040 at September 30, 2013. As of September 30, 2013, $24,603,181 of the Organization’s loans were to nonprofits, representing approximately 62% of the loans receivable reported in the consolidated statement of financial position. One hundred percent of the Organization’s outstanding loans receivable are to entities located in the State of New Jersey.

The Organization maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $250,000. At various times during the years, the Organization’s cash balances exceeded the insured amounts. Management monitors the soundness of the financial institutions and they have considered the risk minimal.

University Ventures has a $200,000 equity investment in a bank that it does business with. Management is of the opinion that the bank is well capitalized and there is no credit risk to University Ventures.

Hamilton East comprises Bridgeton Villas – I and Bridgeton Villas – II and the major asset is a 156-unit apartment project. The project’s operations are concentrated in the multifamily real estate market. In addition, the project operates in a heavily regulated environment. The operations of the project are subject to the administrative directives, rules, and regulations of federal, state, and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules, and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with the change.

(17) Related Party Transactions

As of September 30, 2013, the Organization had notes payable to various employees and current members of the board of directors totaling $26,405. Interest of $138 was paid to these individuals and $1,775 of contributions were made to the Organization by these individuals during the year ended September 30, 2013.

Hamilton East entered into certain transactions with a related party during the year. The transactions include the management of Hamilton East by Alexa Management (Alexa). As managing agent, there were various expenses that originated with Alexa and were allocated to Hamilton East. Hamilton East reimburses Alexa for those expenses, which include salaries, benefits, insurance, and other expenses. Hamilton East's noncontrolling member is the sole stockholder of Alexa. The amounts paid to Alexa for management fees for the year ended September 30, 2013, was $64,216.

(18) Employee Benefit Plans

The Organization sponsors a qualified 401(k) profit sharing plan for all eligible employees. The plan allows eligible employees to elect to defer a portion of their annual compensation and have those amounts contributed to the plan. Among other things, the plan provides for: (a) discretionary matching by the Organization of a percentage of employees' contributions; (b) discretionary employer contributions of a percentage of salary; (c) normal retirement age of 65; and (d) vesting in Organization contributions after specified years of service, as defined in the plan. The Organization's contributions to the plan reflected in the accompanying statement of activities for the year ended September 30, 2013, was approximately $51,100.

(19) Subsequent Events

The Organization has evaluated events subsequent to September 30, 2013 and through the date of January 31, 2014, which is the date the consolidated financial statements were available to be issued. Based on this evaluation, the Organization has determined that the following subsequent event has occurred, which requires disclosure in the consolidated financial statements.

Subsequent to September 30, 2013, the Organization made an additional $2,000,000 equity investment into Hurricane Sandy Fund. The additional investments by the Organization and the other members resulted in a decrease in the Organization's ownership to 6.34% of Hurricane Sandy Fund.

Schedule 1

COMMUNITY LOAN FUND OF NEW JERSEY, INC. AND AFFILIATES

Schedule of Financial Position Information

September 30, 2013

Assets	**Community Loan Fund of New Jersey, Inc. (note)**	**Community Lending Partners of New Jersey, Inc.**	**Eliminating entries**	**Total**
Cash and cash equivalents	$ 8,983,793	362,684	—	9,346,477
Accrued interest and dividends receivable	341,016	58,571	(27,826)	371,761
Investments	19,250,416	334,336	—	19,584,752
Grants receivable	1,497,000	—	—	1,497,000
Loans receivable, net	28,866,958	10,331,082	(1,500,000)	37,698,040
Purchased credit impaired loans held for investment	1,627,641	—	—	1,627,641
Real property held for sale	9,367,995	610,392	—	9,978,387
Program-related investments	4,938,815	—	—	4,938,815
Fixed assets, net	4,654,982	—	—	4,654,982
Other assets	1,771,005	951,299	(184,242)	2,538,062
	$ 81,299,621	12,648,364	(1,712,068)	92,235,917
Liabilities and Net Assets				
Liabilities:				
Accounts payable	$ 584,314	184,341	(184,242)	584,413
Unearned fee income	172,555	83,303	—	255,858
Accrued interest payable	182,448	61,777	(27,826)	216,399
Funds held in trust, escrows, and other	8,303,871	8,229	—	8,312,100
Long-term debt:				
Notes payable	40,371,456	8,921,679	—	49,293,135
Subordinated notes payable	1,000,000	2,500,000	(1,500,000)	2,000,000
Mortgage payable	3,098,935	—	—	3,098,935
Total long-term debt	44,470,391	11,421,679	(1,500,000)	54,392,070
Total liabilities	53,713,579	11,759,329	(1,712,068)	63,760,840
Net assets:				
Unrestricted:				
Community Loan Fund of New Jersey, Inc. and subsidiaries	15,870,968	889,035	—	16,760,003
Noncontrolling interests in subsidiaries	458,076	—	—	458,076
Total unrestricted net assets	16,329,044	889,035	—	17,218,079
Temporarily restricted	10,806,998	—	—	10,806,998
Permanently restricted	450,000	—	—	450,000
Total net assets	27,586,042	889,035	—	28,475,077
	$ 81,299,621	12,648,364	(1,712,068)	92,235,917

Note: This column represents Community Loan Fund, Inc. and all subsidiaries, except Community Lending Partners

See accompanying independent auditors' report.

Schedule 2

COMMUNITY LOAN FUND OF NEW JERSEY, INC. AND AFFILIATES

Schedule of Activities Information

Year ended September 30, 2013

	Community Loan Fund of New Jersey, Inc. (note)	Community Lending Partners of New Jersey, Inc.	Eliminating entries	Total
Operating revenues, gains and other support:				
Interest from loans receivable	$ 2,193,612	711,311	(55,500)	2,849,423
Investment interest and dividends	257,851	13,667	—	271,518
Total investment income	2,451,463	724,978	(55,500)	3,120,941
Interest expense	(1,416,792)	(414,917)	55,500	(1,776,209)
Net investment income	1,034,671	310,061	—	1,344,732
Provision for loan losses, net	(617,118)	(98,498)	—	(715,616)
Net investment income after provision for loan losses	417,553	211,563	—	629,116
Contributions, gifts, and grants	4,471,404	—	—	4,471,404
Fees	1,410,965	60,221	(4,284)	1,466,902
Gain on sale of real property held for sale	385,919			385,919
Total operating revenues, gains and other support	6,685,841	271,784	(4,284)	6,953,341
Operating Expenses:				
Program services	3,644,193	15,425	(3,470)	3,656,148
Supporting services:				
Management and general	504,265	2,266	(514)	506,017
Fundraising	306,964	1,322	(300)	307,986
Total supporting services	811,229	3,588	(814)	814,003
Total operating expenses	4,455,422	19,013	(4,284)	4,470,151
Changes in net assets before nonoperating revenues (expenses) and gains (losses)	2,230,419	252,771	—	2,483,190
Nonoperating revenues (expenses) and gains (losses):				
Rental income, net of rental expense	(174,097)	—	—	(174,097)
Gain from insurance proceeds, net of write-offs	810,367	—	—	810,367
Contributions from noncontrolling interests	616	—	—	616
Realized gain on investments	76,441	—	—	76,441
Unrealized gain on investments	576,956	—	—	576,956
Total nonoperating income	1,290,283	—	—	1,290,283
Increase in net assets	3,520,702	252,771	—	3,773,473
Net assets, beginning of year	24,065,340	636,264	—	24,701,604
Net assets, end of year	$ 27,586,042	889,035	—	28,475,077

Note: This column represents Community Loan Fund, Inc. and all subsidiaries, except Community Lending Partners

See accompanying independent auditors' report.

Schedule 3

COMMUNITY LOAN FUND OF NEW JERSEY, INC. AND SUBSIDIARIES

Schedule of Functional Expenses

Year ended September 30, 2013

	Program services	Supporting services: Management and general	Supporting services: Fundraising	Supporting services: Total	Total functional expenses
Salaries and benefits	$ 2,365,043	362,882	215,701	578,583	2,943,626
Depreciation and amortization	59,482	9,060	5,365	14,425	73,907
Dues and memberships	16,388	2,428	1,416	3,844	20,232
Equipment leases and maintenance	17,151	2,557	1,497	4,054	21,205
Insurance	66,140	9,798	5,716	15,514	81,654
Occupancy	117,722	18,057	10,731	28,788	146,510
Office supplies	61,296	9,538	5,711	15,249	76,545
Postage	6,534	968	566	1,534	8,068
Printing	8,593	—	8,593	8,593	17,186
Professional development	46,627	7,040	4,150	11,190	57,817
Professional fees	489,590	37,699	21,640	59,339	548,929
Property taxes	1,608	—	—	—	1,608
Publicity	17,270	2,660	1,584	4,244	21,514
Loan servicing and commitment fees	274,113	40,609	23,689	64,298	338,411
Special program expense	52,242	—	—	—	52,242
Telephone	17,522	2,721	1,627	4,348	21,870
Travel-site visits	38,827	—	—	—	38,827
Total	$ 3,656,148	506,017	307,986	814,003	4,470,151

See accompanying independent auditors’ report.