



**COMMUNITY LOAN FUND OF NEW JERSEY, INC.
AND SUBSIDIARIES**

Consolidated Financial Statements
and Supplementary Schedules

September 30, 2018 and 2017

(With Independent Auditors' Report Thereon)

**COMMUNITY LOAN FUND OF NEW JERSEY, INC.
AND SUBSIDIARIES**

Table of Contents

	Page
Independent Auditors' Report	1
Financial Statements:	
Consolidated Statements of Financial Position as of September 30, 2018 and 2017	3
Consolidated Statement of Activities for the year ended September 30, 2018	4
Consolidated Statement of Activities for the year ended September 30, 2017	5
Consolidated Statements of Cash Flows for the years ended September 30, 2018 and 2017	6
Notes to Consolidated Financial Statements	7
Supplementary Schedules	
Schedule of Financial Position Information as of September 30, 2018	34
Schedule of Financial Position Information as of September 30, 2017	35
Schedule of Activities Information for the year ended September 30, 2018	36
Schedule of Activities Information for the year ended September 30, 2017	37
Schedule of Functional Expenses for the year ended September 30, 2018	38
Schedule of Functional Expenses for the year ended September 30, 2017	39



KPMG LLP
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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 statements of financial position as of September 30, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.



Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included in Schedules 1 through 6 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, 2019

**COMMUNITY LOAN FUND OF NEW JERSEY, INC.
AND SUBSIDIARIES**

Consolidated Statements of Financial Position

September 30, 2018 and 2017

Assets	2018	2017
Current assets:		
Cash and cash equivalents (notes 2(l) and 14)	\$ 28,805,244	20,466,758
Investments (note 7)	14,424,871	13,833,692
Grants receivable, net	1,850,072	2,109,589
Loans receivable, net of allowance for uncollectible loans of \$880,990 and \$611,400, respectively (notes 3, 4 and 14)	17,429,375	11,989,312
Other current assets	<u>6,653,001</u>	<u>4,843,789</u>
Total current assets	69,162,563	53,243,140
Loans receivable, net of current portion and allowance for uncollectible loans of \$3,026,010 and \$2,441,600, respectively (notes 3, 4 and 14)	59,866,097	47,494,975
Restricted cash (notes 2(l) and 14)	12,095,350	12,521,810
Investments (note 7)	10,771,247	8,469,161
Purchased credit impaired loans held for investment (note 5)	1,286,879	1,499,729
Real property held for sale (note 2(i))	26,637,989	29,407,754
Program-related investments (note 6)	15,108,316	7,436,748
Fixed assets, net (note 8)	35,415,949	22,981,211
Other assets	<u>7,864,991</u>	<u>2,126,230</u>
Total assets	<u>\$ 238,209,381</u>	<u>185,180,758</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 3,775,366	2,188,208
Funds held in trust, escrows, and other (note 10)	3,724,234	3,805,318
Current portion of long-term debt (note 11)	<u>27,834,161</u>	<u>21,010,399</u>
Total current liabilities	35,333,761	27,003,925
Long-term liabilities:		
Unearned fee income	620,946	482,676
Funds held in trust, escrows, and other, net of current portion (note 10)	10,362,175	7,104,981
Long-term debt, net of current portion (note 11)	<u>131,205,982</u>	<u>92,743,430</u>
Total liabilities	<u>177,522,864</u>	<u>127,335,012</u>
Commitments and contingencies (note 13)		
Net assets:		
Unrestricted:		
Community Loan Fund of New Jersey and Subsidiaries	29,722,247	26,851,954
Noncontrolling interest in subsidiaries (note 2(b))	<u>2,254,256</u>	<u>674,690</u>
Total unrestricted net assets	31,976,503	27,526,644
Temporarily restricted (notes 9 and 12)	28,220,014	29,619,102
Permanently restricted (notes 9 and 12)	<u>490,000</u>	<u>700,000</u>
Total net assets	<u>60,686,517</u>	<u>57,845,746</u>
Total liabilities and net assets	<u>\$ 238,209,381</u>	<u>185,180,758</u>

See accompanying notes to consolidated financial statements.

**COMMUNITY LOAN FUND OF NEW JERSEY, INC.
AND SUBSIDIARIES**

Consolidated Statement of Activities

Year ended September 30, 2018

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Operating revenues, gains, and other support:				
Interest from loans receivable	\$ 4,339,544	—	—	4,339,544
Investment interest and dividends	456,458	160,930	—	617,388
Total investment income	4,796,002	160,930	—	4,956,932
Interest expense	(2,770,799)	—	—	(2,770,799)
Net investment income	2,025,203	160,930	—	2,186,133
Provision for loan losses, net (note 4)	(551,659)	(264,672)	—	(816,331)
Net investment income after provision for loan losses	1,473,544	(103,742)	—	1,369,802
Contributions, gifts, and grants (note 9)	2,170,898	3,159,313	—	5,330,211
Fees	6,619,090	—	—	6,619,090
Rental income	2,875,569	—	—	2,875,569
Gain on sale of property and mortgages	741,522	—	—	741,522
Net assets released from restrictions (note 9)	4,502,493	(4,292,493)	(210,000)	—
Total operating revenues, gains, and other support	18,383,116	(1,236,922)	(210,000)	16,936,194
Operating expenses:				
Program services	13,123,903	—	—	13,123,903
Supporting services:				
Management and general	1,321,873	—	—	1,321,873
Fundraising	834,112	—	—	834,112
Total supporting services	2,155,985	—	—	2,155,985
Total operating expenses	15,279,888	—	—	15,279,888
Changes in net assets before nonoperating activity	3,103,228	(1,236,922)	(210,000)	1,656,306
Nonoperating activity:				
Impairment loss on real property held for sale	(1,457,310)	—	—	(1,457,310)
Contributions from noncontrolling interests	2,015,648	—	—	2,015,648
Realized gain on investments	381,712	(2,430)	—	379,282
Unrealized gain (loss) on investments	406,581	(159,736)	—	246,845
Total nonoperating activity, net	1,346,631	(162,166)	—	1,184,465
Increase (decrease) in net assets	4,449,859	(1,399,088)	(210,000)	2,840,771
Net assets, beginning of year	27,526,644	29,619,102	700,000	57,845,746
Net assets, end of year	\$ 31,976,503	28,220,014	490,000	60,686,517

See accompanying notes to consolidated financial statements.

**COMMUNITY LOAN FUND OF NEW JERSEY, INC.
AND SUBSIDIARIES**

Consolidated Statement of Activities

Year ended September 30, 2017

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Operating revenues, gains, and other support:				
Interest from loans receivable	\$ 2,949,556	213,339	—	3,162,895
Investment interest and dividends	801,830	114,052	—	915,882
Total investment income	3,751,386	327,391	—	4,078,777
Interest expense	(2,052,169)	(33,100)	—	(2,085,269)
Net investment income	1,699,217	294,291	—	1,993,508
Provision for loan losses, net (note 4)	(862,612)	—	—	(862,612)
Net investment income after provision for loan losses	836,605	294,291	—	1,130,896
Contributions, gifts, and grants (note 9)	2,315,031	11,511,500	—	13,826,531
Fees	3,409,656	8,759	—	3,418,415
Rental income	2,241,198	—	—	2,241,198
Gain on sale of property and mortgages	767,475	—	—	767,475
Net assets released from restrictions (note 9)	6,232,002	(5,932,002)	(300,000)	—
Total operating revenues, gains, and other support	15,801,967	5,882,548	(300,000)	21,384,515
Operating expenses:				
Program services	10,250,620	—	—	10,250,620
Supporting services:				
Management and general	1,163,040	—	—	1,163,040
Fundraising	746,993	—	—	746,993
Total supporting services	1,910,033	—	—	1,910,033
Total operating expenses	12,160,653	—	—	12,160,653
Changes in net assets before nonoperating activity	3,641,314	5,882,548	(300,000)	9,223,862
Nonoperating activity:				
Impairment loss on real property held for sale	(5,733)	—	—	(5,733)
Contributions from noncontrolling interests	448,685	—	—	448,685
Realized gain on investments	333,856	9,306	—	343,162
Unrealized gain (loss) on investments	289,627	(113,437)	—	176,190
Total nonoperating activity, net	1,066,435	(104,131)	—	962,304
Increase (decrease) in net assets	4,707,749	5,778,417	(300,000)	10,186,166
Net assets, beginning of year	22,818,895	23,840,685	1,000,000	47,659,580
Net assets, end of year	\$ 27,526,644	29,619,102	700,000	57,845,746

See accompanying notes to consolidated financial statements.

**COMMUNITY LOAN FUND OF NEW JERSEY, INC.
AND SUBSIDIARIES**

Consolidated Statements of Cash Flows
Years ended September 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Increase in net assets	\$ 2,840,771	10,186,166
Adjustment to reconcile increase in net assets to net cash provided by operating activities:		
Contributions from noncontrolling interests	(2,015,648)	(448,685)
In-kind donations of property	—	(510,000)
Realized gain on investments	(379,282)	(343,162)
Unrealized gain on investments	(246,845)	(176,190)
Distribution from equity investees	486,063	651,662
Equity in net gain of investees	(334)	(218,808)
Accretion of interest income	(33,807)	(203,678)
Provision for uncollectible loans receivable, net	816,331	862,612
Gain on sale of real property held for sale	(684,520)	(616,841)
Gain on sale of purchased credit impaired loans held for investment	(57,002)	(150,634)
Impairment loss on real property held for sale	1,457,310	5,733
Depreciation and amortization	705,820	450,383
Changes in operating assets and liabilities:		
Grants receivable	259,517	8,760,411
Other current assets and other assets	(7,565,973)	(1,685,518)
Accounts payable and accrued expenses	1,587,158	805,877
Unearned fee income	138,270	157,555
Funds held in trust, escrows and other	3,176,110	2,207,431
Net cash provided by operating activities	483,939	19,734,314
Cash flows from investing activities:		
Repayment of loans receivable	19,681,079	25,336,897
Issuance of loans receivable	(38,308,595)	(45,297,131)
Proceeds from sale of investments	14,020,199	15,502,313
Purchases of investments	(16,642,958)	(16,696,917)
Proceeds from sale of purchased credit impaired loans held for investment	399,333	541,960
Purchase of credit impaired loans held for investment	(95,674)	—
Purchase of program-related investments	(7,801,676)	(958,288)
Proceeds from sale of real property held for sale	8,690,428	17,218,681
Purchases of real property held for sale	(19,770,078)	(30,601,600)
Purchases of fixed assets	(45,933)	(21,223)
Net cash used in investing activities	(39,873,875)	(34,975,308)
Cash flows from financing activities:		
Change in restricted cash	426,460	(8,686,392)
Contributions from noncontrolling interests	2,015,648	448,685
Payments on long-term debt	(15,230,065)	(26,531,027)
Proceeds from issuance of long-term debt	60,516,379	48,724,941
Net cash provided by financing activities	47,728,422	13,956,207
Net increase (decrease) in cash and cash equivalents	8,338,486	(1,284,787)
Cash and cash equivalents:		
Beginning of year	20,466,758	21,751,545
End of year	\$ 28,805,244	20,466,758
Supplemental disclosures of cash flow information:		
Cash paid during year for interest	\$ 4,814,688	3,686,695
Supplemental disclosure of noncash investing activity:		
Transfers of real property held for sale to fixed assets	\$ 13,066,753	7,417,471

See accompanying notes to consolidated financial statements.

**COMMUNITY LOAN FUND OF NEW JERSEY, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

(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), NJCC 151 MLK Boulevard LLC (151 MLK), Millville High Street LLC (Millville), North Bay Avenue NJCC LLC (North Bay), National Community Capital, LLC (NCC), National Community Capital II, LLC (NCC II), NCC Holdings, LLC (NCCH), NJCC LMI Mortgage Platform LLC (LMI), NJCC Mortgage Holdings LLC (Mortgage Holdings), National Community Capital III, LLC (NCC III) and NJCC Supportive Housing Fund, LLC (Supportive Hsng). Lending Partners is the sole member of Teen Street Preservation, LLC (Teen Street). CAPC is the sole member of Community Asset Preservation Alliance #2 of Jersey City Urban Renewal, LLC (CAPAJC 2), Community Asset Preservation Alliance of Jersey City #3, LLC (CAPAJC 3), CAPA JC 4, Urban Renewal, Inc. (CAPAJC 4), CAPC Affordable Rental Fund LLC (CAPC-ARF), CAPC Washington Street Urban Renewal, LLC (CAPC Washington), CAPC Property Management, LLC (Property Mgmt), CAPC Construction LLC (CAPC Construction), CAPC Brokerage LLC (Brokerage), CAPC 4th Ave. Urban Renewal LLC (CAPC 4th Ave), CAPC E-Port Revitalization 1, LLC (E-Port 1), CAPC E-Port Revitalization 2, LLC (E-Port 2), Artist Hub & Residences Urban Renewal, LLC (Artist Hub), 201 New York Avenue, LLC (201 NY Ave)and CAPC Southward, LLC(Southward). Additionally, CLFNJ owns the majority of the voting shares of University Ventures, Inc. (University Ventures). CAPC also has equity investments in 308 Whiton Street, LLC (308 Whiton) (52.5%). These entities are included 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 6.34% interest in NJCC Hurricane Sandy Fund 1, LLC (Hurricane Sandy Fund) and accounts for these investment using the equity method.

In 2016, CLFNJ had a 25.90% interest in NJCC Fund 1, LLC (Fund #1). CLFNJ was the managing member of Fund #1 and since the other members had substantive rights, the equity method of accounting was used in 2016 and 2017. During 2018, CAPC acquired the remaining ownership interest of Fund #1 and it is now included in the Organization's consolidated financial statements.

CLFNJ has a minority interest in Community Development Fund #1 and Tampa Community Development Fund #1, which hold 6 mortgage pools consisting of 62 mortgages located in Florida. NCC is providing acquisition and loss mitigation management services on these mortgages. CLFNJ accounts for these investments using the equity method.

**COMMUNITY LOAN FUND OF NEW JERSEY, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

CAPC has a 50% interest in Lincoln Park-CAPC Urban Renewal, LLC (Lincoln Park CAPC), CAPC Florida LLC and CHS-CAPC JV1, LLC (CHS-CAPC) and has a 40% interest in 306 MLK Blvd Urban Renewal, LLC (306 MLK) and they are accounted for using the equity method.

In 2018, CAPC acquired 100% interest in National Community Capital Fund #1 Tampa, LLC. In prior years, CAPC was the managing member but had no ownership interest. This entity is included in the Organization's consolidated financial statements.

CAPC had a 100% ownership interest in CAPC NJ Asset Stabilization Fund # 1 LLC (CAPC ASF #1) in 2017. During 2018, Synchrony Bank acquired a 19.97% interest in CAPC ASF #1. This entity is included in the Organization's consolidated financial statements.

In 2018, CAPC Asset Stabilization Fund #2 LLC (CAPC ASF #2) was created. CAPC has a 52.89% ownership interest, CLFNJ has a 27.17% interest and Synchrony Bank has a 19.94% interest. This entity is included in the Organization's consolidated financial statements.

In 2018, CAPC invested, along with three other Housing Partnership Network, Inc. members, in a partnership called HPN Leverage IV, LLC to take advantage of New Market Tax Credit (NMTTC) financing. NMTTC financing allows an entity to receive a loan or investment capital from outside investors who will receive new market tax credits to be applied against their federal tax liability. As a result, CAPC invested \$8,222,118 to acquire a 40% interest in the partnership and was able to secure a 20 year loan in the amount of \$11,700,000 payable to a community development entity. The loan proceeds are to be used for the purpose of acquiring, rehabbing or constructing homes in distressed communities in New Jersey and Florida. Since the other members have substantive rights these entities are accounted for using the equity method.

In 2016, LMI invested \$2 million to purchase 10% of outstanding shares in CUMAnet, LLC from Affinity Credit Union. The purpose of this investment is to support the provision of affordable mortgages to low and moderate income families in New Jersey. CUMAnet, LLC is accounted for using the cost method.

In 2017, CLFNJ formed NJCC MM Invest LLC (NJCC MM) in an initiative with PRP Holdings LP (PRP) to join in a venture with the State of New York's Department of Homes and Community Development (SONYMA Community Restoration Fund) to purchase residential mortgage loans in New York State (NYS). CLFNJ has a 5% ownership interest in NJCC MM. NJCC MM has a 56.73% investment in NJCC-NYS Community Restoration Fund, LLC (NJCC-NYS CRF) and a 6.19% investment in NJCC-NYS Erie County Community Restoration Fund, LLC (Erie CRF). Also in 2017, CLFNJ formed NJCC Fund #4, LLC (Fund 4) with PRP to purchase residential mortgage loans in New Jersey. CLFNJ has a 10% ownership interest in Fund 4. Since the other members have substantive rights these entities are accounted for using the equity method.

In 2018, CLFNJ formed NJCC Fund V, LLC (Fund V) with PRP to purchase residential mortgage loans in 10 states. CLF has a 1.98% ownership interest and PRP has 98.02% in Fund V. At the same time Community Aggregator Asset Management Group, LLC was formed in an initiative with 3 other entities to manage the assets of the loan pool. CLFNJ and NCCIII each has a 25% ownership interest in this entity. Since the other members have substantive rights these entities are accounted for using the equity method.

**COMMUNITY LOAN FUND OF NEW JERSEY, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

CLFNJ has formed the following special purpose entities (SPEs): 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); NJCC CDE Trenton LLC, NJCC CDE Union LLC, NJCC CDE Bergen LLC, NJCC CDE Hudson LLC (collectively, NMTC III); NJCC CDE Ocean LLC, NJCC CDE Camden LLC, NJCC CDE Passaic LLC, NJCC CDE Cumberland LLC, NJCC CDE Monmouth LLC, NJCC CDE Middlesex LLC, NJCC CDE Stockton LLC, NJCC CDE Whitman LLC, and NJCC CDE Wilson LLC, (collectively, NMTC IV) and NJCC CDE Edison LLC, NJCC CDE Barton LLC and NJCC CDE Hamilton LLC, NJCC CDE Kilmer LLC, NJCC CDE Livingston LLC, NJCC CDE Morris LLC, (collectively NMTC V), NJCC CDE Campbell LLC, NJCC CDE Eagleton LLC, NJCC CDE Parker LLC, NJCC CDE Robeson LLC and NJCC CDE Salem LLC (collectively NMTC VI). The SPEs are not included in the Organization's consolidated financial statements. CLFNJ serves as the managing member of each of the SPEs. 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 II, III, IV, V and VI, University Ventures, 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) 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.

(b) Charter Fund

The purpose of the Charter Fund is to credit enhance loans, leases, and investments made on behalf of charter schools for their facility needs.

(c) 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.

**COMMUNITY LOAN FUND OF NEW JERSEY, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

(d) Camden POWER (Camden Fund)

The Camden Power pool was developed to provide lending capital to eligible business establishments in Camden for the purpose of energy efficiency and health and life safety improvements. CLFNJ received grants and advances from the City of Camden and the NJEDA to fund this pool.

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) 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 NJ Bankers Association.

(e) Gap Funding Initiative (GFI)

The GFI, which was launched in 2013. It was a \$15 million grant program funded by the Hurricane Sandy New Jersey Relief Fund and the American Red Cross and administered by New Jersey Community Capital. GFI offered up to \$30,000 (reduced to \$20,000 in August 2014) to help eligible homeowners cover costs of home repairs they face as a result of Hurricane Sandy. During 2018 and 2017, CLFNJ disbursed \$120,000 and \$341,000, respectively, to eligible recipients.

**COMMUNITY LOAN FUND OF NEW JERSEY, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

NMTC

The Organization, through SPEs for which CLFNJ is the managing member, 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 II

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

NMTC IV

In 2015, CLFNJ received a \$50 million allocation of NMTCs from the United States Department of Treasury's Community Development Financial Institutions in the twelfth round of a national economic development initiative.

NMTC V

In 2017, CLFNJ received a \$45 million allocation of NMTCs from the United States Department of Treasury's Community Development Financial Institutions in the thirteenth round of a national economic development initiative.

NMTC VI

In 2018, CLFNJ received a \$40 million allocation of NMTCs from the United States Department of Treasury's Community Development Financial Institutions in the fourteenth 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.

**COMMUNITY LOAN FUND OF NEW JERSEY, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

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.

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.

In 2014, CAPC began to rent renovated homes to low – and moderate-income families. CAPC makes exit (rent vs sell) decisions based on neighborhood real estate activity, surrounding blight, community stability, and local economic factors. At September 30, 2018 and 2017, CAPC had 169 and 109 properties, respectively, in rental status which are included in fixed assets with a net book value (including land value) of \$34,869,980 and \$22,441,127, respectively (see note 8).

ReStart and ReStart the Shore

In 2013, the Organization established its ReStart family of programs as an innovative home preservation initiative designed to prevent foreclosures and stabilize communities. The Organization won the right to purchase three pools of delinquent Federal Housing Administration (FHA) loans from the U.S. Department of Housing and Urban Development (HUD). 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. Additionally, the Hurricane Sandy Fund acquired a pool of 517 mortgages of properties located in areas of New Jersey that were impacted by Hurricane Sandy.

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.

In 2017, CLFNJ acquired a minority interest in 3 mortgage pools. NJCC-NYS CRF acquired 370 mortgages, Erie CRF acquired 28 mortgages and Fund 4 acquired 55 mortgages during the year.

In 2018, CLFNJ acquired a minority interest in 1 mortgage pool. Fund 5 acquired 601 mortgages during the year.

NCC and NCC II provide investment management services to NJCC Fund 1, Tampa Fund, Hurricane Sandy Fund, and NCC Holdings. NCC III provides investment management services to NJCC-NYS CRF, Erie CRF and Fund 4 and Fund 5. The Organization was also engaged as a loss mitigation advisor by other purchasers of FHA loan pools. The loss mitigation services are provided by NCC II.

**COMMUNITY LOAN FUND OF NEW JERSEY, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

(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 and net assets attributable to CLFNJ's controlling interest and noncontrolling interest in subsidiaries. The noncontrolling interest in subsidiaries increased by \$1,579,566, which represents the net contributions of \$2,015,648 from noncontrolling interests, and \$436,082 of operating expenses over operating revenues.

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, unless specific approval is granted by NeighborWorks America to reclassify a portion of the grants to unrestricted net assets.

(c) Principles of Consolidation

The consolidated financial statements include the accounts of CLFNJ and its wholly owned and majority owned subsidiaries. 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) 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 statements of financial position.

**COMMUNITY LOAN FUND OF NEW JERSEY, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

(f) 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 collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

(g) 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.

(h) 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, *Accounting for Purchased Loans with Deteriorated Credit Quality*, 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

**COMMUNITY LOAN FUND OF NEW JERSEY, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

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.

(i) Property Held for Sale

The Organization acquires certain real properties either through purchase or foreclosure which it holds, improves and repairs, and then either sells or rents. Such properties are valued at the lower of cost or fair value as determined by appraisals, and are \$26,637,989 and \$29,407,754 at September 30, 2018 and 2017, respectively.

(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
Buildings and improvements	40 years

(k) Other Assets

Other assets include rent receivables, management fee receivables, advances to NMTC entities, miscellaneous receivables and mortgages. Those assets that are expected to be realized within one year are recorded in other current assets. All other items are recorded in other assets on the consolidated statements of financial position.

(l) 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 escrow deposits. The cash related to these funds is included in restricted cash and amounts to approximately \$3,419,000 and \$1,449,000, respectively, at September 30, 2018 and 2017.

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

**COMMUNITY LOAN FUND OF NEW JERSEY, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

receivable associated with these programs in its consolidated financial statements as its responsibility is limited to servicing and/or administering the loans. The cash related to these programs that will be returned within one year is included in cash and cash equivalents and amounts to approximately \$1,146,000 and \$979,000 at September 30, 2018 and 2017, respectively. The cash related to these programs that will be returned in more than one year is included in restricted cash and amounts to approximately \$1,082,000 and \$1,027,000 at September 30, 2018 and 2017, respectively.

There are two programs that advance funds with conditions to the Organization. The cash related to these programs amounts to approximately \$1,618,000 and \$1,807,000 and is included in restricted cash at September 30, 2018 and 2017, respectively.

Approximately \$4,296,000 and \$2,533,000 of funds held in trust were used to renovate real property held for sale at September 30, 2018 and 2017, respectively. The revenue related to these programs will be recognized when the conditions are met, which is generally when the property is sold.

(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. The current portion of unearned fee income is included in accounts payable and accrued expenses in the accompanying consolidated statements of financial position.

(n) 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, 2017, the Organization received \$510,000 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.

**COMMUNITY LOAN FUND OF NEW JERSEY, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

(o) Income Taxes

CLFNJ, Lending Partners and CAPC 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 filed to reinstate its tax-exempt status. On April 20, 2017, CAPC's tax exempt status was reinstated retroactively to the date of revocation.

University Ventures is a for-profit corporation with federal net operating loss carryovers of \$953,846 that may be offset against future taxable federal income. Given the history of losses for University Ventures, a full valuation allowance has been taken for federal and state deferred tax assets.

Operation Neighborhood Recovery, Lincoln Park CAPC, CAPC Florida, 306 MLK, CAPC ASF#2 and CHS-CAPC 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.

NJCC MM, Fund #4 and Fund #5 are LLCs treated as corporations for tax purposes and, as such, the income or loss generated from the LLC is reported by members on their respective returns.

Teen Street (sole member is Lending Partners), CAPAJC 2, CAPAJC 3, CAPAJC 4, CAPC-ARF, CAPC Washington, Property Mgmt, Construction, Brokerage, CAPC 4th Ave, E-Port 1, E-Port 2, Artist Hub, 201 NY Ave and CAPC Southward (sole member of these entities is CAPC), 151 MLK, Millville, North Bay, NCC, NCC II, NCC III, NCCH, Mortgage Holdings and Supportive Housing (sole member of these entities is CLFNJ), 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).

CAPC ASF #1 was a single member LLC owned by CLFNJ in 2017 and was considered a disregarded entity. In 2018, an interest in CAPC ASF #1 was purchased by an outside organization and is now treated as a partnership.

NJCC recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount of benefit that is greater than fifty percent likely to be realized upon settlement. Changes in measurement are reflected in the period in which the change in judgment occurs. NJCC did not recognize the effect of any income tax positions in either 2018 or 2017.

(p) Functional Allocation of Expenses

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

**COMMUNITY LOAN FUND OF NEW JERSEY, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

(q) Operating Measure

Nonoperating activity include changes in noncontrolling interests, and gains (losses) on investments and other nonrecurring items.

(r) 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.

(s) New Accounting Pronouncements

The FASB issued ASU 2016-14, Presentation of Financial Statements of Not-for-Profit Entities, which among other things, changes how not-for-profit entities report net asset classes, expenses and liquidity in their financial statements. The significant requirements of the new ASU include the reduction of the number of net asset classes from three to two: with donor restrictions and without donor restrictions; the presentation of expenses by their function and their natural classification in one location; quantitative and qualitative information about the management of liquid resources and the availability of financial assets to meet cash needs within one year of the date of the statement of financial position; and retaining the option to present operating cash flows in the statement of cash flows using either the direct or indirect method. The Organization plans to adopt ASU 2016-14 for the year ending September 30, 2019.

(3) 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, unless there is specific capital that allows for longer term lending.

At September 30, 2018, there were no variable rate loans. At September 30, 2018, fixed rate loans of \$51,786,356 had interest rates ranging from 2% to 12%.

At September 30, 2017, there were no variable rate loans. At September 30, 2017, fixed rate loans of \$42,373,626 had interest rates ranging from 2% to 12%.

At September 30, 2018, there were three loans classified as nonaccrual and 90 days past due with a total balance of \$2,880,000.

At September 30, 2017, there were two loans classified as nonaccrual and 90 days past with a total balance of \$1,685,000.

**COMMUNITY LOAN FUND OF NEW JERSEY, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

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, 2018 and 2017, there were seven loans with balances that totaled \$4,904,103 and five loans with balances that total \$4,208,417, respectively, that were considered TDR loans.

(b) Proprietary Managed Assets – NPF

At September 30, 2018, these loans bear interest at an annual rate of 5.75% to 7.5% and are either unsecured or, if applicable, secured by the assets financed. At September 30, 2018, these loans amounted to \$8,025,417.

At September 30, 2017, these loans bear interest at an annual rate of 5.5% to 7.5% and are either unsecured or, if applicable, secured by the assets financed. At September 30, 2017, these loans amounted to \$8,260,219.

(c) Camden Power

At September 30, 2018 and 2017, the loans receivable of \$543,864 and \$573,064, respectively, bear interest at 2% to 4%. The loans mature between November 10, 2018 and February 1, 2023.

(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 sporadically in 2018. At September 30, 2018 and 2017, this loan amounted to \$197,000 and \$207,000, respectively.

(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, 2018 and 2017, variable rate loans bear interest at 7.0% to 8.09% and 7.0% to 7.5% per annum and amounted to \$300,236 and \$980,969, respectively. Fixed rate loans are generally for twelve to seventy-eight months. At September 30, 2018 and 2017, fixed rate loans bear interest at 5.5% to 7.0% and 5.75% to 7.0% per annum and amounted to \$20,349,599 and \$10,142,409, respectively.

At September 30, 2018 and 2017, there was one loan classified as 90 days past due. At September 30, 2018 and 2017, there was one loan not accruing interest, with a total balance of \$800,000.

**COMMUNITY LOAN FUND OF NEW JERSEY, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

At September 30, 2018 and 2017, there was one loan, with a balance of \$800,000 that was considered a TDR loan.

The Organization assesses the risk of loss on its loans receivable internally by credit quality ratings. The Organization utilizes a six-point internal risk rating system. Loans deemed to be acceptable quality are rated one through three (pass), with a rating of one established for loans with minimal risk. Loans that are deemed to be of potential weakness are rated four (watch), and questionable repayment are rated five (substandard). Loans with serious doubt are rated six (doubtful). There was one doubtful receivables at September 30, 2018, which was 10% reserved and none in 2017. The following table includes the amounts of the outstanding loans receivable at September 30, 2018 and 2017, using the Organization's internally assigned credit quality indicators.

	<u>2018</u>	<u>2017</u>
Pass	\$ 71,416,548	53,344,061
Watch	6,418,671	5,948,081
Substandard	3,253,399	3,245,145
Doubtful	113,854	—
Total loans receivable	<u>\$ 81,202,472</u>	<u>62,537,287</u>

(4) Allowance for Uncollectible Loans Receivable

The following table presents the changes in the allowance for uncollectible loans receivable at September 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Opening balance	\$ 3,053,000	2,550,000
Recoveries (write-offs)	37,669	(359,612)
Provision for uncollectible loan receivable, net	816,331	862,612
Ending balance	<u>\$ 3,907,000</u>	<u>3,053,000</u>

**COMMUNITY LOAN FUND OF NEW JERSEY, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

(5) PCI Loans

The following table summarizes information for PCI loans held at September 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Contractually required payments	\$ 1,923,088	2,583,646
Nonaccretable difference	<u>(533,529)</u>	<u>(865,624)</u>
Cash flows expected to be collected	1,389,559	1,718,022
Accretable yield	<u>(880,883)</u>	<u>(1,026,522)</u>
Initial carrying amount at acquisition	508,676	691,500
Accretion recorded since acquisition	<u>778,203</u>	<u>808,229</u>
Carrying value at September 30	<u>\$ 1,286,879</u>	<u>1,499,729</u>

Accretion recorded during the years ended September 30, 2018 and 2017 amounted to \$33,807 and \$203,678, respectively, and is included in investment interest and dividends in the accompanying consolidated statements of activities.

(6) Program-Related Investments

Program-related investments at September 30, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
NMTC II:		
NJCC CDE Irvington Avenue LLC	\$ —	660
NJCC CDE Mercer LLC	—	1,014
NJCC CDE Newark LLC	544	543
NJCC CDE Washington Place LLC	789	774
NJCC CDE Essex LLC	1,139	1,115
NMTC III:		
NJCC CDE Trenton LLC	626	625
NJCC CDE Union LLC	763	763
NJCC CDE Bergen LLC	741	741
NJCC CDE Hudson LLC	916	916
NMTC IV:		
NJCC CDE Ocean LLC	693	694
NJCC CDE Cumberland LLC	596	596
NJCC CDE Passaic LLC	499	499
NJCC CDE Camden LLC	494	494
NJCC CDE Monmouth LLC	597	597
NJCC CDE Middlesex LLC	674	674
NJCC CDE Stockton LLC	400	—

**COMMUNITY LOAN FUND OF NEW JERSEY, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

	2018	2017
NMTC V:		
NJCC CDE Hamilton LLC	\$ 1,047	1,050
NJCC CDE Edison LLC	788	800
NJCC CDE Kilmer LLC	501	—
NJCC CDE Morris LLC	680	—
NJCC CDE Livingston LLC	997	—
NJCC CDE Barton LLC	200	—
University Ventures, Inc.:		
Acelero, 8% cumulative convertible preferred stock	376,405	376,405
Terracycle	200,000	200,000
City National Bancshares Corporation, 6% noncumulative preferred stock	200,000	200,000
Other:		
CAPC Florida LLC	87,767	87,767
Hurricane Sandy Fund	941,337	1,375,515
NJCC Fund 1	—	1,178,354
Lincoln Park-CAPC Urban Renewal, LLC	(53)	(53)
Community Development Trust, Inc.	500	500
Operation Neighborhood Recovery, LLC	97,249	89,396
CUMAnet, LLC	2,000,000	2,000,000
Tampa and Community Development Funds	987,307	1,045,040
CHS-CAPC JV1, LLC	10,000	10,000
NJCC Fund # 4 LLC	200,423	200,423
NJCC MM Invest LLC	553,231	460,712
NJCC Fund # 5 LLC	346,592	—
306 MLK Blvd Urban Renewal LLC	671,622	—
HPN Leverage IV LLC	8,222,118	—
Socially Responsible Certificates of Deposit:		
Self Help Credit Union, 1.05%, 7/2/18	100,134	100,134
Self Help Credit Union, 1.30% 12/23/18	100,000	100,000
	\$ 15,108,316	7,436,748

In 2018, CLFNJ invested \$500 in NJCC CDE Kilmer LLC, \$700 in NJCC CDE Morris LLC, \$1,000 in NJCC CDE Livingston LLC, \$200 in NJCC CDE Barton LLC, \$400 in NJCC CDE Stockton LLC, and \$346,592 in NJCC Fund #5 LLC, and an additional \$92,519 in NJCC MM Invest LLC.

In 2018, CAPC invested \$8,222,118 in HPN Leverage IV LLC. In 2018, 306 MLK Blvd Urban Renewal LLC was deconsolidated. This resulted in CAPC showing an investment in the entity of \$366,622. In prior periods the investment was eliminated.

In 2017, CLFNJ invested \$1,050 in NJCC CDE Hamilton LLC, \$800 in NJCC CDE Edison LLC, \$200,423 in NJCC Fund #4 LLC, \$285,304 in Tampa and Community Development Funds and \$460,712 in NJCC MM Invest LLC.

**COMMUNITY LOAN FUND OF NEW JERSEY, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

In 2017, CAPC invested \$10,000 in CHS-CAPC JV1 LLC.

Net gain (loss) related to equity investments of \$334 and \$218,808 is included in investment interest and dividends in the accompanying consolidated statements of activities as of September 30, 2018 and 2017, respectively.

The table below sets forth overview information about the NMTC II, III, IV and V:

	<u>Managing member(s) ownership stake</u>		<u>Managing member(s) initial investment</u>	<u>Investor member(s) initial investment</u>	<u>Assets at December 31, 2017</u>	<u>Liabilities at December 31, 2017</u>	<u>Net income for December 31, 2017</u>
NMTC II:							
NJCC CDE Irvington Ave LLC	0.01	\$	488	4,874,512	—	—	(764)
NJCC CDE Mercer LLC	0.01		800	8,000,000	—	—	360,415
NJCC CDE New ark LLC	0.01		512	5,125,000	5,569,239	74,869	66,623
NJCC CDE Washington Place LLC	0.01		700	7,000,000	6,965,496	158,876	150,452
NJCC CDE Essex LLC	0.01		1,000	10,000,000	9,956,358	200,479	235,138
NMTC III:							
NJCC CDE Trenton LLC	0.01		600	6,000,000	6,031,370	8,947	113,734
NJCC CDE Union LLC	0.01		750	7,500,000	7,529,631	28,500	75,793
NJCC CDE Bergen LLC	0.01		740	7,400,000	7,440,570	16,520	283,605
NJCC CDE Hudson LLC	0.01		910	9,100,000	9,197,696	6,600	315,195
NMTC IV:							
NJCC CDE OCEAN LLC	0.01		700	7,000,000	7,021,207	3,917	199,080
NJCC CDE Cumberland LLC	0.01		600	6,000,000	6,000,600	—	57,155
NJCC CDE Passaic LLC	0.01		500	5,000,000	5,001,664	1,164	27,995
NJCC CDE Camden LLC	0.01		500	5,000,000	5,032,085	22,500	109,017
NJCC CDE Monmouth LLC	0.01		600	6,000,000	6,038,600	23,000	60,000
NJCC CDE Middlesex LLC	0.01		675	6,750,000	6,759,356	5,813	37,546
NJCC CDE Stockton LLC	0.01		400	4,000,000	N/A	N/A	N/A
NMTC V:							
NJCC CDE Hamilton LLC	0.01		1,050	10,500,000	10,501,031	—	(19)
NJCC CDE Edison LLC	0.01		800	8,000,000	8,052,245	3,333	62,290
NJCC CDE Kilmer LLC	0.01		500	5,000,000	5,014,407	3,511	10,396
NJCC CDE Morris LLC	0.01		700	7,000,000	7,021,349	12,472	8,177
NJCC CDE Livingston LLC	0.01		1,000	10,000,000	10,012,500	2,400	11,120
NJCC CDE Barton LLC	0.01		200	2,000,000	N/A	N/A	N/A

Assets, liabilities and net loss for NJCC CDE Trenton LLC and NJCC CDE Middlesex LLC are at October 31, 2017.

As of September 30, 2018 and 2017, all of the New Market Tax Credits have been expended for NMTC II and NMTC III. As of September 30, 2018, approximately \$52.75 million and \$14 million was available to be expended on NMTC IV and NMTC V, respectively.

**COMMUNITY LOAN FUND OF NEW JERSEY, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

(7) Investments and Fair Value Measurements

Fair value is defined as the exchange price that would be received to sell 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 are as follows:

- 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 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 consolidated financial statements.

Certificates of deposit: Valued based on yields currently available on comparable securities of issuers with similar credit rates.

U.S. government and agency obligations: Valued at the closing price reported on the active market on which the individual securities or bonds are traded at September 30, 2018 and 2017.

Mutual funds and U.S. equity securities: Valued at the closing prices reported on an active market at September 30, 2018 and 2017.

**COMMUNITY LOAN FUND OF NEW JERSEY, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

The following tables represent the Organization's fair value hierarchy for its financial assets measured at fair value on a recurring basis as of September 30, 2018 and 2017:

		2018			
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:					
Certificates of deposit	\$	—	3,789,384	—	3,789,384
U.S. government and agency obligations		8,815,689	3,304,937	—	12,120,626
Mutual funds		1,716,680	—	—	1,716,680
U.S. equity securities:					
Consumer discretionary		718,844	—	—	718,844
Consumer staples		282,369	—	—	282,369
Energy		377,343	—	—	377,343
Financial services		937,433	—	—	937,433
Healthcare		1,159,959	—	—	1,159,959
Industrials		992,899	—	—	992,899
Information technology		1,261,272	—	—	1,261,272
Materials		387,957	—	—	387,957
Telecommunications		1,116,075	—	—	1,116,075
Utilities		151,938	—	—	151,938
Other		42,779	140,560	—	183,339
	\$	<u>17,961,237</u>	<u>7,234,881</u>	<u>—</u>	<u>25,196,118</u>
		2017			
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:					
Certificates of deposit	\$	—	4,490,810	—	4,490,810
U.S. government and agency obligations		5,769,478	3,403,299	—	9,172,777
Mutual funds		1,749,315	—	—	1,749,315
U.S. equity securities:					
Consumer discretionary		1,317,933	—	—	1,317,933
Consumer staples		390,536	—	—	390,536
Energy		423,238	—	—	423,238
Financial services		917,872	—	—	917,872
Healthcare		952,269	—	—	952,269
Industrials		907,625	—	—	907,625
Information technology		1,240,190	—	—	1,240,190
Materials		324,914	—	—	324,914
Telecommunications		136,543	—	—	136,543
Utilities		135,326	—	—	135,326
Other		34,349	109,156	—	143,505
	\$	<u>14,299,588</u>	<u>8,003,265</u>	<u>—</u>	<u>22,302,853</u>

**COMMUNITY LOAN FUND OF NEW JERSEY, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

Advisory fees relating to marketable investments amounted to \$181,409 and \$184,121 for the years ended September 30, 2018 and 2017, and are recorded in professional fees.

(8) Fixed Assets

Fixed assets at September 30, 2018 and 2017 consist of the following:

	2018	2017
Land	\$ 6,481,140	4,467,881
Computers and equipment	513,551	502,717
Buildings and improvements held for rental purposes	29,820,602	18,767,016
Building and improvements	594,842	559,744
	37,410,135	24,297,358
Less accumulated depreciation	(1,994,186)	(1,316,147)
Fixed assets, net	\$ 35,415,949	22,981,211

Depreciation expense for the years ended September 30, 2018 and 2017 amounted to \$687,820 and \$432,383, respectively.

At September 30, 2018, future minimum rentals of approximately \$1,559,050 and \$65,883 are due to the Organization under noncancelable leases that are expected to be received in fiscal years 2019 and 2020, respectively.

(9) Grants

(a) Credit Enhancement Grant

On June 13, 2006, the Organization received a credit enhancement grant from the U.S. Department of Education, which was recognized as temporarily restricted revenue at that time. 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. In July 2016, the Organization received an additional credit enhancement grant from the U.S. Department of Education for \$8,000,000 which was recognized as temporarily restricted revenue in the 2016 consolidated statement of activities. For the years ended September 30, 2018 and 2017, the net investment return was \$160,930 and \$116,077, respectively. At September 30, 2018 and 2017, \$4,793,394 and \$3,064,311, respectively, has been used to credit enhance loans issued by the Organization to charter schools and \$3,061,451 and \$2,324,474, respectively, has been used to credit enhance loans issued by outside organizations. As of September 30, 2018 and 2017, \$8,908,275 and \$11,657,756, respectively, is the amount available to use as credit enhancements.

**COMMUNITY LOAN FUND OF NEW JERSEY, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

(b) Supportive Housing Fund Grant

In 2017, CLFNJ received an \$8,000,000 grant from Goldman Sachs to be used finance loans to borrowers to acquire and rehabilitate affordable supportive housing units in New Jersey. These funds will be combined with \$7,000,000 loan from an affiliate of the grantor to establish a \$15,000,000 revolving fund that will finance up to 80 units. The grant funds must be committed to eligible project borrowers by June 21, 2019. In 2018, \$1,534,868 was used to finance loans and at September 30, 2018 \$13,469,743 is still available for lending.

(c) THRIVE South Jersey Initiative Grant

In 2017, CLFNJ received a \$1,500,000 grant from the Pascal Sykes Foundation to support financing of businesses in eligible areas of Atlantic, Cumberland, Gloucester and Salem counties, as part of CLFNJ's THRIVE South Jersey Initiative. Pascal Sykes Foundation provided two grants totaling \$4,100,000 in 2015 to support community and economic development via the THRIVE South Jersey Initiative. Unexpended portion of all grants totaled \$1,415,442 and \$1,436,280 and are included in temporarily restricted net assets at September 30, 2018 and 2017, respectively.

(d) NeighborWorks America

The Organization is a subrecipient of a grant through NeighborWorks America. NeighborWorks America provided a permanently restricted grant in the amount of \$300,000 during the year ended September 30, 2016, 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. Additionally, NeighborWorks America may authorize amounts to be transferred to unrestricted net assets, and in 2018 and 2017, \$210,000 and \$300,000 respectively was authorized to be transferred. 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 unrestricted grants totaling \$573,000 and \$572,000 during the years ended September 30, 2018 and 2017, respectively.

**COMMUNITY LOAN FUND OF NEW JERSEY, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

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

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

	<u>2018</u>	<u>2017</u>
SEED funds	\$ 197,951	171,359
BofA funds	831,385	797,575
TICIC funds	578,459	659,780
GFI funds	568,405	329,995
Escrows	3,419,249	1,448,966
Other	778,892	240,228
Conditional program advances:		
Goldman Sachs downpayment assistance program	2,175,500	2,709,000
Neighborhood enhancement program	1,938,500	298,000
Camden Power funds	1,423,600	1,521,100
Neighborhood stabilization program	2,174,468	2,734,296
	<u>\$ 14,086,409</u>	<u>10,910,299</u>

(11) Long-Term Debt

Balances at September 30, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Community Loan Fund:		
Various notes payable (a)	\$ 70,998,543	55,251,045
Credit facility (b)	6,600,000	2,400,000
Equity equivalent investment (c)	12,000,000	9,000,000
Proprietary Managed Assets – notes payable (d)	191,000	191,000
CAPC:		
Credit facility (e)	10,057,391	8,745,083
Other loans (f)	21,990,675	22,777,844
NMTC related loans (g)	19,547,300	—
NCC – note payable (h)	—	16,696
NCC Mortgage Holdings (k)	1,531,543	2,056,695

**COMMUNITY LOAN FUND OF NEW JERSEY, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

	2018	2017
Lending Partners:		
Credit facility (i)	15,123,691	12,315,466
Equity equivalent investment (j)	1,000,000	1,000,000
Total long-term debt	159,040,143	113,753,829
Current portion of long-term debt	27,834,161	21,010,399
Long-term debt, net of current portion	\$ 131,205,982	92,743,430

- (a) Notes payable of the Community Loan Fund division represent loans by approximately 122 individuals, religious organizations, foundations, units of government and financial institutions in principal amounts ranging from \$200 to \$7,500,000. These notes bear interest at rates ranging from 0% to 5.50%, payable at varying maturities of one to twelve years through 2028. The notes are unsecured. Additionally, on September 28, 2015, NJCC closed on a \$28 million bond program as part of the US Treasury CDFI Bond Guarantee Program of which \$2,824,661 and \$8,888,806 has been drawn in 2018 and 2017, respectively. This program is designed to provide CDFIs with long term fixed rate affordable capital they need to spur development in low income and under resourced communities. These funds will mature on March 15, 2045 with an interest rates ranging from 2.950% to 3.604%.
- (b) Community Loan Fund has \$6,600,000 in a credit facility from an insurance company outstanding at September 30, 2018 to support its lending activities with interest rates ranging from 4.4% to 4.75% payable in installments through 2036.
- (c) The Community Loan Fund division has an aggregate of \$12,000,000 of equity equivalent investments at September 30, 2018. \$500,000 of 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. This note is unsecured and will mature on June 20, 2019 with a rate of 4.75%. Additionally, \$5,000,000 will mature August 1, 2020 with a rate of 3.50%, \$3,000,000 will mature November 19, 2022 with a rate of 3.00%, \$3,000,000 will mature June 26, 2030 with a rate of 2.00% and \$500,000 will mature on November 29, 2022 with a rate of 2.00%. The equity equivalent investments are subordinated and junior in right of payment to all other obligations of CLFNJ.
- (d) Notes payable of the NPF division represent recoverable grants from financial institutions. These consist of \$41,000 in noninterest bearing notes and \$150,000 in interest bearing notes with a rate of 2%. They have stated maturities in fiscal years 2019 to 2020. The notes are unsecured.
- (e) CAPC has an aggregate of \$16,628,000 in credit facilities, with an interest rate of 4.5% to 6.75% to support its activities. Maturities range from June 2019 to June 2020. These notes are secured by properties purchased by CAPC.

**COMMUNITY LOAN FUND OF NEW JERSEY, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

- (f) CAPC has various other loans from financial institutions and individuals bearing interest rates from 2.5% to 8.0%. These loans have maturity dates ranging from 2018 to 2027 and are secured by properties financed.
- (g) In September 2018 CAPC participated in a New Markets Tax Credit Program to provide funds for investment in qualified low income investments. This program required the creation of HPN Leverage IV, LLC (HPN). As a result CAPC borrowed \$7,847,300 from a Community Development Financial Institution to finance a portion of its investment in HPN. This financing matures August 2, 2020 with a rate of 7.34%. Additionally, CAPC secured a 20 year loan in the amount of \$11,700,000 payable to a Community Development Entity. This debt requires interest only payments until September 2025 at a rate of 0.702816%. The loan matures in September 2038 and is secured by substantially all the assets acquired by the Organization from the project loan proceeds.
- (h) NCC has a note from a venture capital fund for \$50,000 bearing interest at 2% with a maturity date of May 29, 2016. An extension was granted until 2018 and was repaid.
- (i) Lending Partners has an aggregate \$16,500,000 of fixed rate credit facility which expires April 30, 2018. The rates range from 3.15% to 3.25%. Individual notes underlying the credit facility mature at various times through 2022. Lending Partners also has \$8,000,000 in available capital from CLFNJ's CDFI Bond Guarantee Program. \$650,000 was drawn in 2017. These funds will mature on December 1, 2044 with an interest rate of 3.173%.
- (j) Lending Partners has an aggregate \$1,000,000 of equity equivalent investments. The equity equivalent investments, evidenced by notes, have a stated maturity of ten 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 and \$500,000 will mature on June 20, 2020 with a rate of 4.00% and \$500,000 will mature on June 30, 2020 with a rate of 4.44%, respectively.
- (k) NCC Mortgage Holdings has \$1,531,543 in loans outstanding at September 30, 2018, with installment payments due 2018 through 2023 with interest rate ranging from 3.75% to 5.75%.

In accordance with the terms of loan agreements with certain lenders, the Organization is required to meet several financial covenants. The Organization was in compliance with its financial covenants at September 30, 2018.

**COMMUNITY LOAN FUND OF NEW JERSEY, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

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

	<u>Community Loan Fund</u>	<u>Mortgage Holdings</u>	<u>CAPC</u>	<u>Lending Partners</u>	<u>Total</u>
2019	\$ 18,654,460	78,401	8,097,861	1,003,439	27,834,161
2020	22,674,219	109,896	8,753,826	2,242,920	33,780,861
2021	13,407,780	116,352	10,677,245	5,320,146	29,521,523
2022	4,516,823	373,188	536,069	4,090,353	9,516,433
2023	3,425,706	853,706	(688)	3,466,833	7,745,557
Thereafter	27,110,555	—	23,531,053	—	50,641,608
	<u>\$ 89,789,543</u>	<u>1,531,543</u>	<u>51,595,366</u>	<u>16,123,691</u>	<u>159,040,143</u>

(12) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at September 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Credit enhancements from USDOE grant	\$ 16,763,120	17,046,541
General lending from CDFI grant	—	776,500
Camden county businesses involved in energy efficiency improvements	500,000	500,000
Loan loss reserves	400,000	400,000
South Jersey economic initiative	1,415,442	1,436,280
Goldman Sachs supportive housing initiative	7,018,085	8,000,000
Time-restricted grants	1,502,670	1,059,781
Other	620,697	400,000
	<u>\$ 28,220,014</u>	<u>29,619,102</u>

Permanently restricted net assets at September 30, 2018 and 2017 were primarily restricted for:

	<u>2018</u>	<u>2017</u>
Revolving loan fund for housing and capital projects, income from which is expendable to support operations	\$ 490,000	700,000

**COMMUNITY LOAN FUND OF NEW JERSEY, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

(13) Commitments and Contingencies

(a) Operating Lease

The Organization leases equipment and office space under noncancelable operating leases through various dates expiring through fiscal year 2022. The office lease has an option to renew for two successive periods of five years. Future minimum lease obligations as of September 30, 2018 are as follows:

2019	\$	188,920
2020		188,920
2021		165,100
2022		<u>13,758</u>
	\$	<u><u>556,698</u></u>

Rent expense for office space amounted to \$139,345 and \$107,003 for the years ended September 30, 2018 and 2017, respectively.

(b) Contingent Liabilities for Charter Fund

At September 30, 2018 and 2017, the Organization has \$3,061,451 and \$2,324,474, respectively, of contingent guarantees outstanding for the benefit of 7 charter school transactions funded by unrelated lenders. 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, 2018 and 2017, the principal commitments of the Organization are as follows:

	2018	2017
Financings committed but not yet closed:		
Community Loan Fund	\$ 10,336,109	10,385,912
Neighborhood Prosperity Fund	332,485	950,431
Lending Partners	<u>—</u>	<u>2,785,000</u>
	<u><u>\$ 10,668,594</u></u>	<u><u>14,121,343</u></u>
Financings closed but not yet funded:		
Community Loan Fund	\$ 16,417,746	15,319,694
Neighborhood Prosperity Fund	1,732,462	1,786,185
Lending Partners	<u>5,498,621</u>	<u>5,706,652</u>
	<u><u>\$ 23,648,829</u></u>	<u><u>22,812,531</u></u>

**COMMUNITY LOAN FUND OF NEW JERSEY, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

(14) Concentrations

Financial instruments that potentially subject the Organization to credit risk include loans receivable from entities amounting to \$81,202,472 and \$62,537,287 at September 30, 2018 and 2017, respectively. As of September 30, 2018 and 2017, \$37,043,390 and \$32,996,709, respectively, of the Organization's loans were to nonprofits, representing approximately 46% and 53%, respectively, 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 financial strength of the financial institutions.

(15) Related Party Transactions

As of September 30, 2018 and 2017, the Organization had notes payable to various employees and current members of the board of directors totaling \$150,659 and \$93,639, respectively. Interest of \$1,812 and \$1,791 was paid to these individuals and \$3,850 and \$3,750 of contributions were made to the Organization by these individuals during the years ended September 30, 2018 and 2017, respectively.

(16) 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 statements of activities for the years ended September 30, 2018 and 2017 was approximately \$117,000 and \$110,000, respectively.

(17) Subsequent Events

The Organization has evaluated events subsequent to September 30, 2018 and through the date of January 31, 2019, 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 events have occurred, which requires disclosure in the consolidated financial statements.

In November 2018, Parramore Assets Stabilization Fund, LLC was formed for the purpose to acquire, stabilize, rehabilitate, lease and sell 45 distressed rental properties consisting of 86 units in the Parramore section of Orlando Florida. NJCC will be managing member and the tax matters partner. CAPC will have a 33.33% ownership interest and will serve as the investment and asset manager in the joint venture with 2 other nonprofit entities.

**COMMUNITY LOAN FUND OF NEW JERSEY, INC.
AND SUBSIDIARIES**

Schedule of Financial Position Information

September 30, 2018

Assets	Community Loan Fund of New Jersey, Inc. (note)	Community Lending Partners of New Jersey, Inc.	Community Asset Preservation Corporation	Eliminating entries	Total
Current assets:					
Cash and cash equivalents	\$ 14,275,126	228,441	14,301,677	—	28,805,244
Investments	14,424,871	—	—	—	14,424,871
Grants receivable, net	1,195,894	—	654,178	—	1,850,072
Loans receivable, net	15,342,081	2,637,133	—	(549,839)	17,429,375
Other current assets	3,781,828	92,710	3,350,148	(571,685)	6,653,001
Total current assets	49,019,800	2,958,284	18,306,003	(1,121,524)	69,162,563
Loans receivable, net	53,991,388	17,182,702	—	(11,307,993)	59,866,097
Restricted cash	12,071,365	23,985	—	—	12,095,350
Investments	10,771,247	—	—	—	10,771,247
Purchased credit impaired loans held for investment	1,287,879	—	—	—	1,287,879
Real property held for sale	776,895	—	25,861,094	—	26,637,989
Program-related investments	7,627,682	—	8,991,454	(1,510,820)	15,108,316
Fixed assets, net	87,357	—	35,371,189	(42,597)	35,415,949
Other assets	20,673,624	—	6,954,594	(19,764,227)	7,863,991
Total assets	\$ 156,307,237	20,164,971	95,484,334	(33,747,161)	238,209,381
Liabilities and Net Assets					
Current liabilities:					
Accounts payable and accrued expenses	\$ 1,061,222	918,540	22,145,648	(20,350,044)	3,775,366
Funds held in trust, escrows, and other	1,145,657	—	2,578,577	—	3,724,234
Current portion of long-term debt	20,119,889	1,019,067	9,425,878	(2,730,673)	27,834,161
Total current liabilities	22,326,768	1,937,607	34,150,103	(23,080,717)	35,333,761
Long-term liabilities:					
Unearned fee income	594,284	64,386	—	(37,724)	620,946
Funds held in trust, escrows, and other, net	7,103,670	23,985	3,234,520	—	10,362,175
Long-term debt, net	71,201,197	17,234,830	52,429,258	(9,659,303)	131,205,982
Total liabilities	101,225,919	19,260,808	89,813,881	(32,777,744)	177,522,864
Net assets:					
Unrestricted:					
Community Loan Fund of New Jersey and Subsidiaries	26,999,523	904,163	1,609,624	208,937	29,722,247
Noncontrolling interest in subsidiaries	226,005	—	3,206,605	(1,178,354)	2,254,256
Total unrestricted net assets	27,225,528	904,163	4,816,229	(969,417)	31,976,503
Temporarily restricted	27,365,790	—	854,224	—	28,220,014
Permanently restricted	490,000	—	—	—	490,000
Total net assets	55,081,318	904,163	5,670,453	(969,417)	60,686,517
Total liabilities and net assets	\$ 156,307,237	20,164,971	95,484,334	(33,747,161)	238,209,381

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

See accompanying independent auditors' report.

**COMMUNITY LOAN FUND OF NEW JERSEY, INC.
AND SUBSIDIARIES**

Schedule of Financial Position Information

September 30, 2017

Assets	Community Loan Fund of New Jersey, Inc. (note)	Community Lending Partners of New Jersey, Inc.	Community Asset Preservation Corporation	Eliminating entries	Total
Current assets:					
Cash and cash equivalents	\$ 6,425,618	5,641,036	8,400,104	—	20,466,758
Investments	13,833,692	—	—	—	13,833,692
Grants receivable, net	2,109,589	—	—	—	2,109,589
Loans receivable, net	10,234,230	2,442,353	—	(687,271)	11,989,312
Other current assets	3,030,174	69,654	1,799,811	(55,850)	4,843,789
Total current assets	35,633,303	8,153,043	10,199,915	(743,121)	53,243,140
Loans receivable, net	48,900,911	8,231,024	—	(9,636,960)	47,494,975
Restricted cash	12,485,903	35,907	—	—	12,521,810
Investments	8,469,161	—	—	—	8,469,161
Purchased credit impaired loans held for investment	1,499,729	—	—	—	1,499,729
Real property held for sale	2,221,702	—	27,228,649	(42,597)	29,407,754
Program-related investments	7,339,034	—	97,714	—	7,436,748
Fixed assets, net	77,776	—	22,903,435	—	22,981,211
Other assets	14,842,606	332,985	520,237	(13,569,598)	2,126,230
Total assets	<u>\$ 131,470,125</u>	<u>16,752,959</u>	<u>60,949,950</u>	<u>(23,992,276)</u>	<u>185,180,758</u>
Liabilities and Net Assets					
Current liabilities:					
Accounts payable and accrued expenses	\$ 1,212,701	99,443	14,519,798	(13,643,734)	2,188,208
Funds held in trust, escrows, and other	979,437	—	2,825,881	—	3,805,318
Current portion of long-term debt	16,212,987	1,180,276	4,337,261	(720,125)	21,010,399
Total current liabilities	18,405,125	1,279,719	21,682,940	(14,363,859)	27,003,925
Long-term liabilities:					
Unearned fee income	453,053	69,090	—	(39,467)	482,676
Funds held in trust, escrows, and other, net	5,527,911	35,907	1,541,163	—	7,104,981
Long-term debt, net	52,702,449	14,280,371	35,849,963	(10,089,353)	92,743,430
Total liabilities	<u>77,088,538</u>	<u>15,665,087</u>	<u>59,074,066</u>	<u>(24,492,679)</u>	<u>127,335,012</u>
Net assets:					
Unrestricted:					
Community Loan Fund of New Jersey and Subsidiaries	23,836,480	1,087,872	1,427,199	500,403	26,851,954
Noncontrolling interest in subsidiaries	226,005	—	448,685	—	674,690
Total unrestricted net assets	24,062,485	1,087,872	1,875,884	500,403	27,526,644
Temporarily restricted	29,619,102	—	—	—	29,619,102
Permanently restricted	700,000	—	—	—	700,000
Total net assets	<u>54,381,587</u>	<u>1,087,872</u>	<u>1,875,884</u>	<u>500,403</u>	<u>57,845,746</u>
Total liabilities and net assets	<u>\$ 131,470,125</u>	<u>16,752,959</u>	<u>60,949,950</u>	<u>(23,992,276)</u>	<u>185,180,758</u>

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

See accompanying independent auditors' report.

**COMMUNITY LOAN FUND OF NEW JERSEY, INC.
AND SUBSIDIARIES**

Schedule of Activities Information

Year ended September 30, 2018

	<u>Community Loan Fund of New Jersey, Inc. (note)</u>	<u>Community Lending Partners of New Jersey, Inc.</u>	<u>Community Asset Preservation Corporation</u>	<u>Eliminating entries</u>	<u>Total</u>
Operating revenues, gains and other support:					
Interest from loans receivable	\$ 3,804,984	908,479	89,795	(463,714)	4,339,544
Investment interest and dividends	611,961	5,426	1	—	617,388
Total investment income	4,416,945	913,905	89,796	(463,714)	4,956,932
Interest expense	(2,477,072)	(579,936)	(177,505)	463,714	(2,770,799)
Net investment income	1,939,873	333,969	(87,709)	—	2,186,133
Provision for loan losses, net	(477,331)	(380,000)	—	41,000	(816,331)
Net investment income after provision for loan losses	1,462,542	(46,031)	(87,709)	41,000	1,369,802
Contributions, gifts, and grants	2,247,505	—	3,118,541	(35,835)	5,330,211
Fees	5,610,484	73,493	981,595	(46,482)	6,619,090
Rental income	137,272	—	2,738,297	—	2,875,569
Gain on sale of property and mortgages	131,821	—	609,701	—	741,522
Total operating revenues, gains and other support	9,589,624	27,462	7,360,425	(41,317)	16,936,194
Operating expenses:					
Program services	6,463,552	161,394	6,571,127	(72,170)	13,123,903
Supporting services:					
Management and general	796,838	29,866	501,228	(6,059)	1,321,873
Fundraising	526,330	19,911	291,959	(4,088)	834,112
Total supporting services	1,323,168	49,777	793,187	(10,147)	2,155,985
Total operating expenses	7,786,720	211,171	7,364,314	(82,317)	15,279,888
Changes in net assets before nonoperating activities	1,802,904	(183,709)	(3,889)	41,000	1,656,306
Nonoperating activities:					
Impairment loss on real property held for sale	(1,373,679)	—	(83,631)	—	(1,457,310)
Contributions from noncontrolling interests	—	—	3,882,089	(1,866,441)	2,015,648
Realized gain on investments	23,661	—	—	355,621	379,282
Unrealized gain on investments	246,845	—	—	—	246,845
Total nonoperating activities, net	(1,103,173)	—	3,798,458	(1,510,820)	1,184,465
Increase (decrease) in net assets	699,731	(183,709)	3,794,569	(1,469,820)	2,840,771
Net assets, beginning of year	54,381,587	1,087,872	1,875,884	500,403	57,845,746
Net assets, end of year	\$ 55,081,318	904,163	5,670,453	(969,417)	60,686,517

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

See accompanying independent auditors' report.

**COMMUNITY LOAN FUND OF NEW JERSEY, INC.
AND SUBSIDIARIES**

Schedule of Activities Information

Year ended September 30, 2017

	Community Loan Fund of New Jersey, Inc. (note)	Community Lending Partners of New Jersey, Inc.	Community Asset Preservation Corporation	Eliminating entries	Total
Operating revenues, gains and other support:					
Interest from loans receivable	\$ 3,006,772	509,994	2,224	(356,095)	3,162,895
Investment interest and dividends	836,067	1,133	78,682	—	915,882
Total investment income	3,842,839	511,127	80,906	(356,095)	4,078,777
Interest expense	(1,960,990)	(480,374)	—	356,095	(2,085,269)
Net investment income	1,881,849	30,753	80,906	—	1,993,508
Provision for loan losses, net	(1,283,031)	(122,581)	—	543,000	(862,612)
Net investment income after provision for loan losses	598,818	(91,828)	80,906	543,000	1,130,896
Contributions, gifts, and grants	12,794,031	—	1,269,275	(236,775)	13,826,531
Fees	2,765,570	50,523	703,246	(100,924)	3,418,415
Rental income	206,391	—	2,034,807	—	2,241,198
Gain on sale of property and mortgages	160,908	—	606,567	—	767,475
Total operating revenues, gains and other support	16,525,718	(41,305)	4,694,801	205,301	21,384,515
Operating expenses:					
Program services	6,336,610	206,378	4,018,202	(310,570)	10,250,620
Supporting services:					
Management and general	843,491	39,913	295,859	(16,223)	1,163,040
Fundraising	562,128	26,608	169,163	(10,906)	746,993
Total supporting services	1,405,619	66,521	465,022	(27,129)	1,910,033
Total operating expenses	7,742,229	272,899	4,483,224	(337,699)	12,160,653
Changes in net assets before nonoperating activities	8,783,489	(314,204)	211,577	543,000	9,223,862
Nonoperating activities:					
Impairment loss on real property held for sale	(5,733)	—	—	—	(5,733)
Contributions from noncontrolling interests	—	—	448,685	—	448,685
Realized gain on investments	343,162	—	—	—	343,162
Unrealized gain on investments	176,190	—	—	—	176,190
Total nonoperating activities, net	513,619	—	448,685	—	962,304
Increase (decrease) in net assets	9,297,108	(314,204)	660,262	543,000	10,186,166
Net assets, beginning of year	45,084,479	1,402,076	1,215,622	(42,597)	47,659,580
Net assets, end of year	\$ 54,381,587	1,087,872	1,875,884	500,403	57,845,746

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

See accompanying independent auditors' report.

**COMMUNITY LOAN FUND OF NEW JERSEY, INC.
AND SUBSIDIARIES**

Schedule of Functional Expenses

Year ended September 30, 2018

	Program services	Supporting services			Total functional expenses
		Management and general	Fundraising	Total	
Salaries and benefits	\$ 4,551,033	659,851	424,446	1,084,297	5,635,330
Depreciation and amortization	621,551	53,195	31,074	84,269	705,820
Insurance	72,841	12,431	8,156	20,587	93,428
Occupancy	234,775	41,178	27,095	68,273	303,048
Office supplies	191,890	34,911	23,060	57,971	249,861
Professional development	57,708	9,986	6,561	16,547	74,255
Professional fees	2,400,208	194,802	129,787	324,589	2,724,797
Publicity	83,405	15,202	16,941	32,143	115,548
Loan servicing and commitment fees	1,343,060	59,984	27,423	87,407	1,430,467
Grants expense	547,572	—	—	—	547,572
Rental expenses	2,823,564	231,208	133,552	364,760	3,188,324
Property held for sale holding costs	75,951	—	—	—	75,951
Travel-site visits	67,263	—	—	—	67,263
Other	53,082	9,125	6,017	15,142	68,224
Total	\$ <u>13,123,903</u>	<u>1,321,873</u>	<u>834,112</u>	<u>2,155,985</u>	<u>15,279,888</u>

See accompanying independent auditors' report.

**COMMUNITY LOAN FUND OF NEW JERSEY, INC.
AND SUBSIDIARIES**

Schedule of Functional Expenses

Year ended September 30, 2017

	Program services	Supporting services			Total functional expenses
		Management and general	Fundraising	Total	
Salaries and benefits	\$ 3,975,700	666,295	436,240	1,102,535	5,078,235
Depreciation and amortization	392,029	36,562	21,792	58,354	450,383
Insurance	81,261	14,653	9,670	24,323	105,584
Occupancy	164,248	27,610	18,084	45,694	209,942
Office supplies	184,881	28,435	18,430	46,865	231,746
Professional development	56,964	9,717	6,375	16,092	73,056
Professional fees	1,517,987	142,771	93,458	236,229	1,754,216
Publicity	36,598	5,970	10,169	16,139	52,737
Loan servicing and commitment fees	757,080	51,849	28,420	80,269	837,349
Grants expense	750,794	—	—	—	750,794
Rental expenses	2,079,150	172,035	99,641	271,676	2,350,826
Property held for sale holding costs	130,601	—	—	—	130,601
Travel-site visits	61,383	—	—	—	61,383
Other	61,944	7,143	4,714	11,857	73,801
Total	\$ <u>10,250,620</u>	<u>1,163,040</u>	<u>746,993</u>	<u>1,910,033</u>	<u>12,160,653</u>

See accompanying independent auditors' report.