



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

**Combined and Consolidated
Financial Statements and
Supplemental Information**

September 30, 2009 and 2008

With Independent Auditors' Report

Community Loan Fund of New Jersey, Inc. and Affiliates
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September 30, 2009 and 2008

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Independent Auditors' Report

To the Board of Directors,
Community Loan Fund of New Jersey, Inc. and Affiliates
Trenton, New Jersey

We have audited the accompanying combined and consolidated statements of financial position of Community Loan Fund of New Jersey, Inc. and Affiliates as of September 30, 2009 and 2008, and the related combined and consolidated statements of activities and changes in net assets and combined and consolidated statements of cash flows for the years then ended. These financial statements are the responsibility of the Organizations' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined and consolidated financial positions of Community Loan Fund of New Jersey, Inc. and Affiliates as of September 30, 2009 and 2008, and the combined and consolidated results of their operations and changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards we have also issued our report dated January 30, 2010 on our consideration of Community Loan Fund of New Jersey, Inc. and Affiliates' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.



Our audits were made for the purpose of forming an opinion on the basic combined and consolidated financial statements of Community Loan Fund of New Jersey, Inc. and Affiliates taken as a whole. The accompanying schedules of Combined and Consolidated Schedules of Functional Expenses, Combining Schedules of Financial Position, and Combining Schedules of Activities and Changes in Net Assets are not required as part of the basic combined and consolidated financial statements. The accompanying Combined and Consolidated Schedules of Federal Awards and Combined and Consolidated Schedule of Current and Prior Years Findings and Questioned Costs are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and are not required as part of the basic combined and consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic combined and consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic combined and consolidated financial statements taken as a whole.

A handwritten signature in black ink that reads "Withum Smith & Brown PC".

January 30, 2010

Community Loan Fund of New Jersey, Inc. and Affiliates
Combined and Consolidated Statement of Financial Position
September 30, 2009

	Unrestricted	Temporarily Restricted	Total
Assets			
Cash and cash equivalents	\$ 3,146,259	\$ 1,950,000	\$ 5,096,259
Accrued interest and dividends receivable	872,124	1,049	873,173
Loans receivable	35,425,391	--	35,425,391
Allowance for uncollectible loans receivable	(1,625,000)	--	(1,625,000)
Tenant accounts receivable, net	69,601	--	69,601
Investments, marketable securities	8,623,827	8,504,352	17,128,179
Investments, other	2,409,317	--	2,409,317
Fixed assets, net	3,983,554	--	3,983,554
Intangible assets	695,241	--	695,241
Restricted deposits	493,389	--	493,389
Other assets	73,617	--	73,617
	<u>\$ 54,167,320</u>	<u>\$ 10,455,401</u>	<u>\$ 64,622,721</u>
 Liabilities and Net Assets			
Liabilities			
Accounts payable	\$ 331,048	\$ --	\$ 331,048
Unearned fee income	170,339	--	170,339
Accrued interest payable	222,594	--	222,594
Funds held in trust and escrows	838,917	--	838,917
Notes payable	39,276,889	--	39,276,889
Subordinated notes payable	2,500,000	--	2,500,000
Mortgage payable	3,285,927	--	3,285,927
Member note payable	150,537	--	150,537
Total liabilities	<u>46,776,251</u>	<u>--</u>	<u>46,776,251</u>
Minority interest in equity of subsidiary	159,000	--	159,000
Net assets	<u>7,232,069</u>	<u>10,455,401</u>	<u>17,687,470</u>
	<u>\$ 54,167,320</u>	<u>\$ 10,455,401</u>	<u>\$ 64,622,721</u>

The Notes to the Combined and Consolidated Financial Statements are an integral part of these statements.

Community Loan Fund of New Jersey, Inc. and Affiliates
Combined and Consolidated Statement of Financial Position
September 30, 2008

	Unrestricted	Temporarily Restricted	Total
Assets			
Cash and cash equivalents	\$ 6,607,078	\$ --	\$ 6,607,078
Accrued interest and dividends receivable	770,165	16,954	787,119
Loans receivable	34,700,709	--	34,700,709
Allowance for uncollectible loans receivable	(1,600,000)	--	(1,600,000)
Tenants accounts receivable, net	68,942	--	68,942
Investments, marketable securities	8,397,931	8,456,024	16,853,955
Investments, other	1,029,400	--	1,029,400
Real property held for sale	66,586	--	66,586
Fixed assets, net	4,148,417	--	4,148,417
Intangible asset	645,305	--	645,305
Restricted deposits	428,810	--	428,810
Other assets	93,361	--	93,361
	<u>\$ 55,356,704</u>	<u>\$ 8,472,978</u>	<u>\$ 63,829,682</u>
 Liabilities and Net Assets			
Liabilities			
Accounts payable	\$ 230,454	\$ --	\$ 230,454
Unearned fee income	143,020	--	143,020
Accrued interest payable	225,197	--	225,197
Funds held in trust and escrows	614,986	--	614,986
Notes payable	39,954,840	--	39,954,840
Subordinated notes payable	2,500,000	--	2,500,000
Mortgage payable	3,326,076	--	3,326,076
Member note payable	73,289	--	73,289
Total liabilities	<u>47,067,862</u>	<u>--</u>	<u>47,067,862</u>
Minority interest in equity of subsidiary	185,219	--	185,219
Net assets	<u>8,103,623</u>	<u>8,472,978</u>	<u>16,576,601</u>
	<u>\$ 55,356,704</u>	<u>\$ 8,472,978</u>	<u>\$ 63,829,682</u>

The Notes to the Combined and Consolidated Financial Statements are an integral part of these statements.

Community Loan Fund of New Jersey, Inc. and Affiliates
Combined and Consolidated Statement of Activities and Changes in Net Assets
Year Ended September 30, 2009

	Unrestricted	Temporarily Restricted	Total
Operating income			
Interest from loans receivable	\$ 2,009,627	\$ --	\$ 2,009,627
Investment interest and dividends	<u>328,024</u>	<u>44,084</u>	<u>372,108</u>
Total investment income	2,337,651	44,084	2,381,735
Interest expense	<u>(1,727,964)</u>	<u>--</u>	<u>(1,727,964)</u>
Net interest income	609,687	44,084	653,771
Provision for loan losses, net	<u>(1,672,486)</u>	<u>--</u>	<u>(1,672,486)</u>
Net interest income after provision for loan losses	(1,062,799)	44,084	(1,018,715)
Contributions, gifts, and grants	1,579,434	1,950,000	3,529,434
Fees	<u>274,772</u>	<u>--</u>	<u>274,772</u>
Total revenues and other support	1,854,206	1,950,000	3,804,206
Total operating income	791,407	1,994,084	2,785,491
Expenses			
Program services	1,327,273	--	1,327,273
Management and general	234,528	--	234,528
Fundraising	<u>123,525</u>	<u>--</u>	<u>123,525</u>
Total expenses	<u>1,685,326</u>	<u>--</u>	<u>1,685,326</u>
Operating surplus	(893,919)	1,994,084	1,100,165
Non-operating income (expense)			
Rental income of \$1,350,851, net of rental expenses of \$1,525,079	(174,228)	--	(174,228)
Non-controlling interest	26,216	--	26,216
State tax	(1,772)	--	(1,772)
Loss on sale of investments	(256,262)	(4,367)	(260,629)
Unrealized gain (loss) on investments	<u>428,411</u>	<u>(7,294)</u>	<u>421,117</u>
Total non-operating income	<u>22,365</u>	<u>(11,661)</u>	<u>10,704</u>
Increase (decrease) in net assets	<u>(871,554)</u>	<u>1,982,423</u>	<u>1,110,869</u>
Net assets, beginning of year	<u>8,103,623</u>	<u>8,472,978</u>	<u>16,576,601</u>
Net assets, end of year	<u>\$ 7,232,069</u>	<u>\$ 10,455,401</u>	<u>\$ 17,687,470</u>

The Notes to the Combined and Consolidated Financial Statements are an integral part of these statements.

Community Loan Fund of New Jersey, Inc. and Affiliates
Combined and Consolidated Statement of Activities and Changes in Net Assets
Year Ended September 30, 2008

	Unrestricted	Temporarily Restricted	Total
Operating income			
Interest from loans receivable	\$ 2,730,823	\$ --	\$ 2,730,823
Investment interest and dividends	489,526	247,968	737,494
Total investment income	3,220,349	247,968	3,468,317
Interest expense	(1,781,950)	--	(1,781,950)
Net interest income	1,438,399	247,968	1,686,367
Provision for loan losses, net	(142,000)	(200,000)	(342,000)
Net interest income after provision for loan losses	1,296,399	47,968	1,344,367
Contributions, gifts, and grants	470,474	--	470,474
Fees	282,576	--	282,576
Total revenues and other support	753,050	--	753,050
Total operating income	2,049,449	47,968	2,097,417
Expenses			
Program services	1,262,498	--	1,262,498
Management and general	221,810	--	221,810
Fundraising	126,244	--	126,244
Total expenses	1,610,552	--	1,610,552
Operating surplus	438,897	47,968	486,865
Non-operating income (expense)			
Rental income of \$483,149, net of rental expenses of \$521,653	(38,504)	--	(38,504)
Non-controlling interest	11,517	--	11,517
State tax	(3,183)	--	(3,183)
Loss on sale of investments	(202,429)	(104)	(202,533)
Unrealized gain (loss) on investments	(628,094)	24,558	(603,536)
Total non-operating income	(860,693)	24,454	(836,239)
Increase (decrease) in net assets	(421,796)	72,422	(349,374)
Net assets, beginning of year	8,525,419	8,400,556	16,925,975
Net assets, end of year	<u>\$ 8,103,623</u>	<u>\$ 8,472,978</u>	<u>\$ 16,576,601</u>

The Notes to the Combined and Consolidated Financial Statements are an integral part of these statements.

**Community Loan Fund of New Jersey, Inc. and Affiliates
Combined and Consolidated Statements of Cash Flows
Years Ended September 30, 2009 and 2008**

	2009	2008
Cash flow from operating activities		
Change in net assets	\$ 1,110,869	\$ (349,374)
Adjustment to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	218,614	58,274
Realized loss on investments, marketable securities	260,276	102,533
Unrealized (gain) loss on investments, marketable securities	(415,607)	639,167
Realized (gain) loss on investments, other	353	(35,631)
Unrealized (gain) loss on investments, other	(5,510)	100,000
Minority interest income	(26,216)	(11,517)
Provision for loan losses, net	25,000	142,000
Provision for tenant rent receivable, net	(19,000)	--
Loss on disposal of fixed assets	--	903
Changes in operating assets and liabilities:		
Accrued interest receivable	(86,054)	(67,486)
Tenant rent receivable	18,341	--
Other assets	19,744	(60,971)
Accounts payable	100,594	45,813
Unearned fee income	27,319	72,710
Accrued interest payable	(2,603)	27,201
Funds held in trust and escrows	223,931	(87,079)
Net cash provided by operating activities	<u>1,450,051</u>	<u>576,543</u>
Cash flow from investing activities		
Proceeds from sale of investments, marketable securities	59,412,933	82,292,604
Purchases of investments, marketable securities	(59,531,826)	(82,560,693)
Purchase of investments, other	(1,574,894)	(200,134)
Proceeds from sale/maturity of investments, other	200,134	850,264
Repayment of loans receivable	12,284,741	14,228,581
Issuance of loans receivable	(13,009,423)	(15,311,016)
Payment for acquisition of 85% interest in subsidiary	--	(1,075,250)
Purchase of intangible assets	(83,093)	(6,615)
Proceeds from sale of real property held for sale	66,586	--
Purchase of fixed assets	(20,597)	(52,626)
Net cash used by investing activities	<u>(2,255,439)</u>	<u>(1,834,885)</u>
Cash flow from financing activities		
Change in restricted cash	(64,579)	--
Cash received from acquisition of subsidiary	--	71,769
Payments on mortgage payable	(40,149)	(15,135)
Payments on member note payable	(73,289)	--
Proceeds from member note payable	150,537	3,891
Proceeds from issuance of notes payable and acquisition of debt	2,103,641	8,828,636
Payments on notes payable	(2,781,592)	(4,614,141)
Net cash (used in) provided by financing activities	<u>(705,431)</u>	<u>4,275,020</u>
Net increase (decrease) in cash and cash equivalents	(1,510,819)	3,016,678
Cash and cash equivalents		
Beginning of year	<u>6,607,078</u>	<u>3,590,400</u>
End of year	<u>\$ 5,096,259</u>	<u>\$ 6,607,078</u>

The Notes to the Combined and Consolidated Financial Statements are an integral part of these statements.

Community Loan Fund of New Jersey, Inc. and Affiliates
Combined and Consolidated Statements of Cash Flows (Continued)
Years Ended September 30, 2009 and 2008

	2009	2008
Supplemental disclosure of cash flow information		
Cash paid during year for		
Interest	<u>\$ 1,738,505</u>	<u>\$ 1,871,129</u>
 Non-cash		
Acquisition of 85% interest in Hamilton East Associates, LLC		
Cash and restricted cash	\$ --	\$ 500,580
Fixed assets	--	3,898,955
Intangible and other assets	--	437,918
Accounts payable assumed	--	(153,878)
Funds held in trust assumed	--	(23,677)
Member note payable assumed	--	(69,398)
Mortgage payable assumed	--	(3,341,211)
Minority interest	--	(174,039)
	<u>\$ --</u>	<u>\$ 1,075,250</u>

The Notes to the Combined and Consolidated Financial Statements are an integral part of these statements.

Community Loan Fund of New Jersey, Inc. and Affiliates

Notes to Combined and Consolidated Financial Statements

September 30, 2009 and 2008

1. Organization

New Jersey Community Capital is the registered trade name utilized by Community Loan Fund of New Jersey, Inc. and its affiliated entities ("Organization") for its financial products and consulting services.

1) Community Loan Fund of New Jersey, Inc.

Community Loan Fund of New Jersey, Inc. 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.

Community Loan Fund of New Jersey, Inc. has formed the following special purpose entities ("SPEs"): NorthStar CDE, LLC; Community Equity Fund of New Jersey I, LLC; NJCC CDE FOT LLC; NJCC CDE UVS LLC; NJCC CDE RBS LLC; NJCC CDE I LLC; and NJCC CDE II LLC (collectively, "NMTC I"). The SPEs are not consolidated in the Organization's combined and consolidated financial statements. Community Loan Fund of New Jersey, Inc. serves as the managing member of each of the SPEs in NMTC I.

Community Loan Fund of New Jersey, Inc. owns the majority of the voting shares of University Ventures, Inc.

Community Loan Fund of New Jersey, Inc. has aligned its operations into several operating divisions: Community Loan Fund, Proprietary Managed Assets ("Managed Assets"), Third Party Managed Assets, NMTC I, University Ventures, Inc., and Hamilton East Associates, LLC.

Community Loan Fund

The Community Loan Fund provides financing and technical assistance to three primary sectors: housing, community services and businesses. To maximize its impact, the 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 include loan pools developed by Community Loan Fund of New Jersey, Inc. and targeted to specialized sectors.

(a) Affordable Housing Fund

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

(b) Charter Fund

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

Third Party Managed Assets

Third Party Managed Assets include loan pools administered by Community Loan Fund of New Jersey, Inc.

Community Loan Fund of New Jersey, Inc. and Affiliates
Notes to Combined and Consolidated Financial Statements
September 30, 2009 and 2008

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

During 2000, Third Party Managed Assets 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. Third Party Managed Assets underwrites, services and administers the loans under the program.

(b) Asbury Park Urban Enterprise Zone Revolving Loan Fund

In 2003, the City of Asbury Park’s Urban Enterprise Zone (“UEZ”) announced a revolving micro-loan program with certain services provided by Third Party Managed Assets. 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 Third Party Managed Assets underwrites, services and administers the underlying loans.

(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. Third Party Managed Assets services and administers the program on behalf of Bank of America.

NMTC I

In 2003, Community Loan Fund of New Jersey, Inc. was notified it had received a \$15 million allocation of New Markets Tax Credits from the United States Department of Treasury’s Community Development Financial Institutions Fund in the first round of a national economic development initiative.

The Organization, through SPEs managed by Community Loan Fund of New Jersey, Inc., 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.

NMTC II

In 2009, Community Loan Fund of New Jersey, Inc. was notified it had received a \$35 million allocation of New Markets Tax Credits from the United States Department of Treasury’s Community Development Financial Institutions Fund in the seventh round of a national economic development initiative.

University Ventures, Inc.

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

University Ventures, Inc. 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.

Community Loan Fund of New Jersey, Inc. and Affiliates
Notes to Combined and Consolidated Financial Statements
September 30, 2009 and 2008

Hamilton East Associates, LLC

In May 2008, Community Loan Fund of New Jersey, Inc. acquired an 85% membership interest in Hamilton East Associates, LLC ("Hamilton East"), a limited liability company organized in the State of New Jersey.

Hamilton East Associates, LLC was created to acquire, own, manage, operate, develop, improve, lease, maintain, repair, and otherwise deal in and with certain premises situated in the City of Bridgeton, NJ. The Partnership owns, and has available for rent, buildings with 156 residential apartment units located in Bridgeton, NJ. Hamilton East is operating pursuant to two one-year Section 8 contract, numbers NJ39M000055 and NJ39M000054 which expire September 2010.

2) Community Lending Partners of New Jersey, Inc.

Community Lending Partners of New Jersey, Inc. ("Lending Partners"), a real estate lending intermediary, was formed in 2002.

2. Summary of Significant Accounting Policies

The significant accounting policies followed by the Organization are described below in order to enhance the usefulness of the combined and consolidated financial statements to the reader.

Principles of Combination and Consolidation

The combined and consolidated financial statements include the accounts of Community Loan Fund of New Jersey, Inc. and Lending Partners which have been combined and University Ventures, Inc. and Hamilton East Associates, LLC, both majority owned subsidiaries of Community Loan Fund of New Jersey, Inc., which have been consolidated. All intercompany accounts and transactions have been eliminated in combination and consolidation.

Loans Receivable and Allowance for Loan Losses

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 simple-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 non-accrual 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 non-accrual or charged off, is reversed against interest income. 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 loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are netted against the loan loss provision.

Community Loan Fund of New Jersey, Inc. and Affiliates
Notes to Combined and Consolidated Financial Statements
September 30, 2009 and 2008

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

Contributions, Gifts and Grants

Contributions, gifts and grants are reported in the accompanying combined and consolidated financial statements at their estimated fair value at date of receipt or binding commitment. The Organization records contributions and grants as unrestricted or temporarily 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 as assets, or as decreases in liabilities or expenses depending on the form of the benefits received. Conditional promises to give are recognized 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 free interest rates applicable to the years in which the promises are received to discount the amounts.

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial 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 years ended September 30, 2009 and 2008, there were no contributed services meeting the requirements for recognition in the financial combined and consolidated statements.

HUD Programs

Hamilton East is subject to a Section 8 Housing Assistance Payments agreement with HUD, and a significant portion of the project's rental income is received from HUD. Hamilton East's major program is its Section 8 rent subsidy for the year ended September 30, 2009 and the period from acquisition through September 30, 2008.

Cash and Cash Equivalents

For purposes of the Combined and Consolidated Statements of Financial Position and the Combined and Consolidated Statements of Cash Flows, the Organization considers all highly liquid unrestricted investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents designated for long-term purposes or received with donor-imposed restrictions limiting their use for long-term purposes are not considered cash and cash equivalents for the purposes of the Combined and Consolidated Statements of Financial Position and the Combined and Consolidated Statements of Cash Flows.

Tenant Accounts Receivable

Tenant accounts receivable consist of receivables from tenants for rent and other charges, if applicable, recorded according to the terms of their leases. Tenant receivables do not bear interest. Tenant receivables are periodically evaluated for collectability based on the tenants' past history, their current status and financial condition. At September 30, 2009 and 2008, Hamilton East considers accounts receivable from the tenants not to be fully collectible; accordingly, there is an allowance for doubtful accounts in the amount of \$6,000 and \$25,000, respectively. Hamilton East holds tenants' security deposits as collateral for tenant receivables.

Community Loan Fund of New Jersey, Inc. and Affiliates
Notes to Combined and Consolidated Financial Statements
September 30, 2009 and 2008

Property and Equipment

Fixed assets are carried at cost less accumulated depreciation. Contributed assets which are significant in amount are recorded at fair market 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.

Goodwill

The Organization evaluates the recoverability of goodwill on an annual basis at the end of the year, or more frequently if impairment indicators arise, as required under *Goodwill and Other Intangible Assets*. Goodwill is reviewed for impairment by applying a fair-value-based test. A goodwill impairment loss is recorded for any goodwill that is determined to be impaired.

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.

Tenant Security Deposits

Tenant security deposits include accrued interest and are held in a high credit quality financial institution. Upon termination of the lease with the tenant, the security deposit and interest earned on the funds are due and payable to the tenant. Tenant security deposits are classified as funds held in trust and escrows on the Combined and Consolidated Statements of Financial Position.

Income Taxes

Community Loan Fund of New Jersey, Inc. and Lending Partners are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

University Ventures, Inc. is a for-profit corporation with federal net operating loss carryforwards of \$1,127,000 and \$1,146,000 as of December 31, 2008 and 2007, respectively, expiring at various dates through 2028. The net operating loss carryforwards result in a deferred tax asset of \$384,000 and \$390,000, at September 30, 2009 and 2008, respectively, on which there is a 100% valuation allowance.

Hamilton East is a for-profit LLC and as such the income or loss generated from the LLC is taxed to the members on their respective returns.

The Organization has deferred the application of *Accounting for Uncertainty in Income Taxes* until its first fiscal year beginning after December 15, 2008. The Organization's accounting policy is to evaluate uncertain tax positions in accordance with *Accounting for Contingencies*.

Distributions

With respect to Hamilton East, under the agreement with HUD, distributions to the members from funds provided by rental operations are allowed provided: 1) surplus cash, as defined by HUD, is available for such purposes, 2) the project is in compliance with all outstanding notices of requirements for proper maintenance, and 3) there is no default under the regulatory agreement or under the mortgage note. There were no distributions during the period from acquisition through September 30, 2009.

Use of Estimates

The preparation of combined and consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain items in the 2008 combined and consolidated financial statements have been reclassified to conform with the 2009 classifications. The reclassifications have no effect on the change in net assets.

Community Loan Fund of New Jersey, Inc. and Affiliates
Notes to Combined and Consolidated Financial Statements
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3. Restricted Deposits

Under the terms of the agreement with the mortgagee, Hamilton East is required to fund certain reserve or escrow accounts. Accordingly, Hamilton East has segregated a total of \$493,389 and \$423,381 as of September 30, 2009 and 2008 which is held in separate accounts and is detailed as follows:

	2009	2008
HAP reserve	\$ 22,210	\$ 22,075
Operating reserve	123,046	122,514
Completion repair reserve	211,234	210,167
Replacement reserve	50,790	17,428
Tax reserve	43,476	5,429
Insurance reserve	42,633	51,197
	<u>\$ 493,389</u>	<u>\$ 428,810</u>

4. Loans Receivable

The Organization, directly or through agreements with other entities, provides credit facilities primarily in the form of loans receivable. An overview of the various programs follows:

Community Loan Fund

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

At September 30, 2009, variable rate loans had interest rates from 2.25% to 6.25% and amounted to \$466,622. September 30, 2008, variable rate loans had interest rates from 4.21% to 8% and amounted to \$1,753,572. At September 30, 2009, fixed rate loans had interest rates from 4% to 8.5% and amounted to \$21,913,963. At September 30, 2008, fixed rate loans had interest rates from 5% to 9% and amounted to \$21,487,631.

At September 30, 2009, there was one loan classified as 90 days past due and still accruing with a total recorded investment amount of \$81,301. At September 30, 2008, there were two loans classified as 90 days past due and still accruing with a total recorded investment amount of \$1,654,211. At September 30, 2009, there were three loans classified as non-accrual with a total recorded investment amount of \$2,722,457. At September 30, 2008, there were no loans classified as non-accrual.

Proprietary Managed Assets – Affordable Housing Fund

Loans receivable are generally for \$150,000 or less for twenty-four months or less. At September 30, 2009 and 2008, loans bore interest rates between 0% and 7.5% and 0% and 6%, respectively, and are either unsecured or, if applicable, secured by the assets financed. At September 30, 2009 and 2008, these loans amounted to \$291,402 and \$244,925, respectively.

University Ventures

University Ventures has a \$500,000 loan receivable from Red Restaurant Ventures, LLC under a four year credit facility at 13.5% interest with interest only for two years and then level principal and interest payments satisfactory to fully amortize the credit facility, with a balloon payment at the end of the term.

Community Loan Fund of New Jersey, Inc. and Affiliates
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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 three to twenty four months and generally bear interest rates at LIBOR. At September 30, 2009, variable rate loans had interest rates from 4.25% to 7% and amounted to \$6,632,058. At September 30, 2008, variable rate loans had interest rates from 5.25% to 8.5% and amounted to \$5,542,032. Fixed rate loans are generally for twelve to seventy-two months and generally bear interest rates at a LIBOR. At September 30, 2009, fixed rate loans had interest rates from 6.25% to 8.25% and amounted to \$5,621,346. At September 30, 2008, fixed rate loans had interest rates from 6.25% to 8.5% and amounted to \$5,172,549.

At September 30, 2009, there was one loan classified as non-accrual and 90 days past due with a recorded investment amount of \$468,858. At September 30, 2008, there was one loan classified as 90 days past due and still accruing with a recorded investment amount of \$478,374. At September 30, 2009 and 2008, no loans were classified as non-accrual.

5. Allowance for Loan Losses

The following table presents the changes in the allowance for loan losses at September 30:

	2009	2008
Opening balance	\$ 1,600,000	\$ 1,458,000
Less: write-offs	1,647,486	200,000
Add: provision for loan losses	<u>1,672,486</u>	<u>342,000</u>
Ending balance	<u>\$ 1,625,000</u>	<u>\$ 1,600,000</u>

6. Investments, Marketable Securities and Other

The Organization records its Investments, Marketable Securities at fair value. The fair value of Investments, Marketable Securities is determined by reference to quoted market prices.

Investments, Marketable Securities at September 30, 2009 are as follows:

	Unrestricted	Temporarily Restricted	Total
Government Bonds	\$ 1,588,601	\$ --	\$ 1,588,601
Money Market Mutual Fund	--	8,504,352	8,504,352
Mortgage & Asset Backed Securities	3,994,124	--	3,994,124
Corporate Bonds/Commercial Paper	986,165	--	986,165
International Bonds	94,351	--	94,351
Common Stock	<u>1,960,586</u>	--	<u>1,960,586</u>
	<u>\$ 8,623,827</u>	<u>\$ 8,504,352</u>	<u>\$17,128,179</u>

Community Loan Fund of New Jersey, Inc. and Affiliates
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Investments, Marketable Securities at September 30, 2008 are as follows:

	Unrestricted	Temporarily Restricted	Total
Government Bonds	\$ 2,126,746	\$ 5,553,493	\$ 7,680,239
Certificates of Deposit	191,907	--	191,907
Money Market Mutual Fund	--	111,584	111,584
Mortgage & Asset Backed Securities	3,518,409	--	3,518,409
Corporate Bonds/Commercial Paper	514,697	2,790,947	3,305,644
International Bonds	33,617	--	33,617
Common Stock	<u>2,012,555</u>	<u>--</u>	<u>2,012,555</u>
	<u>\$ 8,397,931</u>	<u>\$ 8,456,024</u>	<u>\$16,853,955</u>

Investments, Other are accounted for using the cost or equity methods, as appropriate, and reported at book value at September 30 as follows:

	2009	2008
<u>NMTC I</u>		
NorthStar CDE, LLC	\$ 2,780	\$ 2,991
Community Equity Fund of New Jersey I, LLC ("CEFNI, LLC")	2,454	2,471
NJCC CDE FOT LLC	2,467	2,492
NJCC CDE UVS LLC	494	497
NJCC CDE RBS LLC	2,718	2,774
NJCC CDE I LLC	296,030	290,561
NJCC CDE II LLC	325	325
<u>University Ventures, Inc.</u>		
City National Bancshares Corporation, 6% non-cumulative preferred stock	200,000	200,000
Acelero, 8% cumulative convertible preferred stock	376,415	326,655
Greyston Bakery, Inc., Series A cumulative preferred stock	250,000	--
TerraCycle, Inc., Series E preferred stock	200,000	--
Socially Responsible Certificates of Deposit: 2.96%, 4/28/09	--	100,000
<u>Other</u>		
Community Development Trust, Inc.	500	500
Operation Neighborhood Recovery, LLC	375,000	--
Socially Responsible Certificates of Deposit:		
City National Bank, 2.96%, 3/17/10	500,000	--
Self Help Credit Union, 2.00%, 7/2/10	100,134	--
Self Help Credit Union, 3.55%, 12/23/10	100,000	--
Self Help Credit Union, 3.32%, 7/2/09	--	100,134
	<u>\$ 2,409,317</u>	<u>\$ 1,029,400</u>

Community Loan Fund of New Jersey, Inc. and Affiliates
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The table below sets forth overview information about the NMTC I entities at September 30, 2009:

	Organization Ownership Stake	Managing Member Initial Investment	Investor Member(s) Initial Investment	Assets At 12/31/08	Liabilities At 12/31/08	Net Income (Loss) For 12/31/08
NorthStar CDE LLC	0.1%	\$ 3,504	\$ 3,500,000	\$ 2,792,081	\$ 13,100	\$ (211,267)
CEFNJ I, LLC	0.1%	\$ 2,500	\$ 2,500,000	\$ 2,468,641	\$ 11,294	\$ 72,502
NJCC CDE FOT LLC	0.1%	\$ 2,500	\$ 2,500,000	\$ 2,477,900	\$ 9,241	\$ 76,809
NJCC CDE UVS LLC	0.1%	\$ 500	\$ 500,000	\$ 500,080	\$ 5,580	\$ 17,334
NJCC CDE RBS LLC	0.1%	\$ 2,750	\$ 2,750,000	\$ 2,737,873	\$ 19,811	\$ 86,140
NJCC CDE I LLC	25.51% (0.01% as Managing Member)	\$ 255,100 (\$100 as Managing Member)	\$ 744,900	\$36,554,267	\$35,432,403	\$ 21,449
NJCC CDE II LLC	0.01%	\$ 325	\$ 3,250,000	\$ 3,270,718	\$ 8,500	\$ 6,858

The table below sets forth overview information about the NMTC I entities at September 30, 2008:

	Organization Ownership Stake	Managing Member Initial Investment	Investor Member(s) Initial Investment	Assets At 12/31/07	Liabilities At 12/31/07	Net Income (Loss) For 12/31/07
NorthStar CDE LLC	0.1%	\$ 3,504	\$ 3,500,000	\$ 3,616,809	\$ 626,560	\$ (193,466)
CEFNJ I, LLC	0.1%	\$ 2,500	\$ 2,500,000	\$ 2,484,892	\$ 11,000	\$ 77,464
NJCC CDE FOT LLC	0.1%	\$ 2,500	\$ 2,500,000	\$ 2,503,524	\$ 9,000	\$ 85,084
NJCC CDE UVS LLC	0.1%	\$ 500	\$ 500,000	\$ 502,751	\$ 5,440	\$ 14,932
NJCC CDE RBS LLC	0.1%	\$ 2,750	\$ 2,750,000	\$ 2,763,787	\$ 19,191	\$ 86,627
NJCC CDE I LLC	25.51% (0.01% as Managing Member)	\$ 255,100 (\$100 as Managing Member)	\$ 744,900	\$36,555,526	\$35,429,203	\$ 139,455
NJCC CDE II LLC	0.01%	\$ 325	\$ 3,250,000	\$ 3,262,860	\$ 7,500	\$ 5,035

Community Loan Fund of New Jersey, Inc. and Affiliates
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The following schedule summarizes the investment return and its classification in the combined and consolidated statement of activities for the year ended September 30, 2009:

	Unrestricted	Temporarily Restricted	Total
Dividends and interest	\$ 328,024	\$ 44,084	\$ 372,108
Realized gain (loss)	(256,262)	(4,367)	(260,629)
Unrealized gain (loss)	<u>428,411</u>	<u>(7,294)</u>	<u>421,117</u>
	<u>\$ 500,173</u>	<u>\$ 32,423</u>	<u>\$ 532,596</u>

The following schedule summarizes the investment return and its classification in the combined and consolidated statement of activities for the year ended September 30, 2008:

	Unrestricted	Temporarily Restricted	Total
Dividends and interest	\$ 489,526	\$ 247,968	\$ 737,494
Realized gain (loss)	(202,429)	(104)	(202,533)
Unrealized gain (loss)	<u>(628,094)</u>	<u>24,558</u>	<u>(603,536)</u>
	<u>\$ (340,997)</u>	<u>\$ 272,422</u>	<u>\$ (68,575)</u>

Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the excess of revenue over expenses unless the income is restricted by donor or law.

7. Fair Value Measurements

Effective July 1, 2008, the Organization adopted SFAS 157, *Fair Value Measurements* ("SFAS 157"). In February 2008, the FASB issued FASB Staff Position No. 157-2, "Effective Date of FASB Statement No. 157", which provides a one year deferral of the effective date of SFAS 157 for non-financial assets and non-financial liabilities, except those that are recognized or disclosed in the financial statements at fair value at least annually. Therefore, the Organization has adopted SFAS 157 with respect to its financial assets and liabilities only.

Fair Value Measurements defines fair value, establishes a framework for measuring fair value and expands disclosure about fair value measurement. It defines fair value as the price that would be received to sell an asset or the amount that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques used to measure fair value under *Fair Value Measurements* must maximize the use of observable inputs and minimize the use of unobservable inputs. It requires use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value in three broad levels: quoted market prices in active markets for identical assets or liabilities (Level 1); inputs other than Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities (Level 3).

Community Loan Fund of New Jersey, Inc. and Affiliates
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In accordance with *Fair Value Measurements*, the following table represents the Organization's fair value hierarchy for its financial assets measured at fair value on a recurring basis as of September 30, 2009:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	<u>\$ 5,096,259</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 5,096,259</u>
<i>Investments, Marketable Securities</i>				
Government Bonds	\$ 1,588,601	\$ --	\$ --	\$ 1,588,601
Money Market Mutual Fund	8,504,351	--	--	8,504,351
Mortgage & Asset Backed Securities	--	3,994,124	--	3,994,124
Corporate Bonds/Commercial Paper	986,165	--	--	986,165
International Bonds	94,351	--	--	94,351
Common stock	<u>1,960,587</u>	<u>--</u>	<u>--</u>	<u>1,960,587</u>
	<u>\$13,134,055</u>	<u>\$ 3,994,124</u>	<u>\$ --</u>	<u>\$17,128,179</u>
<i>Investments, Other</i>				
Equity investments	\$ --	\$ --	\$ 1,709,183	\$ 1,709,183
Certificates of deposit	<u>--</u>	<u>700,134</u>	<u>--</u>	<u>700,134</u>
	<u>\$ --</u>	<u>\$ 700,134</u>	<u>\$ 1,709,183</u>	<u>\$ 2,409,317</u>

The information below sets forth a summary of changes in the fair value of the Organization's Level 3 investment assets for the year ended September 30, 2009:

Beginning balance, October 01, 2008	\$ 829,266
Purchases	874,760
Distributions paid	(353)
Unrealized gain	<u>5,510</u>
Ending balance, September 30, 2009	<u>\$ 1,709,183</u>

8. Fixed Assets

Fixed assets at September 30, 2009 and 2008 consist of the following:

	2009	2008
Land	\$ 321,000	\$ 321,000
Computers and equipment	124,404	122,532
Building and improvements	<u>4,017,490</u>	<u>3,998,765</u>
	4,462,894	4,442,297
Less: Accumulated depreciation	<u>(479,340)</u>	<u>(293,880)</u>
Fixed assets, net	<u>\$ 3,983,554</u>	<u>\$ 4,148,417</u>

Depreciation expense for the years ended September 30, 2009 and 2008 amounted to \$185,460 and \$51,661, respectively.

9. Intangible Assets

License

Upon the purchase of the majority voting control of University Ventures, Inc. in 2004, Community Loan Fund of New Jersey, Inc. acquired an SSBIC, which is licensed by the United States Small Business Administration. The license was fair valued under APB No. 16 and resulted in an allocation of \$295,564. The license has an indefinite life.

Goodwill

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The Organization accounts for its goodwill in accordance with *Goodwill and Other Intangible Assets*. The Organization identified one equity investment and allocated all goodwill to that investment. Goodwill at both at September 30, 2009 and 2008 amounted to \$89,032. At year end, the Organization completed its annual impairment test and there was no impairment indicated.

Acquisition Costs

Hamilton East incurred various costs of \$280,120 in relation to the purchase of the buildings. Amortization of the costs are calculated over a 10 year period using the straight line method. Accumulated amortization at September 30, 2009 and 2008 was \$52,566 and \$19,411, respectively. Amortization expense for the year ended September 30, 2009 amounted to \$33,154. Amortization expense for the period from May 14, 2008 to September 30, 2008 amounted \$6,613.

10. Credit Enhancement Grant

On June 13, 2006, the Organization received a credit enhancement grant from the U.S. Department of Education. The Organization was awarded \$8,150,000 to use as credit enhancement for the financing of current and future charter schools. The performance period expires June 14, 2021. The grant allows the Organization to also use the investment income earned on the award. For the years ended September 30, 2009 and 2008, the net investment return was \$32,423 and \$522,978, respectively. As of September 30, 2009 and 2008, \$2,728,750 and \$1,947,860, respectively, was used to credit enhance loans to charter schools. During the years ended September 30, 2009 and 2008, the Organization had to use \$-0- and \$200,000, respectively, of the grant award to compensate for the loss of a defaulted loan. The Organization is currently making attempts to recover the loan proceeds through the bankruptcy proceedings. As of September 30, 2009 and 2008, \$6,639,333 and \$6,800,118, respectively, are the amounts available to use as credit enhancement.

11. Funds Held in Trust and Escrows

Escrow funds are held by the Organization as reserves and for the payment of various expenses relating to the loans it provides including professional fees and interest.

Funds Held in Trust represent third party resources entrusted to the Organization's oversight, generally for its Third Party Managed Assets programs. The Organization does not carry the loans receivable associated with these programs on its books as its responsibility is limited to underwriting and/or servicing and/or administering the loans. For the SEED Fund, the organization is compensated by receiving 2/3 of interest income on loans receivable and interest income on Funds Held in Trust. For the BofA Fund the Organization is compensated via an annual management fee of 2.5% of capital under management.

The funds held in trust and escrow funds at September 30, 2009 and 2008 are as follows.

	2009	2008
SEED fund	\$ 166,356	\$ 320,684
BofA fund	444,193	88,403
Escrows	190,104	150,171
Loan servicing trust funds	7,842	32,051
Tenant security deposits	<u>30,422</u>	<u>23,677</u>
	<u>\$ 838,917</u>	<u>\$ 614,986</u>

Community Loan Fund of New Jersey, Inc. and Affiliates
Notes to Combined and Consolidated Financial Statements
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12. Notes Payable, Subordinated Notes Payable, and Mortgage Payable

a) Community Loan Fund of New Jersey, Inc.

(1) Community Loan Fund

Notes payable of the Community Loan Fund division represent loans by approximately 118 individuals, religious organizations, foundations, units of government and financial institutions in principal amounts ranging from \$200 to \$4,000,000. Notes payable bear interest rates ranging from 0% to 5.5%, payable at varying maturities of one to fifteen years through 2018. The notes are unsecured.

	2009	2008
	\$ 28,710,127	\$30,853,652

The Community Loan Fund division has an aggregate \$1,500,000 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 subordinated and junior in right of payment to all obligations of the Community Loan Fund of New Jersey, Inc. The Equity Equivalent Investments are unsecured.

<u>Closing Date</u>	<u>Stated Maturity</u>	<u>Rate</u>		
06/20/2002	06/20/2012	4.75%	500,000	500,000
11/04/2004	09/30/2011	3.00%	1,000,000	1,000,000

(2) Proprietary Managed Assets – Affordable Housing Fund

Notes payable of the Affordable Housing Fund division represents loans from financial institutions. The notes are non-interest bearing and have stated maturities in the fiscal year 2010. The notes are unsecured.

291,000	291,000
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(3) Hamilton East Associates, LLC

Hamilton East has a \$3,360,000 first mortgage loan with interest at 6.05%, payable to Federal National Mortgage Association (FNMA), in monthly installments of principal and interest of \$20,252 for the financing of the purchase of the land and buildings along with various other associated costs therewith. Prudential services the loan, which matures October 2017 and is secured by the property located in Bridgeton, NJ.

3,285,927	3,326,076
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Community Loan Fund of New Jersey, Inc. and Affiliates
Notes to Combined and Consolidated Financial Statements
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	2009	2008
b) <u>Community Lending Partners of New Jersey, Inc.</u>		
Lending Partners has an aggregate \$8,000,000 of variable rate and \$5,661,529 of fixed rate credit facilities from financial institutions to support its lending activities. The credit facilities are secured by the loans provided by Lending Partners.		
The variable rate credit facility is priced at LIBOR plus 3% with a floor of 4.5% and expires April 30, 2010. Individual notes underlying the credit facility mature at various times through 2011.	6,200,000	5,500,000
The fixed rate credit facility is priced at LIBOR plus 3% with a floor of 4.5% and expires April 30, 2010. Individual notes underlying the credit facility mature at various times through 2013.	4,075,762	3,310,188
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.		
	500,000	500,000
	<u>500,000</u>	<u>500,000</u>
Total Notes Payable, Subordinate Notes Payable, and Mortgage Payable	<u>\$ 45,062,816</u>	<u>\$45,780,916</u>

Aggregate maturities of the Organization's debt payments during the next five years and thereafter are as follows:

	Community Loan Fund	Managed Assets	Lending Partners	Hamilton East	Total
September 30,					
2010	\$ 8,522,956	\$ 41,000	\$ 1,467,107	\$ 42,682	\$10,073,745
2011	1,185,830	250,000	4,672,319,	45,375	6,153,524
2012	4,271,082	--	3,015,464	47,687	7,334,233
2013	2,104,609	--	37,226	51,247	2,193,082
2014	2,233,817	--	1,083,646	54,480	3,371,943
Thereafter	<u>11,891,833</u>	<u>--</u>	<u>1,000,000</u>	<u>3,044,456</u>	<u>15,936,289</u>
	<u>\$30,210,127</u>	<u>\$ 291,000</u>	<u>\$11,275,762</u>	<u>\$ 3,285,927</u>	<u>\$45,062,816</u>

Community Loan Fund of New Jersey, Inc. and Affiliates
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13. Member Note Payable

Hamilton East Associates, LLC borrowed \$1,200,000 from the Hampshire Generational Fund, LLC in September 2007 on a short term basis in order to close on the purchase of the property located in Bridgeton, NJ. The loan matured in June 2008 and bore an interest rate of 13%. Monthly payments were for interest only. The note was secured by multiple pledges and guarantees by the general partner. The land and buildings of Hamilton East were not collateral for this note. This note was expected to be paid when an equity partner was located and the transaction was closed.

In May 2008, the Community Loan Fund of New Jersey, Inc. was admitted to the Partnership as an equity member. The equity contribution was not sufficient to repay the entire note payable to Hampshire. As such, an existing member, George McLoof, needed to contribute additional funds in the form of equity and a note payable to pay off the balance of the Hampshire note.

During the year ended September 30, 2009, additional funds were loaned to Hamilton East Associates, LLC in the amount of \$150,537 by George McLoof for operating capital. The amount of the note payable to George McLoof as of September 30, 2009 and 2008 is \$150,537 and \$73,289, respectively. The repayment of the note to George McLoof will be determined when cash is available.

14. Temporarily Restricted Net Assets

The Community Loan Fund of New Jersey, Inc. separately accounts for and reports donor restricted and unrestricted net assets. Temporarily restricted net assets are those whose use is limited by the donor for a specific purpose or time period. Resources arising from the results of operations or assets set aside by the Board of Directors are not considered to be donor restricted.

Temporarily restricted net assets are available for the following purposes at September 30, 2009 and 2008:

	2009	2008
Charter Fund – USDOE	\$ 8,505,401	\$ 8,472,978
Financial Assistance Award – CDFI	<u>1,950,000</u>	<u>--</u>
	<u>\$ 10,455,401</u>	<u>\$ 8,472,978</u>

15. Contract Funding

Hamilton East performs its services under contract with HUD. Tenants of the project are required to pay rent based upon their income. HUD provides rental supplements to make up the difference between actual rent per unit and the amount the tenant is required to pay. Net support from HUD for the year ended September 30, 2009 was \$1,055,506. Net support from HUD for the period from May 14, 2008 to September 30, 2008 was \$291,240.

16. Rent Increases

Under the HUD agreement, Hamilton East may not increase gross rents charged to tenants without HUD approval.

17. Management Fee

Hamilton East pays a monthly management fee of six percent of gross rents collected, to Alexa Management, for 156 residential units. Total management fee expense was \$68,005 and \$26,233 for the year ended September 30, 2009 and the period from May 14, 2008 through September 30, 2008, respectively.

Community Loan Fund of New Jersey, Inc. and Affiliates
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September 30, 2009 and 2008

18. Operating Lease

The Organization leases equipment under a non-cancellable operating lease through February, 2012. Lease expense for this item charged to operations aggregated \$7,392 and \$7,494 for the years ended September 30, 2009 and 2008, respectively. Future minimum lease obligations as of September 30, 2009 are as follows:

2010	\$ 7,392
2011	7,392
2012	3,080
	<u>\$ 17,864</u>

19. Commitments

In the normal course of business, the Organization has various outstanding commitments that are not reflected in the accompanying combined and consolidated financial statements. At September 30, 2009 and 2008, the principal commitments of the Organization are as follows:

	2009	2008
<u>Financings committed but not yet closed</u>		
Community Loan Fund	\$ 3,556,673	\$ 1,462,000
Managed Assets	--	50,000
Lending Partners	--	1,600,000
	<u>\$ 3,556,673</u>	<u>\$ 3,112,000</u>
<u>Financings closed but not yet funded</u>		
Community Loan Fund	\$ 1,066,365	\$ 3,933,443
Managed Assets	75,000	107,360
Lending Partners	6,699,778	3,878,222
	<u>\$ 7,841,143</u>	<u>\$ 7,919,025</u>

Contingent Liabilities for Charter Fund

At September 30, 2009 and 2008, the Organization has \$1,866,068 and \$1,672,860, respectively, of contingent guarantees outstanding for the benefit of eight and seven, respectively, charter school transactions. The guarantees expire at various times through 2016.

20. Concentrations

Financial instruments that potentially subject the Organization to credit risk include loans receivable from entities amounting to \$35,425,391 and \$34,700,709 at September 30, 2009 and 2008, respectively. As of September 30, 2009 and 2008, \$22,351,955 and \$23,003,929, respectively, of the Organization's loans were to nonprofits, representing approximately 63% and 66% of the loans receivable reported on the combined and consolidated statements of financial position. One hundred percent of the Organization's outstanding loans receivable are to entities located in the State of New Jersey.

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

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

Community Loan Fund of New Jersey, Inc. and Affiliates
Notes to Combined and Consolidated Financial Statements
September 30, 2009 and 2008

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

21. Related Party Transactions

The Organization incurred \$30,000 in consulting fees for each of the years ended September 30, 2009 and 2008 from a company which is owned by a member of the board of directors. As of September 30, 2009 and 2008, the Organization had notes payable to various employees and current members of the board of directors totaling \$18,825 and \$18,733, respectively. Interest of \$173 and \$164 was paid to these individuals and \$475 and \$2,070 of contributions were made to the Organization by these individuals during the years ended September 30, 2009 and 2008, respectively.

Hamilton East entered into certain transactions with a related party during the year. The transactions include the management of Hamilton East by Alexa Management. As managing agent, there were various expenses which originated with Alexa and were allocated to Hamilton East. Hamilton East reimburses Alexa for those expenses, which include salaries, benefits, insurance and other expenses. George McLoof is the sole stockholder of Alexa Management.

22. Risks and Uncertainties

The Organization provides for various investment options in various combinations of investment securities. 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 on the balance sheets.

23. Subsequent Events

The Organization has evaluated subsequent events occurring after the balance sheet through the date of January 30, 2010 which is the date the combined and consolidated financial statements were issued. Based on this evaluation, the Organization has determined that no subsequent events have occurred, which require disclosure in the financial statements.

SUPPLEMENTAL INFORMATION

Community Loan Fund of New Jersey, Inc. and Affiliates
Combined and Consolidated Schedule of Functional Expenses
Year Ended September 30, 2009

	Program Services	Supporting Services			Total Functional Expenses
		Management & General	Fundraising	Total	
Salaries	\$ 694,230	\$ 124,606	\$ 71,203	\$ 195,809	\$ 890,039
Professional fees	325,377	57,766	22,517	80,283	405,660
Employee benefits	111,841	20,073	11,471	31,544	143,385
Payroll tax expense	56,680	10,174	5,813	15,987	72,667
Insurance	31,930	5,731	3,275	9,006	40,936
Occupancy	21,417	3,844	2,196	6,040	27,457
Equipment leases and maintenance	12,933	2,321	1,326	3,647	16,580
Office supplies	12,878	2,312	1,321	3,633	16,511
Professional development	13,158	1,661	949	2,610	15,768
Depreciation	8,200	1,472	841	2,313	10,513
Telephone	7,258	1,272	727	1,999	9,257
Publicity	7,208	1,294	740	2,034	9,242
Travel-site visits	7,443	--	--	--	7,443
Dues and memberships	5,076	810	463	1,273	6,349
Grants	5,000	--	--	--	5,000
Postage	2,737	491	282	773	3,510
Printing	2,298	412	236	648	2,946
Special events	1,609	289	165	454	2,063
Total	<u>\$ 1,327,273</u>	<u>\$ 234,528</u>	<u>\$ 123,525</u>	<u>\$ 358,053</u>	<u>\$ 1,685,326</u>

See Independent Auditors' Report.

Community Loan Fund of New Jersey, Inc. and Affiliates
Combined and Consolidated Schedule of Functional Expenses
Year Ended September 30, 2008

	<u>Program Services</u>	<u>Supporting Services</u>			<u>Total Functional Expenses</u>
		<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>	
Salaries	\$ 681,251	\$ 112,105	\$ 68,988	\$ 181,093	\$ 862,344
Professional fees	269,507	62,109	27,968	90,077	359,584
Employee benefits	110,286	18,149	11,168	29,317	139,603
Payroll tax expense	51,402	8,459	5,205	13,664	65,066
Insurance	24,899	4,098	2,522	6,620	31,519
Occupancy	20,954	3,448	2,122	5,570	26,524
Professional development	14,947	2,058	1,267	3,325	18,272
Office supplies	13,804	2,271	1,398	3,669	17,473
Special events	10,399	1,712	1,053	2,765	13,164
Depreciation	9,914	1,631	1,005	2,636	12,550
Grants	12,500	--	--	--	12,500
Equipment leases and maintenance	8,718	1,435	881	2,316	11,034
Printing	7,904	1,301	801	2,102	10,006
Telephone	5,985	977	601	1,578	7,563
Travel-site visits	6,401	--	--	--	6,401
Dues and memberships	5,182	667	410	1,077	6,259
Postage	4,710	775	477	1,252	5,962
Publicity	3,735	615	378	993	4,728
Total	<u>\$ 1,262,498</u>	<u>\$ 221,810</u>	<u>\$ 126,244</u>	<u>\$ 348,054</u>	<u>\$ 1,610,552</u>

See Independent Auditors' Report.

Community Loan Fund of New Jersey, Inc. and Affiliates
Combining Schedule of Financial Position
September 30, 2009

	<u>Community Loan Fund of New Jersey, Inc.</u>	<u>Community Lending Partners of New Jersey, Inc.</u>	<u>Eliminating Entries</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$ 4,644,505	\$ 451,754	\$ --	\$ 5,096,259
Accrued interest and dividends receivable	834,225	48,223	(9,275)	873,173
Loans receivable	23,671,987	12,253,404	(500,000)	35,425,391
Allowance for uncollectible loans receivable	(1,250,000)	(375,000)	--	(1,625,000)
Tenant accounts receivable, net	69,601	--	--	69,601
Investments, marketable securities	17,128,179	--	--	17,128,179
Investments, other	2,409,317	--	--	2,409,317
Fixed assets, net	3,983,554	--	--	3,983,554
Intangible asset	695,241	--	--	695,241
Restricted deposits	493,389	--	--	493,389
Other assets	68,617	5,000	--	73,617
	<u>\$ 52,748,615</u>	<u>\$ 12,383,381</u>	<u>\$ (509,275)</u>	<u>\$ 64,622,721</u>
Liabilities and Net Assets				
Liabilities				
Accounts payable	\$ 304,619	\$ 26,429	\$ --	\$ 331,048
Unearned fee income	68,752	101,587	--	170,339
Accrued interest payable	202,247	29,622	(9,275)	222,594
Funds held in trust and escrows	827,585	11,332	--	838,917
Notes payable	29,001,127	10,275,762	--	39,276,889
Subordinated notes payable	1,500,000	1,500,000	(500,000)	2,500,000
Mortgage payable	3,285,927	--	--	3,285,927
Member note payable	150,537	--	--	150,537
Total liabilities	35,340,794	11,944,732	(509,275)	46,776,251
Minority interest in equity of subsidiary	159,000	--	--	159,000
Net assets				
Unrestricted	6,793,420	438,649	--	7,232,069
Temporarily restricted	10,455,401	--	--	10,455,401
Total net assets	<u>17,248,821</u>	<u>438,649</u>	<u>--</u>	<u>17,687,470</u>
	<u>\$ 52,748,615</u>	<u>\$ 12,383,381</u>	<u>\$ (509,275)</u>	<u>\$ 64,622,721</u>

See Independent Auditors' Report.

Community Loan Fund of New Jersey, Inc. and Affiliates
Combining Schedule of Financial Position
September 30, 2008

	<u>Community Loan Fund of New Jersey, Inc.</u>	<u>Community Lending Partners of New Jersey, Inc.</u>	<u>Eliminating Entries</u>	<u>Total</u>
Assets				
Cash and cash equivalents	6,248,955	\$ 358,123	\$ --	\$ 6,607,078
Accrued interest and dividends receivable	739,441	55,616	(7,938)	787,119
Loans receivable	24,486,128	10,714,581	(500,000)	34,700,709
Allowance for uncollectible loans receivable	(1,350,000)	(250,000)	--	(1,600,000)
Tenant accounts receivable	68,942	--	--	68,942
Investments, marketable securities	16,853,955	--	--	16,853,955
Investments, other	1,029,400	--	--	1,029,400
Real property held for sale	66,586	--	--	66,586
Fixed assets, net	4,148,417	--	--	4,148,417
Intangible assets	645,305	--	--	645,305
Restricted deposits	428,810	--	--	428,810
Other assets	88,261	5,100	--	93,361
	<u>\$ 53,454,200</u>	<u>\$ 10,883,420</u>	<u>\$ (507,938)</u>	<u>\$ 63,829,682</u>
Liabilities and Net Assets				
Liabilities				
Accounts payable	\$ 230,454	\$ --	\$ --	\$ 230,454
Unearned fee income	65,006	78,014	--	143,020
Accrued interest payable	205,214	27,921	(7,938)	225,197
Funds held in trust and escrows	597,010	17,976	--	614,986
Notes payable	31,144,652	8,810,188	--	39,954,840
Subordinated notes payable	1,500,000	1,500,000	(500,000)	2,500,000
Mortgage payable	3,326,076	--	--	3,326,076
Member note payable	73,289	--	--	73,289
Total liabilities	37,141,701	10,434,099	(507,938)	47,067,862
Minority interest in equity of subsidiary	185,219	--	--	185,219
Net assets				
Unrestricted	7,654,302	449,321	--	8,103,623
Temporarily restricted	8,472,978	--	--	8,472,978
Total net assets	16,127,280	449,321	--	16,576,601
	<u>\$ 53,454,200</u>	<u>\$ 10,883,420</u>	<u>\$ (507,938)</u>	<u>\$ 63,829,682</u>

See Independent Auditors' Report.

Community Loan Fund of New Jersey, Inc. and Affiliates
Combining Schedule of Activities and Changes in Net Assets
Year Ended September 30, 2009

	Community Loan Fund of New Jersey, Inc.	Community Lending Partners of New Jersey, Inc.	Eliminating Entries	Total
Operating income				
Interest from loans receivable	\$ 1,452,107	\$ 576,020	\$ (18,500)	\$ 2,009,627
Investment interest and dividends	365,329	6,779	--	372,108
Total investment income	1,817,436	582,799	(18,500)	2,381,735
Interest expense	(1,279,090)	(467,374)	18,500	(1,727,964)
Net interest income	538,346	115,425	--	653,771
Provision for loan losses, net	(1,547,486)	(125,000)	--	(1,672,486)
Net interest income after provision for loan losses	(1,009,140)	(9,575)	--	(1,018,715)
Contributions, gifts, and grants	3,529,434	--	--	3,529,434
Fees	200,373	74,399	--	274,772
Total revenues and other support	3,729,807	74,399	--	3,804,206
Total operating income	2,720,667	64,824	--	2,785,491
Expenses				
Program services	1,252,217	75,056	--	1,327,273
Management and general	234,248	280	--	234,528
Fundraising	123,365	160	--	123,525
Total expenses	1,609,830	75,496	--	1,685,326
Operating surplus	1,110,837	(10,672)	--	1,100,165
Non-operating income (expense)				
Rental income of \$1,350,851, net of rental expenses of \$1,525,079	(174,228)	--	--	(174,228)
Non-controlling interest	26,216	--	--	26,216
State tax	(1,772)	--	--	(1,772)
Loss on sale of investments	(260,629)	--	--	(260,629)
Unrealized gain on investments	421,117	--	--	421,117
Total non-operating income	10,704	--	--	10,704
Increase (decrease) in net assets	1,121,541	(10,672)	--	1,110,869
Net assets, beginning of year	16,127,280	449,321	--	16,576,601
Net assets, end of year	\$ 17,248,821	\$ 438,649	\$ --	\$ 17,687,470

See Independent Auditors' Report.

Community Loan Fund of New Jersey, Inc. and Affiliates
Combining Schedule of Activities and Changes in Net Assets
Year Ended September 30, 2008

	Community Loan Fund of New Jersey, Inc.	Community Lending Partners of New Jersey, Inc.	Eliminating Entries	Total
Operating income				
Interest from loans receivable	\$ 2,096,409	649,414	\$ (15,000)	\$ 2,730,823
Investment interest and dividends	<u>726,772</u>	<u>10,722</u>	<u>--</u>	<u>737,494</u>
Total investment income	2,823,181	660,136	(15,000)	3,468,317
Interest expense	<u>(1,293,470)</u>	<u>(503,480)</u>	<u>15,000</u>	<u>(1,781,950)</u>
Net interest income	1,529,711	156,656	--	1,686,367
Provision for loan losses, net	<u>(200,000)</u>	<u>(142,000)</u>	<u>--</u>	<u>(342,000)</u>
Net interest income after provision for loan losses	1,329,711	14,656	--	1,344,367
Contributions, gifts, and grants	469,974	500	--	470,474
Fees	<u>226,387</u>	<u>56,189</u>	<u>--</u>	<u>282,576</u>
Total revenues and other support	<u>696,361</u>	<u>56,689</u>	<u>--</u>	<u>753,050</u>
Total operating income	2,026,072	71,345	--	2,097,417
Expenses				
Program services	1,252,124	10,374	--	1,262,498
Management and general	221,442	368	--	221,810
Fundraising	<u>126,018</u>	<u>226</u>	<u>--</u>	<u>126,244</u>
Total expenses	<u>1,599,584</u>	<u>10,968</u>	<u>--</u>	<u>1,610,552</u>
Operating surplus	426,488	60,377	--	486,865
Non-operating income (expense)				
Rental income of \$483,149, net of rental expenses of \$521,653	(38,504)	--	--	(38,504)
Non-controlling interest	11,517	--	--	11,517
State tax	(3,183)	--	--	(3,183)
Gain on sale of investments	(202,533)	--	--	(202,533)
Unrealized gain on investments	<u>(603,536)</u>	<u>--</u>	<u>--</u>	<u>(603,536)</u>
Total non-operating (expense)	<u>(836,239)</u>	<u>--</u>	<u>--</u>	<u>(836,239)</u>
Increase (decrease) in net assets	<u>(409,751)</u>	<u>60,377</u>	<u>--</u>	<u>(349,374)</u>
Net assets, beginning of year	<u>16,537,031</u>	<u>388,944</u>	<u>--</u>	<u>16,925,975</u>
Net assets, end of year	<u>\$ 16,127,280</u>	<u>\$ 449,321</u>	<u>\$ --</u>	<u>\$ 16,576,601</u>

See Independent Auditors' Report.

GOVERNMENT REPORTS



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**Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

To the Board of Directors
Community Loan Fund of New Jersey, Inc. and Affiliates

We have audited the combined and consolidated financial statements of Community Loan Fund of New Jersey, Inc. and Affiliates, as of and for the year ended September 30, 2009, and have issued our report thereon dated January 30, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Community Loan Fund of New Jersey, Inc. and Affiliates' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the combined and consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Community Loan Fund of New Jersey, Inc. and Affiliates' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting and internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether Community Loan Fund of New Jersey, Inc. and Affiliates' combined and consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of combined and consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Community Loan Fund of New Jersey, Inc. and Affiliates in a separate letter dated January 30, 2010.

This report is intended solely for the information and use of management, others within the organization and federal awarding agencies and pass-through entities and it is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Withum Smith & Brown PC". The signature is written in a cursive, flowing style.

January 30, 2010



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Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

To the Board of Directors
Community Loan Fund of New Jersey, Inc. and Affiliates

Compliance

We have audited the compliance of Community Loan Fund of New Jersey, Inc. and Affiliates with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2009. Community Loan Fund of New Jersey, Inc.'s major federal program is identified in the summary of auditors' results section of the accompanying combined and consolidated schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Community Loan Fund of New Jersey, Inc. and Affiliates management. Our responsibility is to express an opinion on the Community Loan Fund of New Jersey, Inc. and Affiliates compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Community Loan Fund of New Jersey, Inc. and Affiliates' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Community Loan Fund of New Jersey, Inc. and Affiliates' compliance with those requirements.

In our opinion, Community Loan Fund of New Jersey, Inc. and Affiliates complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2009.



Internal Control Over Compliance

The management of Community Loan Fund of New Jersey, Inc. and Affiliates is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to its federal program. In planning and performing our audit, we considered Community Loan Fund of New Jersey, Inc. and Affiliates' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Community Loan Fund of New Jersey, Inc. and Affiliates internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. There were no findings identified in our audit as described in the accompanying schedule of findings and questioned costs, accordingly, there were no responses to such findings.

This report is intended solely for the information and use of management, others within the Organization and federal awarding agencies and pass-through entities and it is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Witham Smith & Brown PC". The signature is written in a cursive, flowing style.

January 30, 2010

SUPPLEMENTARY SCHEDULES

**Community Loan Fund of New Jersey, Inc. and Affiliates
 Combined and Consolidated Schedule of Federal Awards
 Year Ended September 30, 2009**

Federal Grantor/Pass Through

<u>Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Contract Number</u>	<u>Federal Expenditures</u>
Community Loan Fund of New Jersey, Inc.			
U.S. Department of Education - Credit Enhancement	84.354A	U354A0006007	\$ 8,705,401
Community Development Financial Institutions	21.020	081FA007453	\$ 1,000,000
Community Development Financial Institutions	21.020	091FA007856	\$ 50,000

Basis of Preparation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Community Loan Fund of New Jersey, Inc. and Affiliates, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic combined and consolidated financial statements.

See Independent Auditors' Report.

**Community Loan Fund of New Jersey, Inc. and Affiliates
 Combined and Consolidated Schedule of Current and Prior Year
 Findings and Questioned Costs
 Year Ended September 30, 2009**

Section 1 - Summary of Auditors' Results

Combined and Consolidated Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to combined and consolidated financial statements noted?	No

Federal Award

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No

Identification of major programs:

Name of Federal Program

84.354A	U354A0006007	U.S. Department of Education - Credit Enhancement
21.020	081FA007453	Community Development Financial Institutions
21.020	091FA007856	Community Development Financial Institutions

Dollar threshold used to distinguish between Type A and Type B programs	\$ 300,000
Auditee qualified and a low risk auditee?	Yes

Section 2 - Financial Statement Findings

None reported.

Section 3 - Federal Award Findings and Questioned Costs

None reported.

Section 4 - Follow up on prior year findings

The prior audit for the year ending September 30, 2008 disclosed no internal control or compliance findings.

See Independent Auditors' Report.