COMMUNITY LOAN FUND
OF
NEW JERSEY, INC. AND AFFILIATES

Combined and Consolidated
Financial Statements and
Supplemental Information

September 30, 2010 and 2009

With Independent Auditors' Report

Community Loan Fund of New Jersey, Inc. and Affiliates
Table of Contents
September 30, 2010 and 2009

Page(s)

Independent Auditors' Report .... 1 – 2

Financial Statements

Combined and Consolidated Statements of Financial Position .... 3 – 4

Combined and Consolidated Statements of Activities and Changes in Net Assets .... 5 – 6

Combined and Consolidated Statements of Cash Flows .... 7 – 8

Notes to Combined and Consolidated Financial Statements .... 9 – 27

Supplemental Schedules

Combined and Consolidated Schedule of Federal Awards 28

Combined and Consolidated Schedules of Functional Expenses .... 29 – 30

Combining Schedules of Financial Position .... 31 – 32

Combining Schedules of Activities and Changes in Net Assets .... 33 – 34

Government Reports

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 .... 35 - 36

Independent Auditors' Report on Compliance with Requirements that could have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 and State of New Jersey, Department of Treasury Circular 04-04-OMB .... 37 – 38

Supplementary Schedules

Combined and Consolidated Schedule of Prior Year Findings and Questioned Costs .... 39 – 40

WithumSmith+Brown, PC
Certified Public Accountants and Consultants

5 Vaughn Drive
Princeton, NJ 08540-6313
609 520 1188 . fax 609 520 9882
www.withum.com

Additional Offices in New Jersey,
New York, Pennsylvania, Maryland,
Florida, and Colorado.

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, 2010 and 2009, 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, 2010 and 2009, 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 February 10, 2011 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.

Withum Smith + Brown PC

February 10, 2011

Community Loan Fund of New Jersey, Inc. and Affiliates
Combined and Consolidated Statement of Financial Position
September 30, 2010

	Unrestricted	Temporarily Restricted	Total
Assets			
Cash and cash equivalents	$ 3,649,290	$ 743,104	$ 4,392,394
Accrued interest and dividends receivable	1,114,536	1,007	1,115,543
Loans receivable	39,534,868	--	39,534,868
Allowance for uncollectible loans receivable	(1,800,000)	--	(1,800,000)
Tenant accounts receivable, net	35,404	--	35,404
Investments, marketable securities	9,523,257	8,508,342	18,031,599
Investments, other	2,415,726	--	2,415,726
Real property held for sale	1,531,134	--	1,531,134
Fixed assets, net	4,064,188	--	4,064,188
Intangible assets	503,533	--	503,533
Restricted deposits	387,103	--	387,103
Other assets	172,018	--	172,018
	$ 61,131,057	$ 9,252,453	$ 70,383,510
Liabilities and Net Assets			
Liabilities			
Accounts payable	$ 306,086	$ --	$ 306,086
Unearned fee income	221,535	--	221,535
Accrued interest payable	227,224	--	227,224
Funds held in trust and escrows	1,000,160	--	1,000,160
Notes payable	44,689,580	--	44,689,580
Subordinated notes payable	2,500,000	--	2,500,000
Mortgage payable	3,243,245	--	3,243,245
Member note payable	131,874	--	131,874
Total liabilities	52,319,704	--	52,319,704
Non-controlling interest in equity of subsidiary	139,952	--	139,952
Net assets	8,671,401	9,252,453	17,923,854
	$ 61,131,057	$ 9,252,453	$ 70,383,510

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, 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)
Tenants 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 asset	695,241	--	695,241
Restricted deposits	493,389	--	493,389
Other assets	73,617	--	73,617
	$ 54,167,320	$ 10,455,401	$ 64,622,721
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	46,776,251	--	46,776,251
Non-controlling interest in equity of subsidiary	159,000	--	159,000
Net assets	7,232,069	10,455,401	17,687,470
	$ 54,167,320	$ 10,455,401	$ 64,622,721

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, 2010

	Unrestricted	Temporarily Restricted	Total
Operating income			
Interest from loans receivable	$ 2,240,553	$ --	$ 2,240,553
Investment interest and dividends	245,750	3,948	249,698
Total investment income	2,486,303	3,948	2,490,251
Interest expense	(1,856,628)	--	(1,856,628)
Net interest income	629,675	3,948	633,623
Provision for loan losses, net	(937,982)	--	(937,982)
Net interest income after provision for loan losses	(308,307)	3,948	(304,359)
Contributions, gifts, and grants	572,628	743,104	1,315,732
Fees	573,601	--	573,601
Total revenues and other support	1,146,229	743,104	1,889,333
Net assets released from restrictions	1,950,000	(1,950,000)	--
Total operating income (loss)	2,787,922	(1,202,948)	1,584,974
Expenses			
Program services	1,672,095	--	1,672,095
Management and general	259,604	--	259,604
Fundraising	159,277	--	159,277
Total expenses	2,090,976	--	2,090,976
Operating surplus (defecit)	696,946	(1,202,948)	(506,002)
Non-operating income (expense)			
Rental income of $1,355,776, net of rental expenses of $1,464,293	(108,517)	--	(108,517)
Non-controlling interest	34,500	--	34,500
State tax	(578)	--	(578)
Gain on sale of investments	525,322	--	525,322
Unrealized gain on investments	291,660	--	291,660
Total non-operating income	742,387	--	742,387
Increase (decrease) in net assets	1,439,333	(1,202,948)	236,385
Net assets, beginning of year	7,232,068	10,455,401	17,687,469
Net assets, end of year	$ 8,671,401	$ 9,252,453	$ 17,923,854

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	328,024	44,084	372,108
Total investment income	2,337,651	44,084	2,381,735
Interest expense	(1,727,964)	--	(1,727,964)
Net interest income	609,687	44,084	653,771
Provision for loan losses, net	(1,672,486)	--	(1,672,486)
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	274,772	--	274,772
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	1,327,274	--	1,327,274
Management and general	234,528	--	234,528
Fundraising	123,525	--	123,525
Total expenses	1,685,327	--	1,685,327
Operating surplus (deficit)	(893,920)	1,994,084	1,100,164
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	428,411	(7,294)	421,117
Total non-operating income (loss)	22,365	(11,661)	10,704
Increase (decrease) in net assets	(871,555)	1,982,423	1,110,868
Net assets, beginning of year	8,103,623	8,472,978	16,576,601
Net assets, end of year	$ 7,232,068	$ 10,455,401	$ 17,687,469

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, 2010 and 2009

	2010	2009
Cash flow from operating activities		
Change in net assets	$ 236,385	$ 1,110,869
Adjustment to reconcile change in net assets to net cash provided by operating activities		
Realized (gain)/loss on investments, marketable securities	(525,322)	260,276
Unrealized gain on investments, marketable securities	(286,066)	(415,607)
Realized loss on investments, other	325	353
Unrealized gain on investments, other	(5,596)	(5,510)
Provision for loan losses, net	383,982	25,000
Provision for tenant rent receivable, net	(19,000)	(19,000)
Disposal of real property held for sale	(7,008)	--
Depreciation and amortization	354,787	218,614
Non-controlling interest income	(19,048)	(26,216)
Changes in operating assets and liabilities:		
Accrued interest and dividends receivable	(242,370)	(86,054)
Tenant rent receivable	53,197	18,341
Other assets	(98,401)	19,744
Accounts payable	(24,962)	100,594
Unearned fee income	51,196	27,319
Accrued interest payable	4,630	(2,603)
Funds held in trust and escrows	161,243	223,931
Net cash provided by operating activities	17,972	1,450,051
Cash flow from investing activities		
Repayment of loans receivable	14,955,148	12,284,741
Issuance of loans receivable	(19,548,607)	(13,009,423)
Proceeds from sale of investments, marketable securities	70,127,955	59,412,933
Purchases of investments, marketable securities	(70,219,987)	(59,531,826)
Purchase of investments, other	(601,272)	(1,574,894)
Proceeds from sale/maturity of investments, other	600,134	200,134
Purchase of intangible assets	(6,837)	(83,093)
Proceeds from sale of real property held for sale	100,503	66,586
Purchases of real property held for sale	(1,349,629)	--
Purchase of fixed assets	(236,877)	(20,597)
Net cash used by investing activities	(6,179,469)	(2,255,439)
Cash flow from financing activities		
Change in restricted cash	106,286	(64,579)
Payments on mortgage payable	(42,682)	(40,149)
Payments on member note payable	(18,663)	(73,289)
Proceeds from member note payable	--	150,537
Proceeds from issuance of notes payable and acquisition of debt	9,076,684	2,103,641
Payments on notes payable	(3,663,993)	(2,781,592)
Net cash (used in) provided by financing activities	5,457,632	(705,431)
Net increase (decrease) in cash and cash equivalents	(703,865)	(1,510,819)
Cash and cash equivalents		
Beginning of year	5,096,259	6,607,078
End of year	$ 4,392,394	$ 5,096,259

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, 2010 and 2009

	2010	2009
Supplemental disclosure of cash flow information		
Cash paid during year for		
Interest	$ 1,851,998	$ 1,738,505

Non-cash

During the year ended September 30, 2010 a loan receivable was foreclosed on and property with a value of $275,000 was received. This is included in real property held for sale.

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

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) <u>Community Loan Fund of New Jersey, Inc.</u>

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"), and NJCC Irvington Ave., LLC, NJCC CDE Washington Place; and NJCC CDE Mercer, LLC (collectively "NMTC II). 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 and NMTC II.

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. is the sole member of Community Asset Preservation Corporation.

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

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 ("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.
(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.

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 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 contracts, numbers NJ39M000055 and NJ39M000054 which expire September 2011.

Community Asset Preservation Corporation

In May 2010, Community Loan Fund of New Jersey, Inc. became the sole member of Community Assert Preservation Corporation ("CAPC"), which has applied for non-profit status as a 501(c)(3) organization.

CAPC was created to negotiate bulk purchases of mortgage notes, 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 the return property to productive use.

2) **<u>Community Lending Partners of New Jersey, Inc.</u>**

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

Teen Street Preservation, LLC

In May, 2010, Teen Street Preservation, LLC ("Teen Street") was created with Lending Partners intended to be its sole member. Inadvertently, Community Loan Fund was listed as its sole member. Subsequent to year end, the articles of incorporation were amended to correct the error.

Teen Street was created to acquire, own, manage, operate, develop, renovate, sell, lease, and otherwise deal with real property and related personal property.

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. University Ventures, Inc. (majority owned subsidiary) Hamilton East Associates, LLC, (majority owned subsidiary), Community Asset Preservation Corporation (wholly owned subsidiary) and Community Asset Preservation Alliance of Jersey City, Inc. (wholly owned subsidiary) have been consolidated with Community Loan Fund. Teen Street Preservation, LLC, a wholly owned subsidiary, has been consolidated with Community Lending Partners of New Jersey, Inc. 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.

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 year ended September 30, 2010, the Organization received $1,345 of donated non-cash assets, which is included in donations revenue. There were no contributed assets or services meeting the requirements for recognition in the financial combined and consolidated statements during the year ended September 30, 2009.

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 years ended September 30, 2010 and 2009.

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 form 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, 2010 and 2009, 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 $6,000, respectively. Hamilton East holds tenants' security deposits as collateral for tenant receivables.

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 and Lending Partners are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. CAPC has applied for exemption 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 $1,030,000 and $1,062,000 as of December 31, 2009 and 2008, respectively, expiring at various dates through 2029. The net operating loss carryforwards result in deferred tax assets of approximately $350,000 and $360,000, at September 30, 2010 and 2009, respectively, on which there is a 100% valuation allowance.

Hamilton East Association 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.

Teen Street Preservation, LLC 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 adopted the accounting pronouncement that provides guidance on uncertain tax positions as of October 1, 2009. Upon adoption of this accounting pronouncement, the Organization had no unrecognized tax benefits. Furthermore, the Organization had no unrecognized tax benefits at September 30, 2010.

The Organization has no open years prior to fiscal year ended September 30, 2007.

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 for the years ended September 30, 2010 and 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.

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 $387,103 and $493,389 as of September 30, 2010 and 2009 which is held in separate accounts and is detailed as follows:

	2010	2009
HAP reserve	$ 21,332	$ 22,210
Operating reserve	124,086	123,046
Completion repair reserve	13,596	211,234
Replacement reserve	84,222	50,790
Tax reserve	56,362	43,476
Insurance reserve	87,505	42,633
	$ 387,103	$ 493,389

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, 2010, variable rate loans had interest rates from 2.74% to 6.25% and amounted to $327,324. September 30, 2009, variable rate loans had interest rates from 2.25% to 6.25%and amounted to $466,622. At September 30, 2010, fixed rate loans had interest rates from 3.7% to 8.5% and amounted to $27,932,786. At September 30, 2009, fixed rate loans had interest rates from 4% to 8.5% and amounted to $$21,913,963.

At September 30, 2010, there were six loan classified as 90 days past due and still accruing interest with a total recorded investment amount of $2,398,331. At September 30, 2009, there was one loan classified as 90 days past due and still accruing interest with a total recorded investment amount of $81,301. At September 30, 2010, there was one loan classified as non-accrual with a total recorded investment amount of $555,000. At September 30, 2009, there were three loans classified as non-accrual with a total recorded investment amount of $2,722,457.

Proprietary Managed Assets – Affordable Housing Fund

Loans receivable are generally for $150,000 or less for twenty-four months or less. At September 30, 2010 and 2009, loans bore interest rate of 3% and between 0% to 7.5%, respectively, and are either unsecured or, if applicable, secured by the assets financed. At September 30, 2010 and 2009, these loans amounted to $2,211 and $291,402, 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.

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 based on LIBOR. At September 30, 2010, variable rate loans had interest rates from 4.5% to 7% and amounted to $5,231,619. At September 30, 2009, variable rate loans had interest rates from 4.25% to 7% and amounted to $6,632,058. Fixed rate loans are generally for twelve to seventy-two months and generally bear interest rates based on LIBOR. At September 30, 2010, fixed rate loans had interest rates from 6.25% and 8.5% and amounted to $5,540,928. 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, 2010, there was one loan classified as 90 days past due and still accruing interest with a recorded investment amount of $216,441. 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, 2010, there were no loans classified as 90 days past due and non-accruing and at September 30, 2009, there were no loans classified as 90 days past due and accruing.

5. Allowance for Loan Losses

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

	2010	**2009**
Opening balance	$ 1,625,000	$ 1,600,000
Less: write-offs	762,982	1,647,486
Add: provision for loan losses	937,982	1,672,486
Ending balance	$ 1,800,000	$ 1,625,000

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, 2010 are as follows:

	Unrestricted	Temporarily Restricted	Total
Common stock	$ 2,277,473	$ --	$ 2,277,473
Government Bonds	6,316,073	--	6,316,073
Money Market Mutual Fund	--	8,508,342	8,508,342
Mortgage & Asset Backed Securities	910,547	--	910,547
Preferred stock	19,164	--	19,164
	$ 9,523,257	$ 8,508,342	$ 18,031,599

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

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

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

	2010	2009
NMTC I		
Community Equity Fund of New Jersey I, LLC ("CEFNJ I, LLC")	$ 2,435	$ 2,454
NJCC CDE I LLC	301,486	296,030
NJCC CDE II LLC	311	325
NJCC CDE FOT LLC	2,445	2,467
NJCC CDE Irvington Avenue LLC	488	--
NJCC CDE RBS LLC	2,687	2,718
NJCC CDE UVS LLC	493	494
NJCC CDE Washington Place LLC	650	--
NorthStar CDE, LLC	2,682	2,780
University Ventures, Inc.		
Acelero, 8% cumulative convertible preferred stock	376,415	376,415
City National Bancshares Corporation, 6% non-cumulative preferred stock	200,000	200,000
Greyston Bakery, Inc., Series A cumulative preferred stock	250,000	250,000
TerraCycle, Inc., Series E preferred stock	200,000	200,000

Other		
Community Development Trust, Inc.	500	500
Operation Neighborhood Recovery, LLC	375,000	375,000
Socially Responsible Certificates of Deposit:		
City National Bank, 2.47%, 3/17/11	500,000	--
Self Help Credit Union, 3.55%, 12/23/10	100,000	100,000
Self Help Credit Union, 1.55%, 7/2/11	100,134	--
City National Bank, 2.96%, 3/17/10	--	500,000
Self Help Credit Union, 2.00%, 7/2/10	--	100,134
	$ 2,415,726	$ 2,409,317

The table below sets forth overview information about the NMTC I entities at September 30, 2010:

	Organization Ownership Stake	Managing Member Initial Investment	Investor Member(s) Initial Investment	Assets At 12/31/09	Liabilities At 12/31/09	Net Income (Loss) For 12/31/09
CEFNJ I, LLC	0.1%	$ 2,500	$ 2,500,000	$ 2,450,652	$ 13,087	$ 69,022
NJCC CDE I LLC	25.51% (0.01% as Managing Member)	$ 255,100 ($100 as Managing Member)	$ 744,900	$36,549,705	$35,432,353	$ 21,396
NJCC CDE II LLC	0.01%	$ 325	$ 3,250,000	$ 3,143,256	$ 6,500	$ (125,462)
NJCC CDE FOT LLC	0.1%	$ 2,500	$ 2,500,000	$ 2,457,625	$ 10,556	$ 80,535
NJCC CDE Irvington Ave LLC	0.1%	$ 488	$ 4,874,512	$ 4,873,928	$ 130	$ (340)
NJCC CDE RBS LLC	0.1%	$ 2,750	$ 2,750,000	$ 2,708,265	$ 19,832	$ 82,710
NJCC CDE UVS LLC	0.1%	$ 500	$ 500,000	$ 495,734	$ 5,731	$ 15,648
NJCC CDE Washington Place LLC	0.1%	$ 650	$ 6,500,000	$ --	$ --	$ --
NorthStar CDE LLC	0.1%	$ 3,504	$ 3,500,000	$ 2,696,326	$ 14,000	$ (96,655)

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
CEFNJ I, LLC	0.1%	$ 2,500	$ 2,500,000	$ 2,468,641	$ 11,294	$ 72,502
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
NJCC CDE FOT LLC	0.1%	$ 2,500	$ 2,500,000	$ 2,477,900	$ 9,241	$ 76,809
NJCC CDE RBS LLC	0.1%	$ 2,750	$ 2,750,000	$ 2,737,873	$ 19,811	$ 86,140
NJCC CDE UVS LLC	0.1%	$ 500	$ 500,000	$ 500,080	$ 5,580	$ 17,334
NorthStar CDE LLC	0.1%	$ 3,504	$ 3,500,000	$ 2,792,081	$ 13,100	$ (211,267)

The following schedule summarizes the investment return and its classification in the combined and consolidated statement of activities for the year ended September 30, 2010:

	Unrestricted	**Temporarily Restricted**	**Total**
Dividends and interest	$ 245,750	$ 3,948	$ 249,698
Realized gain (loss)	525,322	--	525,322
Unrealized gain (loss)	291,660	--	291,660
	$ 1,062,732	$ 3,948	$ 1,066,680

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)	428,411	(7,294)	421,117
	$ 500,173	$ 32,423	$ 532,596

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

The Organization follows FASB's accounting pronouncement, *Fair Value Measurements*. The pronouncement defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosure about fair value measurements. Fair value is defined under *Fair Value Measurements and Disclosures* as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value under *Fair Value Measurements and Disclosures* must maximize the use of observable inputs and minimize the use of unobservable inputs. The pronouncement describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable.

These levels are:

- Level 1 – Valuation is based upon quoted prices for identical instruments traded in active markets.
- Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3 – Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect one's estimates of assumptions that a market participant would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

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

U.S. government securities, corporate bonds and international bonds: Valued at the closing price reported on the active market on which the individual securities or bonds are traded.

Money market and common stocks: Shares of equities and mutual funds are valued at quoted market prices at the Organization's fiscal year-end.
Mortgage and asset backed securities: Valued using a pricing service - AIP for security pricing - which is active market based

Equity investments: Valued using the cost or equity methods, as appropriate, and reported at book value.

Certificates of deposit: Valued at the fair market value determined on as of yearend using quoted market prices.

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, 2010:

	Level 1	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 4,392,394	$ --	$ --	$ 4,392,394
Investments, Marketable Securities				
U.S. government securities	$ 6,316,071	$ --	$ --	$ 6,316,071
Money market	8,508,342	--	--	8,508,342
Mortgage and asset backed securities	--	910,549	--	910,549
Common stocks				
Consumer discretionary	554,464	--	--	554,464
Consumer staples	174,872	--	--	174,872
Energy	202,118	--	--	202,118
Financial services	174,115	--	--	174,115
Healthcare	185,057	--	--	185,057
Industrials	342,954	--	--	342,954
Information technology	387,499	--	--	387,499
Materials	64,209	--	--	64,209
Telecommunications	111,931	--	--	111,931
Utilities	99,417	--	--	99,418
	$17,121,049	$ 910,549	$ --	$18,031,599

Investments, Other				
Equity investments	$ --	$ --	$ 1,715,592	$ 1,715,592
Certificates of deposit	--	700,134	--	700,134
	$ --	$ 700,134	$ 1,715,592	$ 2,415,726

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	$ 5,096,259	$ --	$ --	$ 5,096,259
Investments, Marketable Securities				
U.S. government securities	$ 1,588,601	$ --	$ --	$ 1,588,601
Money market	8,504,351	--	--	8,504,351
Mortgage and asset backed securities	--	3,994,124	--	3,994,124
Corporate bonds				
AA1	88,425	--	--	88,425
AA2	130,744	--	--	130,744
AA3	138,172	--	--	138,172
A1	202,259	--	--	202,259
A2	407,857	--	--	407,857
A3	18,708	--	--	18,708
International bonds				
AAA	28,291	--	--	28,291
AA1	53,702	--	--	53,702
A2	12,358	--	--	12,358
Common stocks				
Consumer discretionary	416,111	--	--	416,111
Consumer staples	182,047	--	--	182,047
Energy	155,582	--	--	155,582
Financial services	155,534	--	--	155,534
Healthcare	150,309	--	--	150,309
Industrials	278,656	--	--	278,656
Information technology	379,850	--	--	379,850
Materials	83,156	--	--	83,156
Telecommunications	76,016	--	--	76,016
Utilities	83,326	--	--	83,326
	$13,134,055	$ 3,994,124	$ --	$17,128,179
Investments, Other				
Equity investments	$ --	$ --	$ 1,709,183	$ 1,709,183
Certificates of deposit	--	700,134	--	700,134
	$ --	$ 700,134	$ 1,709,183	$ 2,409,317

The information below sets forth a summary of changes in the fair value of the Organization's Level 3 investment assets for the years ended September 30, 2010 and 2009:

	2010	2009
Beginning balance	$ 1,709,183	$ 829,266
Purchases	1,138	874,760
Distributions paid	(325)	(353)
Unrealized gain	5,596	5,510
Ending balance	$ 1,715,592	$ 1,709,183

8. Fixed Assets

Fixed assets at September 30, 2010 and 2009 consist of the following:

	2010	2009
Land	$ 321,000	$ 321,000
Computers and equipment	133,840	124,404
Building and improvements	4,244,929	4,017,490
	4,699,769	4,462,894
Less: Accumulated depreciation	(635,581)	(479,340)
Fixed assets, net	$ 4,064,188	$ 3,983,554

Depreciation expense for the years ended September 30, 2010 and 2009 amounted to 156,242and $185,460, 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 the accounting guidance for *Business Combinations* and has an indefinite life. At September 30, 2010, management determined that the total of the expected future undiscounted cash flows directly related to the license was less than the carrying value; therefore, the license was impaired. The impairment of $100,000 represents the difference between the fair values of the license and its carrying values are included within amortization expense on investments on the consolidated statement of operations. There was no impairment at September 30, 2009. The value of the license at September 30, 2010 and 2009 was $195,564 and $295,564, respectively.

Goodwill

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 September 30, 2010 and 2009 amounted to $89,032. At year end, the Organization completed its annual impairment test and there was no impairment indicated.

Acquisition and Financing Costs

Hamilton East incurred various costs of $300,909 in relation to the purchase of the buildings and loan costs. Amortization of the costs is calculated over a 10 year period using the straight line method. Accumulated amortization at September 30, 2010 and 2009 was $81,972 and $52,566, respectively. Amortization expense for the years ended September 30, 2010 and 2009 amounted to $98,545 and $33,154, respectively.

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, 2010 and 2009, the net investment return was $8,106 and $32,423, respectively. During the year ended September 30, 2010 and 2009, $3,442,273 and $2,728,750, respectively, was used to credit enhance loans to charter schools. As of September 30, 2010 and 2009, $2,884,313 and $6,639,333, 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, 2010 and 2009 are as follows.

	2010	2009
SEED fund	$ 28,102	$ 166,356
BofA fund	815,430	444,193
Escrows	124,279	190,104
Loan servicing trust funds	12,581	7,842
Tenant security deposits	19,768	30,422
	$ 1,000,160	$ 838,917

12. Notes Payable, Subordinated Notes Payable, and Mortgage Payable

a) Community Loan Fund of New Jersey, Inc.

(1) Community Loan Fund

	2010	2009
Notes payable of the Community Loan Fund division represent loans by approximately 101 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 2019. The notes are unsecured.	$ 30,411,277	$28,710,127
Community Loan Fund has a $4,000,000 credit facility from an insurance company to support its lending activities at 4.75% with a maturity date of December 18, 2019. As of September 30, 2010 there was $3,000,000 available on the facility.	1,000,000	--
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		

	2010	2009
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.		
Closing Date / Stated Maturity / Rate		
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 2011. The notes are unsecured.	291,000	291,000
(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.	3,243,245	3,285,927
(4) Community Asset Preservation Corporation		
CAPC has an aggregate $4,000,000 of an unsecured fixed rate credit facility, with an interest rate of 6.5%, to support its activities maturing September 2013.	80,000	--
b) Community Lending Partners of New Jersey, Inc.		
Lending Partners has an aggregate $8,000,000 of variable rate and $5,647,332 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, 2011. Individual notes underlying the credit facility mature at various times through 2013.	7,650,000	6,200,000
The fixed rate credit facility is priced at LIBOR plus 3% with a floor of 4.5% and expires April 30, 2011. Individual notes underlying the credit facility mature at various times through 2015.	5,257,303	4,075,762

	2010	2009
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.		

Closing Date	Stated Maturity	Rate	2010	2009
06/30/2005	06/30/2015	4.44%	500,000	500,000
12/30/2005	12/31/2015	3.87%	500,000	500,000
Total Notes Payable, Subordinate Notes Payable, and Mortgage Payable			$ 50,432,825	$45,062,816

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

	Community Loan Fund	Managed Assets	CAPC	Hamilton East	Lending Partners	Total
2011	$ 8,787,032	$ 291,000	$ --	$ 45,375	$ 4,705,582	$13,828,989
2012	3,511,109	--	--	47,687	3,048,592	6,607,388
2013	2,657,484	--	80,000	51,247	3,274,614	6,063,345
2014	2,197,817	--	--	54,480	476,791	2,729,088
2015	3,122,500	--	--	57,918	1,901,724	5,082,142
Thereafter	12,635,335	--	--	2,986,538	500,000	16,121,873
	$32,911,277	$ 291,000	$ 80,000	$3,243,245	$ 13,907,303	$50,432,825

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 Hamilton East Associates, LLC 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, 2010 and 2009 is $131,874 and $150,537, 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, 2010 and 2009:

	2010	2009
Charter Fund – USDOE	$ 8,513,507	$ 8,505,401
Financial Assistance Award – CDFI	588,946	1,950,000
CAPC – JP Morgan Chase	150,000	--
	$ 9,252,453	$ 10,455,401

15. Net Assets Released From Restrictions

During the years ended September 30, 2010 and 2009, net assets were released from grant restrictions in the amounts of $1,950,000 and $-0-, respectively.

16. 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, 2010 and 2009 was $1,097,419 and $1,055,506, respectively.

17. Rent Increases

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

18. 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 $76,127 and $68,005 for the years ended September 30, 2010 and 2009, respectively.

19. Operating Lease

The Organization leases equipment under a non-cancellable operating lease through February, 2015. Lease expense for this item charged to operations aggregated $7,392 for each of the years ended September 30, 2010 and 2009. Future minimum lease obligations as of September 30, 2010 are as follows:

2011	$ 8,452
2012	8,664
2013	8,664
2014	8,664
2015	8,664
	$ 43,108

20. 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, 2010 and 2009, the principal commitments of the Organization are as follows:

	2010	2009
Financings committed but not yet closed		
Community Loan Fund	$ 4,709,761	$ 3,556,673
Affordable Housing Fund	75,000	--
Community Lending Partners	2,272,235	--
	$ 7,056,996	$ 3,556,673
Financings closed but not yet funded		
Community Loan Fund	$ 2,905,731	$ 1,066,365
Affordable Housing Fund	75,000	75,000
Community Lending Partners	--	6,699,778
	$ 2,980,731	$ 7,841,143

21. Contingent Liabilities for Charter Fund

At September 30, 2010 and 2009, the Organization has $4,196,059 and $1,866,068, respectively, of contingent guarantees outstanding for the benefit of ten and eight, respectively, charter school transactions. The guarantees expire at various times through 2016.

22. Concentrations

Financial instruments that potentially subject the Organization to credit risk include loans receivable from entities amounting to $39,534,868 and $35,425,391 at September 30, 2010 and 2009, respectively. As of September 30, 2010 and 2009, $29,508,624 and $22,351,955, respectively, of the Organization's loans were to nonprofits, representing approximately 75% and 63% 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.

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.

23. Related Party Transactions

As of September 30, 2010 and 2009, the Organization had notes payable to various employees and current members of the board of directors totaling $7,173 and $18,825, respectively. Interest of $129 and $173 was paid to these individuals and $180 and $475 of contributions were made to the Organization by these individuals during the years ended September 30, 2010 and 2009, respectively. During the year ended September 30, 2009, the Organization incurred $30,000 in consulting fees from a company which is owned by a member of the board of directors.

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.

24. 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.

25. Subsequent Events

The Organization has evaluated subsequent events occurring after the balance sheet through the date of January 31, 2011 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 SCHEDULES

Community Loan Fund of New Jersey, Inc. and Affiliates
Combined and Consolidated Schedule of Federal Awards
Year Ended September 30, 2010

Federal Grantor/Pass Through

Grantor Program Title	Federal CFDA Number	Grant Contract Number	Federal Expenditures
Community Loan Fund of New Jersey, Inc.			
U.S. Department of Education - Credit Enhancement	84.354A	U354A0006007	$ 8,713,506
Community Development Financial Institutions - ARRA	21.020	091FA007856	$ 1,950,000
Community Development Financial Institutions	21.020	101FA008680	$ 161,054

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 Functional Expenses
Year Ended September 30, 2010

	Program Services	Supporting Services: Management & General	Supporting Services: Fundraising	Supporting Services: Total	Total Functional Expenses
Salaries	$ 864,837	$ 155,227	$ 88,701	$ 243,928	$ 1,108,765
Depreciation and amortization	109,631	1,728	988	2,716	112,347
Dues and memberships	4,807	759	434	1,193	6,000
Employee benefits	166,157	29,823	17,042	46,865	213,022
Equipment leases and maintenance	13,006	2,334	1,334	3,668	16,674
Insurance	35,866	6,438	3,679	10,117	45,983
Occupancy	17,402	3,123	1,786	4,909	22,311
Office supplies	17,715	3,180	1,817	4,997	22,712
Payroll tax expense	73,280	13,153	7,516	20,669	93,949
Postage	4,732	849	485	1,334	6,066
Printing	6,861	1,232	704	1,936	8,797
Professional development	20,730	3,022	1,727	4,749	25,479
Professional fees	294,287	24,912	29,579	54,491	348,778
Property taxes	--	7,724	--	7,724	7,724
Publicity	23,562	4,229	2,416	6,645	30,207
Special events	292	52	30	82	374
Telephone	10,134	1,819	1,039	2,858	12,992
Travel-site visits	8,796	--	--	--	8,796
Total	$ 1,672,095	$ 259,604	$ 159,277	$ 418,881	$ 2,090,976

See Independent Auditors' Report.

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: Management & General	Supporting Services: Fundraising	Supporting Services: Total	Total Functional Expenses
Salaries	$ 694,230	$ 124,606	$ 71,203	$ 195,809	$ 890,039
Depreciation and amortization	8,200	1,472	841	2,313	10,513
Dues and memberships	5,076	810	463	1,273	6,349
Employee benefits	111,841	20,073	11,471	31,544	143,385
Equipment leases and maintenance	12,933	2,321	1,326	3,647	16,580
Grants	5,000	--	--	--	5,000
Insurance	31,930	5,731	3,275	9,006	40,936
Occupancy	21,417	3,844	2,196	6,040	27,457
Office supplies	12,878	2,312	1,321	3,633	16,511
Payroll tax expense	56,680	10,174	5,813	15,987	72,667
Postage	2,737	491	282	773	3,510
Printing	2,298	412	236	648	2,946
Professional development	13,158	1,661	949	2,610	15,768
Professional fees	325,377	57,766	22,517	80,283	405,660
Publicity	7,208	1,294	740	2,034	9,242
Special events	1,609	289	165	454	2,063
Telephone	7,258	1,272	727	1,999	9,257
Travel-site visits	7,444	--	--	--	7,443
Total	$ 1,327,274	$ 234,528	$ 123,525	$ 358,053	$ 1,685,326

See Independent Auditors' Report.

Community Loan Fund of New Jersey, Inc. and Affiliates
Combining Schedule of Financial Position
September 30, 2010

	Community Loan Fund of New Jersey, Inc.	Community Lending Partners of New Jersey, Inc.	Eliminating Entries	Total
Assets				
Cash and cash equivalents	$ 2,466,474	$ 1,925,920	$ --	$ 4,392,394
Accrued interest and dividends receivable	1,074,300	50,518	(9,275)	1,115,543
Loans receivable	29,762,321	10,772,547	(1,000,000)	39,534,868
Allowance for uncollectible loans receivable	(1,525,000)	(275,000)	--	(1,800,000)
Tenant accounts receivable, net	35,404	--	--	35,404
Investments, marketable securities	15,247,013	2,784,586	--	18,031,599
Investments, other	2,415,726	--	--	2,415,726
Real property held for sale	1,256,134	275,000	--	1,531,134
Fixed assets, net	4,064,188	--	--	4,064,188
Intangible asset	503,533	--	--	503,533
Restricted deposits	387,103	--	--	387,103
Other assets	162,857	9,161	--	172,018
	$ 55,850,053	$ 15,542,732	$ (1,009,275)	$ 70,383,510
Liabilities and Net Assets				
Liabilities				
Accounts payable	$ 302,909	$ 3,177	$ --	$ 306,086
Unearned fee income	180,191	41,344	--	221,535
Accrued interest payable	177,704	58,795	(9,275)	227,224
Funds held in trust and escrows	984,828	15,332	--	1,000,160
Notes payable	31,782,277	12,907,303	--	44,689,580
Subordinated notes payable	1,500,000	2,000,000	(1,000,000)	2,500,000
Mortgage payable	3,243,245	--	--	3,243,245
Member note payable	131,874	--	--	131,874
Total liabilities	38,303,028	15,025,951	(1,009,275)	52,319,704
Non-controlling interest in equity of subsidiary	139,952	--	--	139,952
Net assets				
Unrestricted	8,154,620	516,781	--	8,671,401
Temporarily restricted	9,252,453	--	--	9,252,453
Total net assets	17,407,073	516,781	--	17,923,854
	$ 55,850,053	$ 15,542,732	$ (1,009,275)	$ 70,383,510

See Independent Auditors' Report.

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

	Community Loan Fund of New Jersey, Inc.	Community Lending Partners of New Jersey, Inc.	Eliminating Entries	Total
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	69,601	--	--	69,601
Investments, marketable securities	17,128,179	--	--	17,128,179
Investments, other	2,409,317	--	--	2,409,317
Real property held for sale	--	--	--	-
Fixed assets, net	3,983,554	--	--	3,983,554
Intangible assets	695,241	--	--	695,241
Restricted deposits	493,389	--	--	493,389
Other assets	68,617	5,000	--	73,617
	$ 52,748,615	$ 12,383,381	$ (509,275)	$ 64,622,721
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
Non-controlling 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	17,248,821	438,649	--	17,687,470
	$ 52,748,615	$ 12,383,381	$ (509,275)	$ 64,622,721

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, 2010

	Community Loan Fund of New Jersey, Inc.	Community Lending Partners of New Jersey, Inc.	Eliminating Entries	Total
Operating income				
Interest from loans receivable	$ 1,430,963	$ 828,090	$ (18,500)	$ 2,240,553
Investment interest and dividends	253,095	(3,397)	--	249,698
Total investment income	1,684,058	824,693	(18,500)	2,490,251
Interest expense	(1,247,444)	(627,684)	18,500	(1,856,628)
Net interest income	436,614	197,009	--	633,623
Provision for loan losses, net	(829,000)	(108,982)	--	(937,982)
Net interest income after provision for loan losses	(392,386)	88,027	--	(304,359)
Contributions, gifts, and grants	1,315,732	--	--	1,315,732
Fees	501,817	71,784	--	573,601
Total revenues and other support	1,817,549	71,784	--	1,889,333
Total operating income	1,425,163	159,811	--	1,584,974
Expenses				
Program services	1,598,674	73,421	--	1,672,095
Management and general	251,540	8,064	--	259,604
Fundraising	159,083	194	--	159,277
Total expenses	2,009,297	81,679	--	2,090,976
Operating surplus (defecit)	(584,134)	78,132	--	(506,002)
Non-operating income (expense)				
Rental income of $1,355,776, net of rental expenses of $1,464,293	(108,517)	--	--	(108,517)
Non-controlling interest	34,500	--	--	34,500
State tax	(578)	--	--	(578)
Gain on sale of investments	525,322	--	--	525,322
Unrealized gain on investments	291,660	--	--	291,660
Total non-operating income	742,387	--	--	742,387
Increase (decrease) in net assets	158,253	78,132	--	236,385
Net assets, beginning of year	17,248,821	438,648	--	17,687,469
Net assets, end of year	$ 17,407,074	$ 516,780	$ --	$ 17,923,854

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	200,374	74,398	--	274,772
Total revenues and other support	3,729,808	74,398	--	3,804,206
Total operating income	2,720,668	64,823	--	2,785,491
Expenses				
Program services	1,252,218	75,056	--	1,327,274
Management and general	234,248	280	--	234,528
Fundraising	123,365	160	--	123,525
Total expenses	1,609,831	75,496	--	1,685,327
Operating surplus (defecit)	1,110,837	(10,673)	--	1,100,164
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 (expense)	10,704	--	--	10,704
Increase (decrease) in net assets	1,121,541	(10,673)	--	1,110,868
Net assets, beginning of year	16,127,280	449,321	--	16,576,601
Net assets, end of year	$ 17,248,821	$ 438,648	$ --	$ 17,687,469

See Independent Auditors' Report.

GOVERNMENT REPORTS

WithumSmith+Brown, PC
Certified Public Accountants and Consultants

5 Vaughn Drive
Princeton, NJ 08540-6313
609 520 1188 . fax 609 520 9882
www.withum.com

Additional Offices in New Jersey,
New York, Pennsylvania, Maryland,
Florida, and Colorado.

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 financial statements of Community Loan Fund of New Jersey, Inc. and Affiliates as of and for the year ended September 30, 2010, and have issued our report thereon dated February 10, 2011. 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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 Community Loan Fund of New Jersey, Inc. and Affiliates' internal control over financial reporting.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying Combined and Consolidated Schedule of Current and Prior Year Findings and Questioned Costs-2010-1, that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Community Loan Fund of New Jersey, Inc. and Affiliates' 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 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Combined and Consolidated Schedule of Current and Prior Year Findings and Questioned Costs as item 2010-1.

We noted certain matters that we reported to the management of Community Loan Fund of New Jersey, Inc. and Affiliates in a separate letter dated February 10, 2011.

Community Loan Fund of New Jersey, Inc. and Affiliates' response to the findings identified in our audit are described in the accompanying Combined and Consolidated Schedule of Current and Prior Year Findings and Questioned Costs. We did not audit Community Loan Fund of New Jersey, Inc. and Affiliates' response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management of Community Loan Fund of New Jersey, Inc. and Affiliates, others within the entity and Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Withum Smith + Brown PC

February 10, 2011

WithumSmith+Brown, PC
Certified Public Accountants and Consultants

5 Vaughn Drive
Princeton, NJ 08540-6313
609 520 1188 . fax 609 520 9882
www.withum.com

Additional Offices in New Jersey,
New York, Pennsylvania, Maryland,
Florida, and Colorado.

Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on 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 Community Loan Fund of New Jersey, Inc. and Affiliates' compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on Community Loan Fund of New Jersey, Inc. and Affiliates' major federal programs for the year ended September 30, 2010. Community Loan Fund of New Jersey, Inc. and Affiliates' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Community Loan Fund of New Jersey, Inc. and Affiliates' management. Our responsibility is to express an opinion on 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 programs 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 of Community Loan Fund of New Jersey, Inc. and Affiliates' compliance with those requirements.

As described in item 2010-1 in the accompanying Combined and Consolidated Schedule of Current and Prior Year Findings and Questioned Costs, Community Loan Fund of New Jersey, Inc. and Affiliates did not comply with certain requirements regarding reporting that are applicable to its major programs. Compliance with such requirements is necessary, in our opinion, for Community Loan Fund of New Jersey, Inc. and Affiliates to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Community Loan Fund of New Jersey, Inc. and Affiliates complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010.

Internal Control Over Compliance

Management of Community Loan Fund of New Jersey, Inc. and Affiliates is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to its federal programs. 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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be significant deficiency, as defined below.

A deficiency in 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 and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Combined and Consolidated Schedule of Current and Prior Year Findings and Questioned Costs as item 2010-1 to be a significant deficiency.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Combined and Consolidated Schedule of Current and Prior Year Findings and Questioned Costs as item 2010-1 to be a significant deficiency.

Community Loan Fund of New Jersey, Inc. and Affiliates' responses to the finding identified in our audit are described in the accompanying Combined and Consolidated Schedule of Current and Prior Year Findings and Questioned Costs. We did not audit Community Loan Fund of New Jersey, Inc. and Affiliates' response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the audit committee, management of Community Loan Fund of New Jersey, Inc. and Affiliates and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Withum Smith + Brown PC

February 10, 2011

SUPPLEMENTARY SCHEDULES

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, 2010

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 Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Type of auditors' report issued on compliance for major programs:	Qualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	Yes

Identification of major programs:

Name of Federal Program

84.354A	U354A0006007	U.S. Department of Education - Credit Enhancement
21.020	091FA007856	Community Development Financial Institutions – ARRA
21.020	010FA008680	Community Development Financial Institutions

Dollar threshold used to distinguish between Type A and Type B programs	$ 324,737
Auditee qualified and a low risk auditee?	No

Section 2 - Financial Statement Findings

None reported.

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, 2010

Section 3 - Federal Award Findings and Questioned Costs

2010 -1 Department of Education -,Credit Enhancement for Charter School Facilities Program - 84.354A
Community Development Financial Institutions-ARRA – 21.020
Community Development Financial Institutions – 21.020

Significant Deficiency

Submission of documents required by OMB Circular A-133

Condition:	Grantee did not submit Form SF-SAC-Data Collection Forms to Federal Audit Clearinghouse.
Criteria:	To meet audit requirements of U.S. Office of Management and Budget (OMB) Circular A-133, grantees must timely submit all documents required by OMB Circular A-133, including Form SF-SAC: Data Collection Form, to: Federal Audit Clearinghouse, 1201 East 10th Street, Jeffersonville, Indiana 47132.
Effect:	Required Form SF-SAC: Data Collection Forms have not been timely submitted to Federal Audit Clearinghouse.
Cause:	Organization did not timely submit the required Data Collection Forms.
Recommendation:	Organization needs to submit the required reports to the Federal Audit Clearinghouse as soon as possible and continue to timely submit the required reports annually.
Management's response:	We agree with the auditors' comments and the following action will be taken to address the finding. The prior years Form SF-SAC: Data Collection Form will be submitted to the Federal Audit Clearinghouse as soon as possible. We will also submit the current year package as soon as possible.

Section 4 - Follow up on prior year findings

The prior audit for the year ending September 30, 2009 disclosed no internal control or compliance findings.