



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

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

September 30, 2011 and 2010

With Independent Auditors' Report

Community Loan Fund of New Jersey, Inc. and Affiliates
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September 30, 2011 and 2010

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WithSmith+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
New Brunswick, New Jersey

We have audited the accompanying combined and consolidated statements of financial position of Community Loan Fund of New Jersey, Inc. and Affiliates (a nonprofit organization) as of September 30, 2011 and 2010, 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 Organization's 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 position of Community Loan Fund of New Jersey, Inc. and Affiliates as of September 30, 2011 and 2010, and the combined and consolidated results of their operations and changes in their net assets and 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 March 20, 2012, 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 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 considered in assessing the results of our audit.



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

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

March 20, 2012

Community Loan Fund of New Jersey, Inc. and Affiliates
Combined and Consolidated Statement of Financial Position
September 30, 2011

	Unrestricted	Temporarily Restricted	Total
Assets			
Cash and cash equivalents	\$ 5,279,023	\$ 283,232	\$ 5,562,255
Accrued interest and dividends receivable	768,683	8,992	777,675
Loans receivable	39,699,378	--	39,699,378
Allowance for uncollectible loans receivable	(2,246,500)	--	(2,246,500)
Tenant accounts receivable, net	22,873	--	22,873
Grant receivable	396,500	1,500,000	1,896,500
Investments, marketable securities	9,350,235	8,467,923	17,818,158
Investments, other	1,672,567	--	1,672,567
Real property held for sale	4,051,782	--	4,051,782
Fixed assets, net	3,949,203	--	3,949,203
Intangible assets	296,500	--	296,500
Restricted deposits	447,571	--	447,571
Other assets	268,966	--	268,966
	<u>\$ 63,956,781</u>	<u>\$ 10,260,147</u>	<u>\$ 74,216,928</u>
Liabilities and Net Assets			
Liabilities			
Accounts payable	\$ 173,172	\$ --	\$ 173,172
Unearned fee income	269,358	--	269,358
Accrued interest payable	175,534	--	175,534
Funds held in trust and escrows	3,639,070	--	3,639,070
Notes payable	45,223,156	--	45,223,156
Subordinated notes payable	2,500,000	--	2,500,000
Mortgage payable	3,197,869	--	3,197,869
Member note payable	136,630	--	136,630
Total liabilities	<u>55,314,789</u>	<u>--</u>	<u>55,314,789</u>
Non-controlling interest in equity of subsidiary	131,682	--	131,682
Net assets	<u>8,510,310</u>	<u>10,260,147</u>	<u>18,770,457</u>
	<u>\$ 63,956,781</u>	<u>\$ 10,260,147</u>	<u>\$ 74,216,928</u>

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

Community Loan Fund of New Jersey, Inc. and Affiliates
Combined and Consolidated Statement of Financial Position
September 30, 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)
Tenants 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
	<u>\$ 61,131,057</u>	<u>\$ 9,252,453</u>	<u>\$ 70,383,510</u>
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	<u>8,671,401</u>	<u>9,252,453</u>	<u>17,923,854</u>
	<u>\$ 61,131,057</u>	<u>\$ 9,252,453</u>	<u>\$ 70,383,510</u>

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

Community Loan Fund of New Jersey, Inc. and Affiliates
Combined and Consolidated Statement of Activities and Changes in Net Assets
Year Ended September 30, 2011

	Unrestricted	Temporarily Restricted	Total
Operating income			
Interest from loans receivable	\$ 2,375,070	\$ 35,537	\$ 2,410,607
Investment interest and dividends	135,448	8,992	144,440
Total investment income	2,510,518	44,529	2,555,047
Interest expense	(1,897,321)	--	(1,897,321)
Net interest income	613,197	44,529	657,726
Provision for loan losses, net	(517,334)	200,000	(317,334)
Net interest income after provision for loan losses	95,863	244,529	340,392
Contributions, gifts, and grants	580,754	1,500,000	2,080,754
Fees	1,106,311	2,111	1,108,422
Total revenues and other support	1,687,065	1,502,111	3,189,176
Net assets released from restrictions	738,946	(738,946)	--
Total operating income	2,521,874	1,007,694	3,529,568
Expenses			
Program services	2,060,441	--	2,060,441
Management and general	375,925	--	375,925
Fundraising	196,174	--	196,174
Total expenses	2,632,540	--	2,632,540
Operating surplus (deficit)	(110,666)	1,007,694	897,028
Non-operating income (expense)			
Rental income of \$1,417,258, net of rental expenses of \$1,472,390	(55,132)	--	(55,132)
Non-controlling interest	8,270	--	8,270
State tax	(759)	--	(759)
Gain on sale of investments	196,260	--	196,260
Unrealized loss on investments	(199,064)	--	(199,064)
Total non-operating income	(50,425)	--	(50,425)
Increase (decrease) in net assets	(161,091)	1,007,694	846,603
Net assets, beginning of year	8,671,401	9,252,453	17,923,854
Net assets, end of year	<u>\$ 8,510,310</u>	<u>\$ 10,260,147</u>	<u>\$ 18,770,457</u>

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

Community Loan Fund of New Jersey, Inc. and Affiliates
Combined and Consolidated Statement of Activities and Changes in Net Assets
Year Ended September 30, 2010

	Unrestricted	Temporarily Restricted	Total
Operating income			
Interest from loans receivable	\$ 2,240,553	\$ --	\$ 2,240,553
Investment interest and dividends	<u>245,750</u>	<u>3,948</u>	<u>249,698</u>
Total investment income	2,486,303	3,948	2,490,251
Interest expense	<u>(1,856,628)</u>	<u>--</u>	<u>(1,856,628)</u>
Net interest income	629,675	3,948	633,623
Provision for loan losses, net	<u>(937,982)</u>	<u>--</u>	<u>(937,982)</u>
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	<u>573,601</u>	<u>--</u>	<u>573,601</u>
Total revenues and other support	<u>1,146,229</u>	<u>743,104</u>	<u>1,889,333</u>
Net assets released from restrictions	<u>1,950,000</u>	<u>(1,950,000)</u>	<u>--</u>
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	<u>159,277</u>	<u>--</u>	<u>159,277</u>
Total expenses	<u>2,090,976</u>	<u>--</u>	<u>2,090,976</u>
Operating surplus (deficit)	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)
Loss on sale of investments	525,322	--	525,322
Unrealized gain (loss) on investments	<u>291,660</u>	<u>--</u>	<u>291,660</u>
Total non-operating income (loss)	<u>742,387</u>	<u>--</u>	<u>742,387</u>
Increase (decrease) in net assets	<u>1,439,333</u>	<u>(1,202,948)</u>	<u>236,385</u>
Net assets, beginning of year	<u>7,232,068</u>	<u>10,455,401</u>	<u>17,687,469</u>
Net assets, end of year	<u>\$ 8,671,401</u>	<u>\$ 9,252,453</u>	<u>\$ 17,923,854</u>

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

**Community Loan Fund of New Jersey, Inc. and Affiliates
Combined and Consolidated Statements of Cash Flows
Years Ended September 30, 2011 and 2010**

	2011	2010
Cash flow from operating activities		
Change in net assets	\$ 846,603	\$ 236,385
Adjustment to reconcile change in net assets to net cash provided by operating activities		
Realized gain on investments, marketable securities	(371,260)	(525,322)
Unrealized (gain) loss on investments, marketable securities	204,869	(286,066)
Realized loss on investments, other	--	325
Unrealized gain on investments, other	(5,805)	(5,596)
Provision for uncollectible loans receivable, net	446,500	383,982
Provision for tenant accounts receivable	--	(19,000)
Realized gain/disposal of real property held for sale	(83,477)	(7,008)
Depreciation and amortization	382,903	354,787
Non-controlling interest income	(8,270)	(19,048)
Changes in operating assets and liabilities:		
Accrued interest and dividends receivable	337,868	(242,370)
Tenant accounts receivable	12,531	53,197
Grants Receivable	(1,896,500)	--
Other assets	(96,948)	(98,401)
Accounts payable	(132,915)	(24,962)
Unearned fee income	47,823	51,196
Accrued interest payable	(51,690)	4,630
Funds held in trust and escrows	2,638,910	161,243
Net cash provided by operating activities	<u>2,271,142</u>	<u>17,972</u>
Cash flow from investing activities		
Repayment of loans receivable	21,010,115	14,955,148
Issuance of loans receivable	(22,778,363)	(19,548,607)
Proceeds from sale of investments, marketable securities	68,911,086	70,127,955
Purchases of investments, marketable securities	(68,531,254)	(70,219,987)
Purchase of investments, other	(1,359)	(601,272)
Proceeds from sale/maturity of investments, other	750,323	600,134
Purchase of intangible assets	(464)	(6,837)
Proceeds from sale of real property held for sale	401,983	100,503
Purchases of real property held for sale	(1,235,416)	(1,349,629)
Purchases of fixed assets	(60,420)	(236,877)
Net cash used by investing activities	<u>(1,533,769)</u>	<u>(6,179,469)</u>
Cash flow from financing activities		
Change in restricted deposits	(60,468)	106,286
Payments on mortgage payable	(45,376)	(42,682)
Proceeds from (payments on) member note payable	4,756	(18,663)
Proceeds from issuance of notes payable and acquisition of debt	8,633,600	9,076,684
Payments on notes payable	(8,100,024)	(3,663,993)
Net cash provided by financing activities	<u>432,488</u>	<u>5,457,632</u>
Net increase (decrease) in cash and cash equivalents	1,169,861	(703,865)
Cash and cash equivalents		
Beginning of year	<u>4,392,394</u>	<u>5,096,259</u>
End of year	<u>\$ 5,562,255</u>	<u>\$ 4,392,394</u>

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

Community Loan Fund of New Jersey, Inc. and Affiliates
Combined and Consolidated Statements of Cash Flows (Continued)
Years Ended September 30, 2011 and 2010

	2011	2010
Supplemental disclosure of cash flow information		
Cash paid during year for:		
Interest	<u>\$ 1,949,011</u>	<u>\$ 1,738,505</u>

Non-cash

During the year ended September 30, 2011 a loan receivable was foreclosed on and property with a value of \$1,604,000 was received. This is included in real property held for sale.

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.

Community Loan Fund of New Jersey, Inc.
Notes to Combined and Consolidated Financial Statements
September 30, 2011 and 2010

1. Organization

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

1) Community Loan Fund of New Jersey, Inc. ("Community Loan Fund")

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; NJCC CDE Mercer, LLC and NJCC CDE Newark 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.

Community Loan Fund of New Jersey, Inc.
Notes to Combined and Consolidated Financial Statements
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(c) Communities at Work Fund

In 2011 Community Loan Fund of New Jersey, Inc. entered into a loan agreement with Communities at Work Fund, L.P. The loan proceeds are used to support charter school facilities lending.

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.

Community Loan Fund of New Jersey, Inc.
Notes to Combined and Consolidated Financial Statements
September 30, 2011 and 2010

University Ventures, Inc. ("University Ventures")

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 ("Hamilton East")

In May 2008, Community Loan Fund of New Jersey, Inc. acquired an 85% membership interest in Hamilton East Associates, LLC, 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 Section 8 contracts, numbers NJ39M000055 and NJ39M000054 which expire September 30, 2015.

Community Asset Preservation Corporation ("CAPC")

In May 2010, Community Loan Fund of New Jersey, Inc. became the sole member of Community Asset Preservation Corporation, a non-profit organization under Section 501(c)(3) of the Internal Revenue Code.

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) Community Lending Partners of New Jersey, Inc. ("Lending Partners")

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

Teen Street Preservation, LLC ("Teen Street")

In May, 2010, Teen Street Preservation, LLC was created with Lending Partners as its sole member.

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 Community Lending Partners of New Jersey, Inc. which have been combined. University Ventures, Inc. (majority owned subsidiary), Hamilton East Associates, LLC, (majority owned subsidiary), and Community Asset Preservation Corporation (wholly owned subsidiary) have been

Community Loan Fund of New Jersey, Inc.
Notes to Combined and Consolidated Financial Statements
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consolidated with Community Loan Fund of New Jersey, Inc. Teen Street Preservation, LLC (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 Uncollectible Loans Receivable

The Organization provides commercial and mortgage loans to entities that support the development, preservation and operation of housing, community services and businesses primarily in New Jersey. Loans receivable are stated at unpaid principal balances less an allowance for loan losses. Interest on loans is recognized over the term of the loan and is calculated using the 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 uncollectible loans receivable is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are netted against the loan loss provision.

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

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.

Community Loan Fund of New Jersey, Inc.
Notes to Combined and Consolidated Financial Statements
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During the years ended September 30, 2011 and 2010, the Organization received \$10,105 and \$1,345 respectively of donated non-cash assets, which is included in contribution, gift, and grant income. There were no contributed services meeting the requirements of recognition in the combined and consolidated financial statements for these periods.

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 December 31, 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 from tenants for rent and other charges, if applicable, recorded according to the terms of their leases. Tenant receivables do not bear interest. Tenant receivables are periodically evaluated for collectability based on the tenants' past history, their current status and financial condition. At September 30, 2011 and 2010, 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.

Description

Computers and equipment
Building and Improvements

Estimated Life

3 years
40 years

Reserve for Replacements

In accordance with provisions of the Hamilton East mortgage documents, cash is held by Prudential Multifamily Mortgage, Inc. (Prudential) to be used for the replacement of Bridgeton Villas I and II properties with the approval of HUD. As of September 30, 2011, reserves for Bridgeton Villas I and Bridgeton Villas II were \$59,340 and \$33,231, respectively.

Property Held for Sale

The Organization acquires certain real properties either through purchase or process which it holds, improves, repairs, and sells. Such properties are valued at cost and are \$4,051,782 and \$1,531,134 at September 30, 2011 and 2010, respectively.

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.

Community Loan Fund of New Jersey, Inc.
Notes to Combined and Consolidated Financial Statements
September 30, 2011 and 2010

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 after deducting for any tenant caused damages or rent arrearages. 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, Lending Partners and CAPC are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. As nonprofit entities, they are also exempt from New Jersey sales and corporate income taxes.

University Ventures is a for-profit corporation with federal net operating loss carryforwards of \$1,084,000 and \$1,030,000 as of December 31, 2010 and 2009, respectively, expiring at various dates through 2030. The net operating loss carryforwards result in deferred tax assets of approximately \$368,500 and \$350,000, at September 30, 2011 and 2010, respectively, on which there is a 100% valuation allowance.

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

Teen Street 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, 2011 or 2010. In addition, the Organization has no income tax related penalties or interest for the periods reported in these combined and consolidated financial statements.

The Organization files tax returns in the U.S. federal jurisdiction and the State of New Jersey. The Organization has no open years prior to the year ended September 30, 2008.

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, 2011 and 2010.

Accrued Dividends Receivable

In September 2005, University Ventures purchased four shares of 6.0% non-cumulative preferred stock in City National Bancshares Corporation at a cost of \$200,000. City National did not declare a dividend for the years December 31, 2010 and 2009.

Restricted Capital Surplus

In a prior year, University Ventures redeemed outstanding preferred stock at a discount. The difference between the book value and repurchase price is reflected as restricted capital surplus because of SBA limitations for purposes of determining minimum capital requirements.

Community Loan Fund of New Jersey, Inc.
Notes to Combined and Consolidated Financial Statements
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Functional Allocation of Expenses

The cost of providing various programs and other activities has been summarized on a functional basis in the Combined and Consolidated Schedule of Functional Expenses. Costs are allocated between program services, management and general and fundraising based on an evaluation of the related benefits.

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.

Reclassification

Certain items in the September 30, 2010 financial statements have been reclassified in order to conform to the September 30, 2011 presentation. The reclassifications have no effect on the change in net assets.

3. Restricted Deposits

Under the terms of the agreement with the mortgagee, Hamilton East is required to fund certain reserve or escrow accounts. Hamilton East has segregated a total of \$447,571 and \$387,103 as of September 30, 2011 and 2010, respectively, which is held in separate accounts and is detailed as follows:

	2011	2010
HAP reserve	\$ --	\$ 21,332
Operating reserve	123,471	124,086
Completion repair reserve	13,499	13,596
Replacement reserve	109,155	84,222
Tax reserve	76,193	56,362
Insurance reserve	125,253	87,505
	<u>\$ 447,571</u>	<u>\$ 387,103</u>

4. Loans Receivable

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

Community Loan Fund

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

At September 30, 2011, variable rate loans had interest rates from 6.25% to 7% and amounted to \$398,907. At September 30, 2010, variable rate loans had interest rates from 4.25% to 6.25% and amounted to \$327,324. At September 30, 2011, fixed rate loans had interest rates from 3.7% to 8.5% and amounted to \$26,955,055. 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, 2011, there were two loans classified as 90 days past due and still accruing interest with a total recorded investment amount of \$682,820. At September 30, 2010, there were six loans classified as 90 days past due and still accruing interest with a total recorded investment amount of \$2,398,331. At September 30, 2011, there were five loans (representing three projects), classified as non-accrual with a total recorded investment amount of \$2,390,773. At September 30, 2010, there was one loan classified as non-accrual with a total recorded investment amount of \$555,000.

Community Loan Fund of New Jersey, Inc.
Notes to Combined and Consolidated Financial Statements
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Proprietary Managed Assets – Affordable Housing Fund

Loans receivable are generally for \$150,000 or less for twenty-four months or less. At September 30, 2011 and 2010, loans bore interest rate from 3% to 6.5% and 3%, respectively, and are either unsecured or, if applicable, secured by the assets financed. At September 30, 2011 and 2010, these loans amounted to \$489,0827 and \$2,211, respectively.

Communities at Work Fund Loans

At September 30, 2011, a twenty-four month fixed rate loan with an interest rate of 8.5% amounted to \$250,000.

University Ventures

University Ventures has a \$500,000 loan receivable from Red Restaurant Ventures, LLC ("Red") under a four year credit facility at 13.5% interest. In May 2011, Red filed for Chapter 11 bankruptcy. University Ventures performed a lien search and noted that they are the only secured party. As part of the bankruptcy proceedings, Red is required to make \$2,000 monthly payments, which Red has done to date. No write-down of the loan receivable considered necessary at this point. At September 30, 2011 and 2010, this loan amounted to \$489,500 and \$500,000, respectively.

University Ventures also has a \$50,000 loan receivable due on July 1, 2015, with interest payable at 5% per annum from Greyston Bakery, Inc. At September 30, 2011, this loan amounted to \$50,000.

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, 2011, variable rate loans had interest rates from 4% to 8% and amounted to \$4,819,674. At September 30, 2010, variable rate loans had interest rates from 4.5% to 7% and amounted to \$5,231,619. Fixed rate loans are generally for twelve to seventy-two months and generally bear interest rates based on LIBOR. At September 30, 2011, fixed rate loans had interest rates from 6.25% to 8.5% and amounted to \$6,284,255. At September 30, 2010, fixed rate loans had interest rates from 6.25% to 8.5% and amounted to \$5,540,928.

At September 30, 2011, there were no loans classified as 90 days past due and still accruing interest. At September 30, 2010, there was one loan classified as 90 days past due with a recorded investment amount of \$216,441. At September 30, 2011 and 2010, there were no loans classified as 90 days past due and non-accruing.

5. Allowance for Uncollectible Loans Receivable

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

	2011	2010
Opening balance	\$ 1,800,000	\$ 1,625,000
Less: write-offs	267,334	762,982
Add: cash provision for loan losses	396,500	--
Add: provision for uncollectible loan receivable, net	<u>317,334</u>	<u>937,982</u>
Ending balance	<u>\$ 2,246,500</u>	<u>\$ 1,800,000</u>

Community Loan Fund of New Jersey, Inc.
Notes to Combined and Consolidated Financial Statements
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The cash provision for loan losses is a reserve per the Neighborhood Stabilization Project (NSP) grant agreements. The Organization receives \$6,500 per property as an allowance until the loan is repaid, at which time the Organization refunds the money. If the loan is not repaid, the Organization utilizes the funds to offset the loan and records the revenue and expense at that time.

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, 2011 are as follows:

	Unrestricted	Temporarily Restricted	Total
Common stock	\$ 2,908,304	\$ --	\$ 2,908,304
Government Bonds	2,247,436	--	2,247,436
Money Market Mutual Fund	--	8,467,923	8,467,923
Mortgage & Asset Backed Securities	4,194,495	--	4,194,495
	<u>\$ 9,350,235</u>	<u>\$ 8,467,923</u>	<u>\$ 17,818,158</u>

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
	<u>\$ 9,523,257</u>	<u>\$ 8,508,342</u>	<u>\$ 18,031,599</u>

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

	2011	2010
<u><i>NMTC I</i></u>		
Community Equity Fund of New Jersey I, LLC ("CEFNJ I, LLC")	\$ 2,415	\$ 2,435
NJCC CDE I LLC	307,276	301,486
NJCC CDE II LLC	289	311
NJCC CDE FOT LLC	2,420	2,445
NJCC CDE RBS LLC	2,659	2,687
NJCC CDE UVS LLC	487	493
NorthStar CDE, LLC	2,473	2,682
<u><i>NMTC II</i></u>		
NJCC CDE Irvington Avenue LLC	510	488
NJCC CDE Mercer LLC	777	--
NJCC CDE Newark LLC	512	--
NJCC CDE Washington Place LLC	700	650

Community Loan Fund of New Jersey, Inc.
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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
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
Self Help Credit Union, 1.55%, 7/2/11	--	100,134
Self Help Credit Union, 1.3%, 7/2/12	100,134	--
Self Help Credit Union, 1.75% 12/23/12	100,000	--
	<u>\$ 1,672,567</u>	<u>\$ 2,415,726</u>

During the year ended December 31, 2010, University Ventures wrote off a portion of its \$250,000 investment in Greyston Bakery, Inc ("Greyston") Series A 0% Cumulative Preferred Stock. Effective January 26, 2011, Greyston executed a restructuring of its capital structure. As part of that restructuring, University Ventures agreed to submit its stock to Greyston for which University Ventures received a \$50,000 loan receivable due on July 1, 2015, with interest payable at 5% per annum. Additionally, University Ventures received a payment of \$25,000 on January 26, 2011. Greyston also promised to have its parent or other donors pay University Ventures or its affiliate, Community Loan Fund of New Jersey, Inc, an additional \$25,000 by January 31, 2012. At September 30, 2011, this loan amounted to \$50,000.

The table below sets forth overview information about the NMTC I and II entities at September 30, 2011:

	Organization Ownership Stake	Managing Member Initial Investment	Investor Member(s) Initial Investment	Assets At 12/31/10	Liabilities At 12/31/10	Net Income (Loss) For 12/31/10
NMTC I						
CEFNJ I, LLC	0.1%	\$ 2,500	\$ 2,500,000	\$ 2,428,899	\$ 11,920	\$ 68,218
NJDE I LLC	25.51% (0.01% as Managing Member)	\$ 255,100 (\$100 as Managing Member)	\$ 744,900	\$36,546,266	\$35,432,153	\$ 22,669
NJCC CDE II LLC	0.01%	\$ 325	\$ 3,250,000	\$ 2,946,559	\$ 7,500	\$ (197,697)
NJCC CDE FOT LLC	0.1%	\$ 2,500	\$ 2,500,000	\$ 2,431,839	\$ 9,825	\$ 77,070
NJCC CDE RBS LLC	0.1%	\$ 2,750	\$ 2,750,000	\$ 2,674,449	\$ 13,010	\$ 85,343
NJCC CDE UVS LLC	0.1%	\$ 500	\$ 500,000	\$ 492,289	\$ 5,890	\$ 16,541
NorthStar CDE LLC	0.1%	\$ 3,504	\$ 3,500,000	\$ 2,510,751	\$ 37,187	\$ (208,762)

Community Loan Fund of New Jersey, Inc.
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	Organization Ownership Stake	Managing Member Initial Investment	Investor Member(s) Initial Investment	Assets At 12/31/10	Liabilities At 12/31/10	Net Income (Loss) For 12/31/10
NMTC II						
NJCC CDE Irvington Ave LLC	0.1%	\$ 488	\$ 4,874,512	\$ 4,875,829	\$ 12,130	\$ 219,787
NJCC CDE Mercer LLC	0.1%	\$ 800	\$ 8,000,000	\$ --	\$ --	\$ --
NJCC CDE Newark LLC	0.1%	\$ 512	\$ 5,125,000	\$ --	\$ --	\$ --
NJCC CDE Washington Place LLC	0.1%	\$ 700	\$ 7,000,000	\$ --	\$ --	\$ --

The table below sets forth overview information about the NMTC I and II 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
NMTC I						
CEFNI 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 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
NorthStar CDE LLC	0.1%	\$ 3,504	\$ 3,500,000	\$ 2,696,326	\$ 14,000	\$ (96,655)
NMTC II						
NJCC CDE Washington Place LLC	0.1%	\$ 650	\$ 6,500,000	\$ --	\$ --	\$ --
NJCC CDE Irvington Ave LLC	0.1%	\$ 488	\$ 4,874,512	\$ 4,873,928	\$ 130	\$ (340)

Community Loan Fund of New Jersey, Inc.
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The New Market Tax Credit (NMTC) program has a remaining balance of \$10,000,000 to be disbursed for year ended September 30, 2011. The funds must be issued by March 18, 2014 and the credit period ends on March 18, 2021.

The following schedule summarizes the investment return and its classification in the combined and consolidated statement of activities for the year ended September 30, 2011:

	Unrestricted	Temporarily Restricted	Total
Dividends and interest	\$ 135,448	\$ 8,992	\$ 144,440
Realized gain (loss)	196,260	--	196,260
Unrealized gain (loss)	<u>(199,064)</u>	<u>--</u>	<u>(199,064)</u>
	<u>\$ 132,644</u>	<u>\$ 8,992</u>	<u>\$ 141,638</u>

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

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

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

7. Fair Value Measurements

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.

Community Loan Fund of New Jersey, Inc.
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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 year-end 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, 2011:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 5,562,255	\$ --	\$ --	\$ 5,562,255
<i>Investments, Marketable Securities</i>				
U.S. government securities	\$ 2,247,436	\$ --	\$ --	\$ 2,247,436
Money market	8,467,923	--	--	8,467,923
Mortgage and asset backed securities	--	4,194,495	--	4,194,495
<i>Common stocks</i>				
Consumer discretionary	580,938	--	--	580,938
Consumer staples	211,947	--	--	211,947
Energy	207,104	--	--	207,104
Financial services	167,775	--	--	167,775
Healthcare	377,452	--	--	377,452
Industrials	479,621	--	--	479,621
Information technology	567,718	--	--	567,718
Materials	98,828	--	--	98,828
Telecommunications	100,575	--	--	100,575
Utilities	116,346	--	--	116,346
	<u>\$13,623,663</u>	<u>\$ 4,194,495</u>	<u>\$ --</u>	<u>\$17,818,158</u>
<i>Investments, Other</i>				
Equity investments	\$ --	\$ --	\$ 1,472,433	\$ 1,472,433
Certificates of deposit	--	200,134	--	200,134
	<u>\$ --</u>	<u>\$ 200,134</u>	<u>\$ 1,472,433</u>	<u>\$ 1,672,567</u>

Community Loan Fund of New Jersey, Inc.
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In accordance with *Fair Value Measurements*, the following table represents the Organization's fair value hierarchy for its financial assets measured at fair value on a recurring basis as of September 30, 2010:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 4,392,394	\$ --	\$ --	\$ 4,392,394
<i>Investments, Marketable Securities</i>				
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
<i>Common stocks</i>				
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
	<u>\$17,121,049</u>	<u>\$ 910,549</u>	<u>\$ --</u>	<u>\$18,031,599</u>
<i>Investments, Other</i>				
Equity investments	\$ --	\$ --	\$ 1,715,592	\$ 1,715,592
Certificates of deposit	--	700,134	--	700,134
	<u>\$ --</u>	<u>\$ 700,134</u>	<u>\$ 1,715,592</u>	<u>\$ 2,415,726</u>

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, 2011 and 2010:

	2011	2010
Beginning balance	\$ 1,715,592	\$ 1,709,183
Purchases	1,362	1,138
Write-off of investments, other	(250,000)	--
Distributions paid	(324)	(325)
Unrealized gain	5,803	5,596
Ending balance	<u>\$ 1,472,433</u>	<u>\$ 1,715,592</u>

8. Fixed Assets

Fixed assets at September 30, 2011 and 2010 consist of the following:

	2011	2010
Land	\$ 321,000	\$ 321,000
Computers and equipment	187,505	133,840
Building and improvements	4,251,684	4,244,929
	4,760,189	4,699,769
Less: Accumulated depreciation	(810,986)	(635,581)
Fixed assets, net	<u>\$ 3,949,203</u>	<u>\$ 4,064,188</u>

Community Loan Fund of New Jersey, Inc.
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Depreciation expense for the years ended September 30, 2011 and 2010 amounted to \$175,405 and \$156,242, 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, 2011, 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 \$175,000 during the year ended September 30, 2011 represents the difference between the fair values of the license. Its carrying values are included within amortization expense on investments on the consolidated statement of operations. There was an impairment at September 30, 2010 in the amount of \$100,000. The value of the license at September 30, 2011 and 2010 was \$20,564 and \$195,564, respectively.

Goodwill

The Organization accounts for its goodwill in accordance with the accounting guidance provided by *Goodwill and Other Intangible Assets*. The Organization identified one equity investment and allocated all goodwill to that investment. Goodwill at both September 30, 2011 and 2010 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 \$301,373 and \$300,909 at September 30, 2011 and 2010, respectively, 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, 2011 and 2010 was \$114,469 and \$81,972, respectively. Amortization expense for the years ended September 30, 2011 and 2010 amounted to \$32,497 and \$98,545, 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 project period began on August 10, 2009 and ends on the date on which all of the grant funds and earnings thereon have been expended for eligible grant project purposes or when financing supported by the grant project has been retired, whichever is later. The grant allows the Organization to also use the investment income earned on the award. For the years ended September 30, 2011 and 2010, the net investment return was \$46,641 and \$8,106, respectively. During the years ended September 30, 2011 and 2010, \$2,244,912 and \$3,442,273, respectively, was used to credit enhance loans to charter schools. As of September 30, 2011 and 2010, \$3,843,404 and \$2,884,313, 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 Bank of America (BoFA) Fund, the Organization is compensated via an annual management fee of 2.5% of capital under

Community Loan Fund of New Jersey, Inc.
Notes to Combined and Consolidated Financial Statements
September 30, 2011 and 2010

management. For the Camden Power Fund, the Organization is compensated by receiving all of the interest earned by the fund.

The funds held in trust and escrow funds at September 30, 2011 and 2010 are as follows:

	2011	2010
SEED fund	\$ 78,214	\$ 28,102
BofA fund	835,446	815,430
Camden Power fund	1,790,000	--
Escrows	895,337	124,278
Loan servicing trust funds	20,603	12,582
Tenant security deposits	19,470	19,768
	<u>\$ 3,639,070</u>	<u>\$ 1,000,160</u>

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

Balances at September 30, 2011 and 2010 are as follows:

a) Community Loan Fund of New Jersey, Inc.

(1) Community Loan Fund

	2011	2010
Notes payable of the Community Loan Fund division represent loans by approximately 110 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 2020. The notes are unsecured.	\$ 31,185,780	\$30,411,277

Community Loan Fund has \$4,000,000 in credit facilities from an insurance company to support its lending activities with an interest rate of 4.75% payable at varying maturities between 2019 and 2020. As of September 30, 2011 and 2010, there was \$1,000,000 and \$3,000,000, respectively, available on the facility.	3,000,000	1,000,000
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The Community Loan Fund division has an aggregate \$1,500,000 of Equity Equivalent Investments. The Equity Equivalent Investments, evidenced by notes, have a stated maturity of ten years; however, upon the stated maturity, the term shall automatically be extended for the period of one additional year, and thereafter each such extended maturity date shall automatically be extended for one additional year, unless the investor exercises its right to cancel the automatic maturity extension provisions of the investment. The Equity Equivalent Investments are subordinated and junior in right of payment to all obligations of the Community Loan Fund of New Jersey, Inc. The Equity Equivalent Investments are unsecured.

Community Loan Fund of New Jersey, Inc.
Notes to Combined and Consolidated Financial Statements
September 30, 2011 and 2010

	2011	2010															
<table border="0"> <tr> <td style="padding-right: 20px;"><u>Closing Date</u></td> <td style="padding-right: 20px;"><u>Stated Maturity</u></td> <td style="padding-right: 20px;"><u>Rate</u></td> <td></td> <td></td> </tr> <tr> <td>June 20, 2002</td> <td>June 20, 2012</td> <td>4.75%</td> <td style="text-align: right;">500,000</td> <td style="text-align: right;">500,000</td> </tr> <tr> <td>November 4, 2004</td> <td>September 30, 2012</td> <td>3.00%</td> <td style="text-align: right;">1,000,000</td> <td style="text-align: right;">1,000,000</td> </tr> </table>	<u>Closing Date</u>	<u>Stated Maturity</u>	<u>Rate</u>			June 20, 2002	June 20, 2012	4.75%	500,000	500,000	November 4, 2004	September 30, 2012	3.00%	1,000,000	1,000,000		
<u>Closing Date</u>	<u>Stated Maturity</u>	<u>Rate</u>															
June 20, 2002	June 20, 2012	4.75%	500,000	500,000													
November 4, 2004	September 30, 2012	3.00%	1,000,000	1,000,000													
<p>(2) Proprietary Managed Assets – Affordable Housing Fund</p> <p>Notes payable of the Affordable Housing Fund division represents recoverable grants from financial institutions. The notes are non-interest bearing and have stated maturities in fiscal year 2012. The notes are unsecured.</p>			241,000	291,000													
<p>Notes payable of the Communities at Work Fund division includes a \$1,000,000 loan from Communities at Work Fund, L.P. The loan's interest rate is 4.3% and matures on 4/29/2016. As of September 30, 2011, there was \$500,000 available on the facility.</p>			500,000	--													
<p>(3) Hamilton East Associates, LLC</p> <p>Hamilton East has a \$3,360,000 first mortgage loan with interest at 6.05%, payable to Federal National Mortgage Association (FNMA), in monthly installments of principal and interest of \$20,253 for the financing of the purchase of the land and buildings along with various other associated costs therewith. The loan, which matures October 2017, is secured by the property located in Bridgeton, NJ.</p>			3,197,869	3,243,245													
<p>(4) Community Asset Preservation Corporation</p> <p>CAPC has an aggregate \$4,000,000 of an unsecured credit facility, with an interest rate of 6.5%, to support its activities maturing September 2013. This note is secured by properties purchased by CAPC.</p>			1,433,763	80,000													
<p>b) <u>Community Lending Partners of New Jersey, Inc.</u></p> <p>Lending Partners has an aggregate \$9,500,000 of variable rate and \$5,000,000 of fixed rate credit facilities from financial institutions to support its lending activities. The credit facilities are secured by the loans provided by Lending Partners.</p> <p>The variable rate credit facility is priced at LIBOR plus 3% with a floor of 4.5% and expires April 30, 2012. Individual notes underlying the credit facility mature at various times through 2014.</p>			4,600,000	7,650,000													
<p>The fixed rate credit facility is priced at LIBOR plus 3% with a floor of 4.5% and expires April 30, 2012. Individual notes underlying the credit facility mature at various times through 2016.</p>			4,262,613	5,257,303													

Community Loan Fund of New Jersey, Inc.
Notes to Combined and Consolidated Financial Statements
September 30, 2011 and 2010

	2011	2010
<p>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.</p>		
<u>Closing Date</u>	<u>Stated Maturity</u>	<u>Rate</u>
June 30, 2005	June 30, 2015	4.44%
December 30, 2005	December 30, 2015	3.87%
	<u>500,000</u>	<u>500,000</u>
	<u>500,000</u>	<u>500,000</u>
Total Notes Payable, Subordinated Notes Payable and Mortgage Payable	<u>\$ 50,921,025</u>	<u>\$50,432,825</u>

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
2012	\$ 4,850,959	\$ 241,000	\$ --	\$ 47,687	\$ 1,884,806	\$ 7,024,452
2013	4,039,684	--	1,433,763	51,247	1,811,914	7,336,608
2014	8,134,517	--	--	54,480	3,989,858	12,178,855
2015	5,722,500	--	--	57,918	1,676,036	7,456,454
2016	7,202,286	500,000	--	61,059	500,000	8,263,345
Thereafter	5,735,833	--	--	2,925,478	--	8,661,311
	<u>\$ 35,685,779</u>	<u>\$ 741,000</u>	<u>\$ 1,433,763</u>	<u>\$ 3,197,869</u>	<u>\$ 9,862,614</u>	<u>\$ 50,921,025</u>

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.

Community Loan Fund of New Jersey, Inc.
Notes to Combined and Consolidated Financial Statements
September 30, 2011 and 2010

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, 2011 and 2010 is \$136,630 and \$131,874, 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, 2011 and 2010:

	2011	2010
Charter Fund – USDOE	\$ 8,760,147	\$ 8,513,507
Financial Assistance Award – CDFI	1,500,000	588,946
CAPC – JP Morgan Chase	--	150,000
	<u>\$ 10,260,147</u>	<u>\$ 9,252,453</u>

15. Net Assets Released From Restrictions

During the years ended September 30, 2011 and 2010, net assets were released from grant restrictions in the amounts of \$738,946 and \$1,950,000, 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 years ended September 30, 2011 and 2010 was \$1,196,353 and \$1,097,419, 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 154 residential units. No management fees are paid for two additional units occupied by the building superintendent and the management office. Total management fee expense was \$78,258 and \$76,127 for the years ended September 30, 2011 and 2010, respectively.

Community Loan Fund of New Jersey, Inc.
Notes to Combined and Consolidated Financial Statements
September 30, 2011 and 2010

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, 2011 and 2010. Future minimum lease obligations as of September 30, 2011 are as follows:

2012	80,319
2013	103,510
2014	103,510
2015	103,510
2016	96,290
	<u>\$ 487,139</u>

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, 2011 and 2010, the principal commitments of the Organization are as follows:

	2011	2010
<i>Financings committed but not yet closed</i>		
Community Loan Fund	\$ 598,215	\$ 4,709,761
Affordable Housing Fund	226,500	75,000
Communities at Work	140,000	--
Community Lending Partners	802,500	2,272,235
	<u>\$ 1,767,215</u>	<u>\$ 7,056,996</u>
<i>Financings closed but not yet funded</i>		
Community Loan Fund	\$ 5,505,238	\$ 2,905,731
Affordable Housing Fund	187,905	75,000
Community Lending Partners	3,482,151	--
	<u>\$ 9,175,294</u>	<u>\$ 2,980,731</u>

21. Contingent Liabilities for Charter Fund

At September 30, 2011 and 2010, the Organization has \$4,916,743 and \$4,196,059, respectively, of contingent guarantees outstanding for the benefit of fifteen and ten, 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 \$39,699,378 and \$39,534,868 at September 30, 2011 and 2010, respectively. As of September 30, 2011 and 2010, \$26,434,662 and \$29,508,624, respectively, of the Organization's loans were to nonprofits, representing approximately 67% and 75% 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.

Community Loan Fund of New Jersey, Inc.
Notes to Combined and Consolidated Financial Statements
September 30, 2011 and 2010

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, 2011 and 2010, the Organization had notes payable to various employees and current members of the board of directors totaling \$11,474 and \$7,173, respectively. Interest of \$131 and \$129 was paid to these individuals and \$1,205 and \$180 of contributions were made to the Organization by these individuals during the years ended September 30, 2011 and 2010, respectively.

Hamilton East entered into certain transactions with a related party during the year. The transactions include the management of Hamilton East by Alexa Management. As managing agent, there were various expenses which originated with Alexa and were allocated to Hamilton East. Hamilton East reimburses Alexa for those expenses, which include salaries, benefits, insurance and other expenses. George McLoof is the sole stockholder of Alexa Management. The amounts paid to Alexa for the years ended September 30, 2011 and 2010, were \$78,258 and \$76,127, respectively.

24. Risks and Uncertainties

Investments

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 statement of financial position.

Condemnation

Hamilton East has received informal notice that the City of Bridgeton was interested in purchasing Bridgeton Villas, and commissioned an appraisal to attempt to determine the property value. Additionally, the City passed an Ordinance initiating the condemnation process on Bridgeton Villas. Hamilton East believes that the City appraisal contained substantial errors and omissions, and engaged its own appraiser to prepare a new appraisal and critique the City's appraisal. No further action has been taken by the City since the submission by Hamilton East of its appraisal.

U.S. Small Business Administration Examination Report

The U.S. Small Business Administration (SBA) has issued an Examination Report dated October 29, 2010 for the fifteen months ended March 31, 2010. This report also included an "Other Matter - Licensee Not Maintaining Adequate Management" comment which remains unresolved. The SBA is requiring that the Licensee (University Ventures) have a qualified individual to perform the duties of President or Manager. Management of Community Loan Fund (the parent company of University Ventures) changed during 2009 with Wayne Meyer assuming the role of President. University Ventures has submitted all necessary paperwork with the SBA and has been approved.

Community Loan Fund of New Jersey, Inc.
Notes to Combined and Consolidated Financial Statements
September 30, 2011 and 2010

25. Subsequent Events

The Organization has evaluated subsequent events occurring after the statement of financial position through the date of March 20, 2012, 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 Functional Expenses
Year Ended September 30, 2011

	Program Services	Supporting Services			Total Functional Expenses
		Management & General	Fundraising	Total	
Salaries	\$1,131,307	\$203,055	\$116,032	\$ 319,087	\$ 1,450,394
Depreciation and amortization	149,361	26,808	15,319	42,127	191,488
Dues and memberships	6,933	1,245	711	1,956	8,889
Employee benefits	142,774	25,626	14,643	40,269	183,043
Equipment leases and maintenance	5,980	1,073	613	1,686	7,666
Insurance	4,524	45,748	--	45,748	50,272
Occupancy	36,688	6,585	3,763	10,348	47,036
Office supplies	24,507	4,398	2,513	6,911	31,418
Payroll tax expense	92,734	16,645	9,511	26,156	118,890
Postage	4,528	813	464	1,277	5,805
Printing	1,515	--	1,515	1,515	3,030
Professional development	27,519	3,835	2,191	6,026	33,545
Professional fees	347,718	32,535	24,580	57,115	404,833
Property taxes	32,918	--	--	--	32,918
Publicity	28,097	5,043	2,881	7,924	36,021
Telephone	14,018	2,516	1,438	3,954	17,972
Travel-site visits	9,320	--	--	--	9,320
Total	<u>\$ 2,060,441</u>	<u>\$ 375,925</u>	<u>\$ 196,174</u>	<u>\$ 572,099</u>	<u>\$ 2,632,540</u>

See Independent Auditors' Report.

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

	<u>Program Services</u>	<u>Supporting Services</u>			<u>Total Functional Expenses</u>
		<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>	
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	<u>\$ 1,672,095</u>	<u>\$ 259,604</u>	<u>\$ 159,277</u>	<u>\$ 418,881</u>	<u>\$ 2,090,976</u>

See Independent Auditors' Report.

Community Loan Fund of New Jersey, Inc. and Affiliates
Combining Schedule of Financial Position
September 30, 2011

	Community Loan Fund of New Jersey, Inc.	Community Lending Partners of New Jersey, Inc.	Eliminating Entries	Total
Assets				
Cash and cash equivalents	\$ 5,421,903	\$ 140,352	\$ --	\$ 5,562,255
Accrued interest and dividends receivable	761,225	35,001	(18,551)	777,675
Loans receivable	29,595,449	11,103,929	(1,000,000)	39,699,378
Allowance for uncollectible loans receivable	(1,797,000)	(449,500)	--	(2,246,500)
Tenant accounts receivable, net	22,873	--	--	22,873
Grants receivable	1,753,500	143,000	--	1,896,500
Investments, marketable securities	17,483,822	334,336	--	17,818,158
Investments, other	1,672,567	--	--	1,672,567
Real property held for sale	3,775,489	276,293	--	4,051,782
Fixed assets, net	3,949,203	--	--	3,949,203
Intangible asset	296,500	--	--	296,500
Restricted deposits	447,571	--	--	447,571
Other assets	264,908	4,058	--	268,966
	<u>\$ 63,648,010</u>	<u>\$ 11,587,469</u>	<u>\$ (1,018,551)</u>	<u>\$ 74,216,928</u>
Liabilities and Net Assets				
Liabilities				
Accounts payable	\$ 169,263	\$ 3,909	\$ --	\$ 173,172
Unearned fee income	171,616	97,742	--	269,358
Accrued interest payable	155,466	38,619	(18,551)	175,534
Funds held in trust and escrows	3,609,674	29,396	--	3,639,070
Notes payable	36,360,543	8,862,613	--	45,223,156
Subordinated notes payable	1,500,000	2,000,000	(1,000,000)	2,500,000
Mortgage payable	3,197,869	--	--	3,197,869
Member note payable	136,630	--	--	136,630
Total liabilities	45,301,061	11,032,279	(1,018,551)	55,314,789
Non-controlling interest in equity of subsidiary	131,682	--	--	131,682
Net assets				
Unrestricted	7,955,120	555,190	--	8,510,310
Temporarily restricted	10,260,147	--	--	10,260,147
Total net assets	<u>18,215,267</u>	<u>555,190</u>	<u>--</u>	<u>18,770,457</u>
	<u>\$ 63,648,010</u>	<u>\$ 11,587,469</u>	<u>\$ (1,018,551)</u>	<u>\$ 74,216,928</u>

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	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 assets	503,533	--	--	503,533
Restricted deposits	387,103	--	--	387,103
Other assets	162,857	9,161	--	172,018
	<u>\$ 55,850,053</u>	<u>\$ 15,542,732</u>	<u>\$ (1,009,275)</u>	<u>\$ 70,383,510</u>
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	<u>17,407,073</u>	<u>516,781</u>	<u>--</u>	<u>17,923,854</u>
	<u>\$ 55,850,053</u>	<u>\$ 15,542,732</u>	<u>\$ (1,009,275)</u>	<u>\$ 70,383,510</u>

See Independent Auditors' Report.

Community Loan Fund of New Jersey, Inc. and Affiliates
Combining Schedule of Activities and Changes in Net Assets
Year Ended September 30, 2011

	Community Loan Fund of New Jersey, Inc.	Community Lending Partners of New Jersey, Inc.	Eliminating Entries	Total
Operating income				
Interest from loans receivable	\$ 1,908,273	\$ 539,334	\$ (37,000)	\$ 2,410,607
Investment interest and dividends	118,294	26,146	--	144,440
Total investment income	2,026,567	565,480	(37,000)	2,555,047
Interest expense	(1,409,318)	(525,003)	37,000	(1,897,321)
Net interest income	617,249	40,477	--	657,726
Provision for loan losses, net	(292,334)	(25,000)	--	(317,334)
Net interest income after provision for loan losses	324,915	15,477	--	340,392
Contributions, gifts, and grants	2,080,754	--	--	2,080,754
Fees	1,047,638	60,784	--	1,108,422
Total revenues and other support	3,128,392	60,784	--	3,189,176
Total operating income	3,453,307	76,261	--	3,529,568
Expenses				
Program services	2,023,126	37,315	--	2,060,441
Management and general	375,584	341	--	375,925
Fundraising	195,979	195	--	196,174
Total expenses	2,594,689	37,851	--	2,632,540
Operating surplus	858,618	38,410	--	897,028
Non-operating income (expense)				
Rental income of \$1,417,258, net of rental expenses of \$1,472,390	(55,132)	--	--	(55,132)
Non-controlling interest	8,270	--	--	8,270
State tax	(759)	--	--	(759)
Gain on sale of investments	196,260	--	--	196,260
Unrealized gain on investments	(199,064)	--	--	(199,064)
Total non-operating expense	(50,425)	--	--	(50,425)
Increase in net assets	808,193	38,410	--	846,603
Net assets, beginning of year	17,407,074	516,780	--	17,923,854
Net assets, end of year	\$ 18,215,267	\$ 555,190	\$ --	\$ 18,770,457

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 (loss) 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 (deficit)	(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)
Loss 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 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	<u>\$ 17,407,074</u>	<u>\$ 516,780</u>	<u>\$ --</u>	<u>\$ 17,923,854</u>

See Independent Auditors' Report.

**Community Loan Fund of New Jersey, Inc.
 Schedule of Expenditures of Federal Awards
 Year Ended September 30, 2011**

Federal Grantor/Pass Through

<u>Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Contract Number</u>	<u>Federal Expenditures</u>
Community Loan Fund of New Jersey, Inc.			
U.S. Department of Education - Credit Enhancement	84.354A	U354A0006007	\$ 8,713,506
Community Development Financial Institutions	21.020	101FA008680	\$ 588,946
City of Newark - Neighborhood Stabilization Program			\$ 10,618

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 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.

GOVERNMENT REPORTS



WithSmith+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.

We have audited the financial statements of Community Loan Fund of New Jersey, Inc. as of and for the year ended September 30, 2011, and have issued our report thereon dated March 20, 2012. 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

Management of Community Loan Fund of New Jersey, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Community Loan Fund of New Jersey, Inc. 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.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Community Loan Fund of New Jersey, Inc.'s 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 a 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 Schedule of Current and Prior Year Findings and Questioned Costs-2011-1, which 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 the Community Loan Fund of New Jersey, Inc. 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 Schedule of Current and Prior Year Findings and Questioned Costs as item 2011-1.

We noted certain matters that we reported to the management of Community Loan Fund of New Jersey, Inc. in a separate letter dated March 20, 2012.

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

This report is intended solely for the information and use of management and the audit committee of Community Loan Fund of New Jersey, Inc., 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.

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

March 20, 2012



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,
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**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.

Compliance

We have audited Community Loan Fund of New Jersey, Inc.'s 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.'s major federal programs for the year ended September 30, 2011. Community Loan Fund of New Jersey, Inc.'s 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.'s management. Our responsibility is to express an opinion on Community Loan Fund of New Jersey, Inc.'s compliance based on our audit.

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

As described in item 2011-1 in the accompanying Combined and Consolidated Schedule of Current and Prior Year Findings and Questioned Costs, Community Loan Fund of New Jersey, Inc. 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.'s 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. 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, 2011.



Internal Control Over Compliance

Management of Community Loan Fund of New Jersey, Inc. is responsible for establishing and maintaining effective internal control over compliance with the 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.'s internal control over compliance with the 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.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance 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.

Our consideration of the internal control over compliance 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 compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency, as described in the accompanying schedule of current and prior year findings and questioned costs as item 2011-1. *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.

Community Loan Fund of New Jersey, Inc. responses to the finding identified in our audit are described in the accompanying schedule of current and prior year findings and questioned costs. We did not audit Community Loan Fund of New Jersey, Inc.'s responses and, accordingly, we express no opinion on the responses.

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

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

March 20, 2012

**Community Loan Fund of New Jersey, Inc.
 Schedule of Current and Prior Year Findings and Questioned Costs
 Year Ended September 30, 2011**

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	U354A060007	U.S. Department of Education - Credit Enhancement
21.020	101FA008680	Community Development Financial Institutions

Dollar threshold used to distinguish between Type A and Type B programs	\$ 300,000
Auditee qualified and a low risk auditee?	No

Section 2 - Financial Statement Findings

None reported.

**Community Loan Fund of New Jersey, Inc.
Schedule of Current and Prior Year Findings and Questioned Costs
Year Ended September 30, 2011**

Section 3 - Federal Award Findings and Questioned Costs

**2011-1 Department of Education -, Credit Enhancement for Charter School Facilities Program - 84.354A
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

Deficiency identified as audit finding 2010-1 in the September 30, 2010 report still exists at September 30, 2011.