



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

Consolidated Financial Statements
and Supplementary Schedules

September 30, 2022 and 2021

(With Independent Auditors' Report Thereon)

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

Table of Contents

	Page
Independent Auditors' Report	1
Financial Statements:	
Consolidated Statements of Financial Position as of September 30, 2022 and 2021	3
Consolidated Statement of Activities for the year ended September 30, 2022	4
Consolidated Statement of Activities for the year ended September 30, 2021	5
Consolidated Statements of Cash Flows for the years ended September 30, 2022 and 2021	6
Notes to Consolidated Financial Statements	7
Supplementary Schedules	
Schedule of Financial Position Information as of September 30, 2022	44
Schedule of Financial Position Information as of September 30, 2021	45
Schedule of Activities Information for the year ended September 30, 2022	46
Schedule of Activities Information for the year ended September 30, 2021	47



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

Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of Community Loan Fund of New Jersey, Inc. and Subsidiaries (the Organization), which comprise the consolidated statements of financial position as of September 30, 2022 and 2021, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of September 30, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included in schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

KPMG LLP

Short Hills, New Jersey
February 8, 2023

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

Consolidated Statements of Financial Position

September 30, 2022 and 2021

Assets	2022	2021
Current assets:		
Cash and cash equivalents (notes 2(l) and 16)	\$ 52,499,393	31,821,210
Investments (note 7)	14,302,650	18,008,716
Grants receivable, net	6,630,285	9,465,777
Loans receivable, net of allowance for uncollectible loans of \$1,193,098 and \$1,048,727, respectively (notes 3, 4 and 16)	23,818,886	22,189,576
Other current assets	<u>16,791,163</u>	<u>4,476,065</u>
Total current assets	114,042,377	85,961,344
Loans receivable, net of current portion and allowance for uncollectible loans of \$4,039,842 and \$4,456,213, respectively (notes 3, 4 and 16)	77,831,270	87,108,317
Restricted cash (notes 2(l) and 16)	11,643,468	14,522,855
Investments (note 7)	13,138,932	14,430,617
Purchased credit impaired loans held for investment (note 5)	380,296	384,913
Real property held for sale (note 2(i))	20,942,047	25,711,676
Program-related investments (note 6)	16,479,253	16,181,555
Fixed assets, net (note 8)	56,729,133	58,416,761
Other assets	<u>4,478,580</u>	<u>10,138,498</u>
Total assets	<u>\$ 315,665,356</u>	<u>312,856,536</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 3,034,188	3,591,978
Funds held in trust, escrows, and other (note 10)	9,365,983	11,899,943
Current portion of long-term debt (note 11)	<u>35,458,903</u>	<u>30,430,563</u>
Total current liabilities	47,859,074	45,922,484
Long-term liabilities:		
Unearned fee income	1,077,758	850,367
Funds held in trust, escrows, and other, net of current portion (note 10)	6,928,896	6,565,926
Long-term debt, net of current portion (note 11)	<u>176,439,349</u>	<u>175,553,548</u>
Total liabilities	<u>232,305,077</u>	<u>228,892,325</u>
Commitments and contingencies (note 15)		
Net assets:		
Net assets without donor restrictions:		
Community Loan Fund and Subsidiaries	35,212,421	36,158,821
Noncontrolling interest in Subsidiaries	<u>9,016,256</u>	<u>8,283,452</u>
Total net assets without donor restrictions	44,228,677	44,442,273
Net assets with donor restrictions (note 12)	<u>39,131,602</u>	<u>39,521,938</u>
Total net assets	<u>83,360,279</u>	<u>83,964,211</u>
Total liabilities and net assets	<u>\$ 315,665,356</u>	<u>312,856,536</u>

See accompanying notes to consolidated financial statements.

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

Consolidated Statement of Activities

Year ended September 30, 2022

	Without donor restrictions	With donor restrictions	Total
Operating revenues, gains, and other support:			
Interest from loans receivable	\$ 6,210,492	—	6,210,492
Investment interest and dividends	365,372	300,180	665,552
Total investment income	6,575,864	300,180	6,876,044
Interest expense (note 14)	(3,841,469)	—	(3,841,469)
Net investment income	2,734,395	300,180	3,034,575
Provision for loan losses, net (notes 4 and 14)	(192,970)	—	(192,970)
Net investment income after provision for loan losses	2,541,425	300,180	2,841,605
Contributions, gifts, and grants (note 9)	3,239,432	7,165,850	10,405,282
Fees	3,594,013	—	3,594,013
Rental income	4,750,585	—	4,750,585
Gain on sale of property and mortgages	3,754,496	—	3,754,496
Net assets released from restrictions	6,873,831	(6,873,831)	—
Total operating revenues, gains, and other support	24,753,782	592,199	25,345,981
Operating expenses (note 14):			
Program services	18,551,434	—	18,551,434
Supporting services:			
Management and general	1,950,018	—	1,950,018
Fundraising	1,232,302	—	1,232,302
Total supporting services	3,182,320	—	3,182,320
Total operating expenses	21,733,754	—	21,733,754
Changes in net assets before nonoperating activity	3,020,028	592,199	3,612,227
Nonoperating activity:			
Impairment loss on real property held for sale	(263,472)	—	(263,472)
Contributions from noncontrolling interests	238,262	—	238,262
Realized gain (loss) on investments	658,475	(12,063)	646,412
Unrealized loss on investments	(3,866,889)	(970,472)	(4,837,361)
Total nonoperating activity	(3,233,624)	(982,535)	(4,216,159)
Decrease in net assets	(213,596)	(390,336)	(603,932)
Net assets, beginning of year	44,442,273	39,521,938	83,964,211
Net assets, end of year	\$ 44,228,677	39,131,602	83,360,279

See accompanying notes to consolidated financial statements.

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

Consolidated Statement of Activities

Year ended September 30, 2021

	Without donor restrictions	With donor restrictions	Total
Operating revenues, gains, and other support:			
Interest from loans receivable	\$ 5,977,008	—	5,977,008
Investment interest and dividends	382,961	237,753	620,714
Total investment income	6,359,969	237,753	6,597,722
Interest expense (note 14)	(3,574,380)	—	(3,574,380)
Net investment income	2,785,589	237,753	3,023,342
Provision for loan losses, net (notes 4 and 14)	(1,424,262)	—	(1,424,262)
Net investment income after provision for loan losses	1,361,327	237,753	1,599,080
Contributions, gifts, and grants (note 9)	3,704,665	16,219,432	19,924,097
Fees	3,852,878	—	3,852,878
Rental income	5,704,636	—	5,704,636
Gain on sale of property and mortgages	2,038,243	—	2,038,243
Net assets released from restrictions	8,087,959	(8,087,959)	—
Total operating revenues, gains, and other support	24,749,708	8,369,226	33,118,934
Operating expenses (note 14):			
Program services	19,480,548	—	19,480,548
Supporting services:			
Management and general	2,031,681	—	2,031,681
Fundraising	1,551,218	—	1,551,218
Total supporting services	3,582,899	—	3,582,899
Total operating expenses	23,063,447	—	23,063,447
Changes in net assets before nonoperating activity	1,686,261	8,369,226	10,055,487
Nonoperating activity:			
Impairment loss on real property held for sale	(211,685)	—	(211,685)
Contributions from noncontrolling interests	5,427,914	—	5,427,914
Realized gain on investments	938,060	21,545	959,605
Unrealized gain (loss) on investments	1,754,671	(323,928)	1,430,743
Total nonoperating activity, net	7,908,960	(302,383)	7,606,577
Increase in net assets	9,595,221	8,066,843	17,662,064
Net assets, beginning of year	34,847,052	31,455,095	66,302,147
Net assets, end of year	\$ 44,442,273	39,521,938	83,964,211

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Cash Flows

Years ended September 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ (603,932)	17,662,064
Adjustment to reconcile (decrease) increase in net assets to net cash (used in) provided by operating activities:		
Contributions from noncontrolling interests	(238,262)	(5,427,914)
Realized gain on program-related investments	(549,683)	(534,538)
Realized gain on investments	(96,729)	(425,067)
Unrealized loss (gain) on investments	4,837,361	(1,430,743)
Distribution from equity investees	2,112,027	1,091,524
Equity in net gain of investees	(327)	(297)
Provision for uncollectible loans receivable, net	192,970	1,424,262
Gain on sale of real property held for sale and fixed assets	(3,737,767)	(1,735,345)
Gain on sale of purchased credit impaired loans held for investment	—	(302,898)
Impairment loss on real property held for sale	263,472	211,685
Depreciation and amortization	1,371,089	1,303,084
Changes in operating assets and liabilities:		
Grants receivable	2,835,492	(8,023,707)
Other current assets and other assets	(6,655,180)	(1,897,949)
Accounts payable and accrued expenses	(557,790)	212,780
Unearned fee income	227,391	231,243
Funds held in trust, escrows and other	(2,170,990)	4,523,674
Net cash (used in) provided by operating activities	(2,770,858)	6,881,858
Cash flows from investing activities:		
Repayment of loans receivable	45,480,225	20,759,424
Issuance of loans receivable	(38,025,458)	(35,407,639)
Proceeds from sale of investments	14,786,827	15,127,242
Purchases of investments	(14,529,708)	(16,620,985)
Proceeds from sale of purchased credit impaired loans held for investment	4,617	292,377
Purchases of program-related investments	(1,859,714)	(599,755)
Proceeds from sale of real property held for sale	14,195,918	9,072,124
Purchases of real property held for sale	(9,419,212)	(20,312,569)
Proceeds from sale of fixed assets	4,609,568	3,420,817
Purchases of fixed assets	(825,812)	(1,377,543)
Net cash provided by (used in) investing activities	14,417,251	(25,646,507)
Cash flows from financing activities:		
Contributions from noncontrolling interests	238,262	5,427,914
Payments of long-term debt	(25,945,505)	(28,705,366)
Proceeds from issuance of long-term debt	31,859,646	35,662,172
Net cash provided by financing activities	6,152,403	12,384,720
Net increase (decrease) in cash, cash equivalents and restricted cash	17,798,796	(6,379,929)
Cash, cash equivalents and restricted cash:		
Beginning of year	46,344,065	52,723,994
End of year	\$ 64,142,861	46,344,065
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 6,700,046	6,814,849
Supplemental disclosure of noncash investing activity:		
Transfers of real property held for sale to fixed assets	\$ 1,882,656	6,579,512
Reconciliation of total cash, cash equivalents and restricted cash reported within the consolidated statements of financial position that sum to the total of the same such amounts shown above:		
Cash and cash equivalents	\$ 52,499,393	31,821,210
Restricted cash	11,643,468	14,522,855
Total cash, cash equivalents and restricted cash shown above	\$ 64,142,861	46,344,065

See accompanying notes to consolidated financial statements.

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

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

(1) Organization

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

- *Community Loan Fund of New Jersey, Inc.*

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

CLFNJ is the sole member of Community Asset Preservation Corporation (CAPC), Community Lending Partners of New Jersey, Inc. (Lending Partners), NJCC 151 MLK Boulevard LLC (151 MLK), Millville High Street LLC (Millville), North Bay Avenue NJCC LLC (North Bay), NCC Holdings, LLC (NCCH), NJCC LMI Mortgage Platform LLC (LMI), NJCC Mortgage Holdings LLC (Mortgage Holdings), National Community Capital III, LLC (NCC III), 545 West Broad Street LLC and NJCC Supportive Housing Fund, LLC (Supportive Housing). Lending Partners is the sole member of Teen Street Preservation, LLC (Teen Street). CAPC is the sole member of Community Asset Preservation Alliance of Jersey City #3, LLC (CAPAJC 3), CAPC Affordable Rental Fund LLC (CAPC-ARF), CAPC Washington Street Urban Renewal, LLC (CAPC Washington), CAPC Property Management, LLC (Property Management), CAPC Construction LLC (CAPC Construction), CAPC Brokerage LLC (Brokerage), CAPC 4th Ave. Urban Renewal LLC (CAPC 4th Ave), CAPC E-Port Revitalization 1, LLC (E-Port 1), CAPC E-Port Revitalization 2, LLC (E-Port 2), CAPC USA Fund II Invest LLC, South Ward Neighborhood Housing LLC and CAPC Southward, LLC (Southward). Additionally, CLFNJ owns the majority of the voting shares of University Ventures, Inc. (University Ventures). These entities are included in the Organization's consolidated financial statements. CLFNJ filed and received certificates of dissolution for Millville, North Bay and Teen Street in August 2021.

CLFNJ has a 51.72% noncontrolling interest in Operation Neighborhood Recovery and is accounted for using the equity method. In May 2021, Operation Neighborhood Recovery liquidated all of its assets and CLFNJ wrote off its outstanding investment in this entity.

In 2021, the Equitable Small Business Initiative LLC (ESBI) was formed to bring capital to small business enterprises in New Jersey, focusing on support for Black-owned businesses most affected by the Covid-19 pandemic. CLFNJ has 50% ownership in ESBI and control of the entity, therefore the entity is included in the Organization's consolidated financial statements.

In 2022, the Community Aggregators Group (CAG) Members Fund 1 LLC was formed to provide capital to indirectly purchase interest in the CAG National Fund Membership. CLFNJ's interest is 16.81% and is accounted for using the equity method.

In 2016, CLFNJ had a 25.90% interest in NJCC Fund 1, LLC (Fund #1). CLFNJ was the managing member of Fund #1 and since the other members had substantive rights, the equity method of accounting was used in 2017 and 2018. During 2018, CAPC acquired the remaining ownership interest of Fund #1 and has 100% ownership, and it is included in the Organization's consolidated financial statements. In 2020 and 2021, Fund#1 fully repaid CLFNJ of its equity investment.

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

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

CLFNJ has a minority interest in Community Development Fund I (CDF I), Community Development Fund II (CDF II) and Community Development Fund III (CDF III). As of September 2022, CDF I, CDF II and CDF III hold 5 mortgage pools consisting of 13 mortgages located in Florida and New Jersey.

CAPC has a 50% ownership interest in CAPC Florida LLC and CHS-CAPC JV1, LLC (CHS-CAPC). CAPC is not the managing partner and no control of CAPC Florida LLC and CHS-CAPC. These entities are accounted for using the equity method. CAPC filed and received the certificate of dissolution of CAPC Florida in May 2021.

In 2018, CAPC has a 40% ownership interest in 306 MLK Blvd Urban Renewal, LLC (306 MLK) and was accounted for using the equity method. In December 2019, CAPC's interest in 306 MLK increased to 60% and is now included in the Organization's consolidated financial statements.

In 2021, CAPC Affordable Rental Fund III (ARF III) was formed to hold and operate CAPC rental properties. CAPC has a 100% ownership interest in ARF III and the entity is included in the Organization's consolidated financial statements.

In 2021, CAPC Barclay Street Housing was set up as a sponsor and developer of the Barclay Street LIHTC project. CAPC has a 50% ownership interest in the project. CAPC is not the managing partner of CAPC Barclay Street Housing and this entity is accounted for using the equity method.

In 2021, NJCC NYS Community Restoration Fund II, LLC, was formed to own, service, and liquidate nonperforming mortgage notes. CLFNJ has a 49% ownership interest in NJCC NYS Community Restoration Fund II, LLC which is accounted for using the equity method.

In 2021, NJCC NJS Community Restoration Fund II, LLC, was formed to own, service, and liquidate nonperforming mortgage notes. CLFNJ has a 99% ownership interest in NJCC NJS Community Restoration Fund II, LLC which had no activity as of September 30, 2022.

In 2021, Remsen Ave Development, LLC was formed to build an 13 unit affordable apartment building in New Brunswick, N. J. CAPC has a 100% ownership interest in Remsen Ave Development, LLC and the entity is included in the Organization's consolidated financial statements.

In 2021, CAPC USA Fund was created to make investments into the purchase and renovation of scattered site properties. CAPC has a 45% ownership interest in CAPC USA Fund and control of the entity, therefore the entity is included in the Organization's consolidated financial statements.

In 2021, CAPC USA Fund II was created to make investments into the purchase and renovation of scattered site properties. CAPC has a 100% ownership interest in CAPC USA Fund II and the entity is included in the Organization's consolidated financial statements.

In 2021, NJCC East Trenton Library Project, LLC was created to make improvements to the East Trenton Library. CLFNJ was a 100% ownership interest in the NJCC East Trenton Library Project, LLC and the entity is included in the Organization's consolidated financial statements.

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

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

In 2021, CAPC USA Pledgor was formed to pledge equity for CAPC USA Fund 1. CAPC has a 100% interest in CAPC USA Pledgor and the entity is included in the Organization's consolidated financial statements.

In 2021, CAPC USA Pledgor II, LLC was formed to pledge equity for CAPC USA Fund II. CAPC USA Fund II has a 100% ownership interest in CAPC USA Pledgor II, LLC and the entity is included in the Organization's consolidated financial statements.

In 2020, Valley Revitalization was created to purchase and improve properties to revitalize the Valley Neighborhood in Orange, New Jersey and West Orange, New Jersey. CAPC has a 50% ownership interest in Valley Revitalization. CAPC is not the managing partner in the project and no control of Valley Revitalization. This entity is accounted for using the equity method.

In 2020, CAPC Affordable Rental Fund II (ARF II) was formed to hold and operate CAPC rental properties. CAPC has a 100% ownership interest in ARF II and the entity is included in the Organization's consolidated financial statements.

CAPC SFR Home Impact Fund was created to purchase vacant urban lots and construct affordable homeownership units on the lots. In 2020, CAPC has a 100% ownership interest in SFR Home Impact Fund. In September 2021, Ellavoz Neighborhood Homes Fund LLC acquired 40% of SFR Home Impact Fund. CAPC now has 60% ownership interest in SFR Home Impact Fund and this entity is included in the Organization's consolidated financial statements.

In December 2019, NJCC Shared Value was formed to facilitate opportunity zone investments. It is 100% owned by CLFNJ and is a 50% member in Allevo Community Capital (Allevo). Allevo was formed in August 2019.

In October 2019, Mills Memorial Social Services Building, Inc., a New Jersey Title 15A nonprofit corporation, was formed to purchase property located at 60 South Fullerton, Montclair, NJ from the United Way. CAPC has a 100% ownership interest in Mills Memorial Social Services Building, Inc.

In October 2019, 60 South Fullerton, LLC, entered an operating agreement with UW Member LLC (United Way) to create the entity UWNNJ Montclair, LLC. Also, it is the managing member of UWNNJ Montclair, LLC. CAPC has a 100% ownership interest in 60 South Fullerton, LLC.

In October 2019, UWNNJ Montclair, LLC was formed for the purpose of being the master leaseholder responsible for managing, rehabbing, and securing financing for the property located at 60 South Fullerton, Montclair, NJ. 60 South Fullerton LLC and UW Member LLC have a 95% and 5% ownership interest in UWNNJ Montclair, LLC, respectively, and the entity is included in the Organization's consolidated financial statements.

In 2019, WPB Arts Housing was formed for the development, construction, and operation of a 52 unit affordable housing apartment building in West Palm Beach, Florida. CAPC has an 80% ownership interest in WPB Arts Housing and the entity has no activity as of September 30, 2022.

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

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

In 2019, CAPC Supportive Needs Housing, Inc. was formed for the purpose of providing housing within Union County NJ to persons who are low and moderate income or homeless or victims of domestic violence or financially distressed or special needs. CAPC has a 100% ownership interest and the entity is included in the Organization's consolidated financial statements.

In 2019, CAPC USA, LLC was formed to acquire, rehabilitate and sell distressed and foreclosed homes from NJCC's nonperforming loan funds. CAPC has a 100% ownership interest in CAPC USA, LLC and the entity is included in the Organization's consolidated financial statements.

In 2018, CAPC AMG, LLC was formed to enter into an investment and asset management agreement with CAPC USA, LLC. CAPC has a 100% ownership interest in CAPC AMG, LLC and this entity is included in the Organization's consolidated financial statements.

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

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

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

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

In November 2018, Parramore Assets Stabilization Fund, LLC was formed for the purpose to acquire, stabilize, rehabilitate, lease and sell 45 distressed rental properties consisting of 86 units in the Parramore section of Orlando Florida. NJCC is the managing member and the tax matters partner. CLF has a 33.33% ownership interest and will serve as the investment and asset manager in the joint venture with two (2) other nonprofit entities. The Organization accounts for this entity using the equity method.

In 2018, CLFNJ formed NJCC Fund V, LLC (Fund V) with PRP to purchase residential mortgage loans in 10 states. CLF and PRP has a 1.98% and 98.02% ownership interest, respectively, in Fund V. At the same time Community Aggregator Asset Management Group, LLC was formed in an initiative with three (3) other entities to manage the assets of the loan pool. CLFNJ and NCC III each has a 25%

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

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

ownership interest in this entity. Since the other members have substantive rights, accordingly, these entities are accounted for using the equity method.

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

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

CLFNJ has formed the following special purpose entities (SPEs): NJCC CDE Union LLC, NJCC CDE Bergen LLC, NJCC CDE Hudson LLC (collectively as NMTC III); NJCC CDE Ocean LLC, NJCC CDE Camden LLC, NJCC CDE Passaic LLC, NJCC CDE Cumberland LLC, NJCC CDE Monmouth LLC, NJCC CDE Middlesex LLC, NJCC CDE Campbell LLC and NJCC CDE Wilson LLC, (collectively as NMTC IV); NJCC CDE Edison LLC, NJCC CDE Hamilton LLC, NJCC CDE Kilmer LLC, NJCC CDE Livingston LLC, NJCC CDE Morris LLC and NJCC CDE Eagleton LLC, (collectively as NMTC V); NJCC CDE Barton LLC, NJCC CDE Stockton LLC, NJCC CDE Parker LLC, NJCC CDE Amos LLC, NJCC CDE Robeson LLC and NJCC CDE Whitman LLC, (collectively as NMTC VI); and NJCC CDE Houston LLC, NJCC CDE Field LLC, and NJCC CDE Peterson LLC (collectively as NMTC VII). CLFNJ serves as the managing member of each of the SPEs. The limited partners in the SPEs have substantive participating rights, and accordingly, the SPEs are accounted for using the equity method.

NJCC CDE Salem LLC was formed by CLFNJ in 2019; NJCC CDE Grimesfarm LLC was formed in 2021; NJCC CDEs 42 through 46 were formed in 2022. These entities have yet to be assigned a NMTC allocation.

Operating Divisions

CLFNJ has aligned its operations into several operating divisions: Community Loan Fund, Proprietary Managed Assets, Third Party Managed Assets, NMTC III, IV, V, VI VII and VIII, University Ventures, CAPC, and Restart and Restart the Shore. A discussion of each follows:

Community Loan Fund

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

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

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

Proprietary Managed Assets

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

(a) *Neighborhood Prosperity Fund*

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

(b) *Charter Fund*

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

(c) *ReBuild Fund*

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

(d) *Camden POWER (Camden Fund)*

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

Third Party Managed Assets

Third Party Managed Assets include loan pools administered by CLFNJ.

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

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

(b) *Asbury Park Urban Enterprise Zone Revolving Loan Fund*

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

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

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

(c) Bank of America Fund (BofA Fund)

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

(d) Thrift Institutions Community Investment Corporation of New Jersey (TICIC) Portfolio

In 2013, CLFNJ purchased the rights to service a multiple participant loan portfolio originated and previously serviced by TICIC, an affiliate of the NJ Bankers Association.

(e) Gap Funding Initiative (GFI)

The GFI was launched in 2013. It was a \$15 million grant program funded by the Hurricane Sandy New Jersey Relief Fund and the American Red Cross and administered by New Jersey Community Capital. GFI offered up to \$30,000 (reduced to \$20,000 in August 2014) to help eligible homeowners cover costs of home repairs they face as a result of Hurricane Sandy. During 2019, CLFNJ disbursed \$130,000 to eligible recipients. No funds were disbursed to recipients in 2022 or 2021.

NMTC

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

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

NMTC III

In 2013, CLFNJ received a \$30 million allocation of NMTCs from the United States Department of Treasury's Community Development Financial Institutions in the tenth round of a national economic development initiative. With the dissolution of NJCC CDE Bergen LLC and NJCC CDE Hudson LLC, all investors and SPEs exited NMTC III as of September 2022.

NMTC IV

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

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

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

NMTC V

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

NMTC VI

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

NMTC VII

In 2019, CLFNJ received a \$35 million allocation of NMTCs from the United States Department of Treasury's Community Development Financial Institutions in the fifteenth round of a national economic development initiative.

NMTC VIII

In 2021, CLFNJ received a \$50 million allocation of NMTCs from the United States Department of Treasury's Community Development Financial Institutions in the seventeenth round of a national economic development initiative.

University Ventures

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

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

CAPC

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

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

In 2014, CAPC began to rent renovated homes to low and moderate-income families. CAPC makes exit (rent vs. sell) decisions based on neighborhood real estate activity, surrounding blight, community stability, and local economic factors. At September 30, 2022 and 2021, CAPC had 228 and 236 properties, respectively, in rental status which are included in fixed assets with a net book value (including land) of \$55,564,108 and \$57,475,813, respectively.

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

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

ReStart and ReStart the Shore

In 2013, the Organization established its ReStart family of programs as an innovative home preservation initiative designed to prevent foreclosures and stabilize communities. The Organization won the right to purchase three pools of delinquent Federal Housing Administration (FHA) loans from the U.S. Department of Housing and Urban Development (HUD). Fund #1 acquired a pool of 110 mortgages of properties and NCC Holdings acquired 15 mortgages of properties both located in the greater Newark, New Jersey area. Additionally, the Hurricane Sandy Fund acquired a pool of 517 mortgages of properties located in areas of New Jersey that were impacted by Hurricane Sandy.

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

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

In 2018, CLFNJ acquired a minority interest in 1 mortgage pool. Fund V acquired 601 mortgages.

In 2021, CLFNJ acquired minority interest in 1 mortgage pool. NJCC NYS CRF II acquired 70 mortgages.

In 2022, CLFNJ acquired minority interest in 1 mortgage pool. CAG Members Fund I LLC acquired 169 mortgages.

NCC II provides investment management services to Fund #1, National Community Capital Fund Tampa #1, Hurricane Sandy Fund, and NCC Holdings. NCC II was dissolved in 2020. In 2018, CAPC became owner of Fund #1 and National Community Capital Fund Tampa #1. Fund #1 and National Community Capital Fund Tampa #1 were fully liquidated in 2022. Hurricane Sandy Fund was fully liquidated in 2020. NCC III provides investment management services to NJCC-NYS CRF, Erie CRF, Fund 4, Fund 5 and NJCC NYS CRF II. The Organization was also engaged as a loss mitigation advisor by other purchasers of FHA loan pools.

(2) Summary of Significant Accounting Policies

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

(a) Accrual Basis

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

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

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

(b) Basis of Presentation

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

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations and net assets attributable to CLFNJ's controlling interest and noncontrolling interest in subsidiaries. The noncontrolling interest in subsidiaries increased by \$732,804, which represents the net contributions of \$238,262 to noncontrolling interests, and \$494,542 share in total revenues over expenses.

Net assets with donor restrictions – Either net assets subject to donor-imposed stipulations that will be met by actions of the Organization and/or the passage of time or net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. All resources granted to the NeighborWorks America Revolving Loan for housing and capital projects must be maintained permanently, unless specific approval is granted by NeighborWorks America to release a portion of the grants.

(c) Principles of Consolidation

The consolidated financial statements include the accounts of CLFNJ and its wholly owned and majority owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

(d) Cash and Cash Equivalents

Cash equivalents include short-term investments with original maturities of three (3) months or less and include money market funds that are not maintained by the investment managers.

(e) Investments

The Organization records its investments in marketable securities at fair value based on quoted prices. Program-related investments are accounted for using the cost or equity methods, as appropriate. Distributions received from program-related investments accounted for under the equity method are classified using the cumulative earnings approach. Distributions received are considered returns on investment and classified as cash inflows from operating activities.

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

(f) Loans Receivable and Allowance for Uncollectible Loans Receivable

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

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

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

loans is recognized over the term of the loan and is calculated using the interest method on principal amounts outstanding.

The accrual of interest on loans is discontinued when the loans are 90 days past due unless the credit is well secured and in the process of collection. Past due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual or are charged off at an earlier date if management believes, after considering economic conditions, business conditions, and collection efforts, that collection of principal or interest is considered doubtful.

All interest accrued, but not collected for loans that are placed on nonaccrual or charged off, is reserved and recorded as bad debt expense. Loans are returned to accrual status when all the principal and interest payments contractually due are brought current and future payments are reasonably assured.

The allowance for uncollectible loans receivable is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed.

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

(g) *Troubled Debt Restructured (TDR) Loans*

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

(h) *Purchased Credit Impaired (PCI) Loans*

PCI loans are initially recorded at fair value based on the transaction price with no allowance for loan loss. Under Accounting Standards Codification Subtopic 310-30, *Accounting for Purchased Loans with Deteriorated Credit Quality*, the PCI loans are aggregated and accounted for as pools of loans based on common risk characteristics. The allowance for loan losses on PCI loans is measured at each financial reporting date based on future expected cash flows. This assessment and measurement is performed at the pool level and not at the individual loan level. Accordingly, decreases in expected cash flows resulting from further credit deterioration, on a pool basis, as of such measurement date compared to those originally estimated are recognized by recording a provision and allowance for credit losses on PCI loans. Subsequent increases in the expected cash flows of the loans in each pool would first reduce any allowance for loan losses on PCI loans; and any excess will be accreted prospectively as a yield adjustment. The analysis of expected cash flows for loan pools incorporates

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

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

expected sale prices of foreclosed property less costs to sell, and estimated principal and interests on the loans prior to foreclosure. Actual cash flows could differ from those expected. The difference between the undiscounted cash flows expected at acquisition and the investment in the PCI loans (the carrying value), or the “accretable yield,” is recognized as interest income over the life of the pool of loans.

(i) Real Property Held for Sale

The Organization acquires certain real properties either through purchase or foreclosure which it holds, improves and repairs, and then either sells or rents. Such properties are valued at the lower of cost or fair value as determined by appraisals, and are \$20,942,047 and \$25,711,676 at September 30, 2022 and 2021, respectively. Revenues related to the sale will be recognized when the entity satisfies the performance obligation of the sales contract by transferring the property to the buyer.

(j) Fixed Assets

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

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

(k) Other Assets

Other assets include rent receivables, management fee receivables, advances to NMTC entities, miscellaneous receivables and mortgages. Those assets that are expected to be realized within one (1) year are recorded in other current assets. All other items are recorded in other assets in the consolidated statements of financial position.

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

Funds held in trust, escrows, and other are held in a high-credit quality financial institution. Funds held in trust, escrows, and other include escrow deposits. The cash related to these funds is included in restricted cash and amounts to approximately \$5,452,000 and \$8,272,000 at September 30, 2022 and 2021, respectively.

Funds held in trust also include third-party resources entrusted to the Organization’s oversight, generally for its Third Party Managed Assets programs. The Organization does not record the loans receivable associated with these programs in its consolidated financial statements as its responsibility is limited to servicing and/or administering the loans. The cash related to these programs that will be returned within one (1) year is included in cash and cash equivalents and amounts to approximately \$925,000 and \$1,042,000 at September 30, 2022 and 2021, respectively. The cash related to these

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

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

programs that will be returned in more than one (1) year is included in restricted cash and amounts to approximately \$1,445,000 and \$1,134,000 at September 30, 2022 and 2021, respectively.

There are four (4) programs that advance funds with conditions to the Organization. The cash related to these programs amounts to approximately \$1,388,000 and \$1,181,000 and is included in restricted cash at September 30, 2022 and 2021, respectively.

Approximately \$5,970,000 and \$5,730,000 of funds held in trust were used to renovate real property held for rental at September 30, 2022 and 2021, respectively. The revenue related to these programs will be recognized when the conditions are met, which is generally when the property is leased to a low or moderate income tenant for a specific time period.

(m) Unearned Fee Income

Commitment fees are recorded as unearned fee income when received. The deferred commitment fees are then amortized and recorded as commitment fee income based on the life of the loan. The current portion of unearned fee income is included in accounts payable and accrued expenses in the accompanying consolidated statements of financial position.

(n) Contributions, Gifts, and Grants

Contributions, gifts, and grants are reported in the accompanying consolidated financial statements at their estimated fair value at date of receipt or binding commitment. As referenced in 2(b), the Organization records contributions and grants as with donor restrictions or without donor restrictions, depending on the existence and/or nature of donor restrictions or conditions. A contribution is conditional if the agreement includes both a barrier that must be overcome for the recipient to be entitled to the assets transferred and a right of return for the transferred assets or a right of release of the promisor's obligation to the transferred assets. Conditional promises to give are not recognized until they become unconditional, that is, when the barriers on which they depend are met. 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 without donor restriction. Unconditional promises to give are recognized as revenues or gains in the period received. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, using risk-adjusted interest rates applicable to the years in which the promises are received to discount the amounts.

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

(o) Income Taxes

CLFNJ, Lending Partners, CAPC Supportive Needs Housing, Inc., Mills Memorial Social Services Building, Inc., UWN NJ Montclair LLC and CAPC are exempt from federal income taxes under Section 501(c)(3) of the Code. As nonprofit entities, they are also exempt from New Jersey corporate income taxes.

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

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

University Ventures is a for-profit corporation with federal net operating loss carryovers of \$450,454 that may be offset against future taxable federal income. Given the history of losses for University Ventures, a full valuation allowance has been taken for federal and state deferred tax assets.

Operation Neighborhood Recovery, CAPC Florida, 306 MLK, CAPC ASF# 2, CAPC USA Fund, ESBI and CHS-CAPC are LLCs treated as partnerships for tax purposes and, as such, the income or loss generated from the LLC is reported by the members on their respective returns.

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

CAPAJC 3, CAPC-ARF, CAPC-ARF II, CAPC-ARF III, CAPC Washington, Property Mgmt, Construction, Brokerage, CAPC 4th Ave, E-Port 1, E-Port 2, CAPC USA Fund II Invest LLC, South Ward Neighborhood Housing LLC and CAPC Southward (sole member of these entities is CAPC), 151 MLK, Millville, North Bay, NCC II, NCC III, NCCH, Mortgage Holdings, 545 West Broad Street LLC and Supportive Housing (sole member of these entities is CLFNJ), CAPC USA, CAPC AMG, CAPC USA Fund II, 60 South Fullerton LLC and Remsen Ave Development, LLC are single-member LLCs treated as a disregarded entity with respect to its sole member, and each member is exempt under Code Section 501(c)(3).

CAPC ASF #1 was a single member LLC owned by CLFNJ in 2017 and was considered a disregarded entity. In 2018, 19.97% interest in CAPC ASF #1 was purchased by an outside organization and is now treated as a partnership.

CAPC SFR Home Impact Fund was a single member LLC owned by CAPC in 2020 and was considered a disregarded entity. In 2021, 40% interest in CAPC SFR Home Impact Fund was purchased by an outside organization and is now treated as a partnership.

NJCC recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount of benefit that is greater than 50% likely to be realized upon settlement. Changes in measurement are reflected in the period in which the change in judgment occurs. NJCC did not recognize the effect of any income tax positions in either 2022 or 2021.

(p) Functional Allocation of Expenses

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

(q) Operating Measure

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

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

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

(r) Use of Estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates in the consolidated financial statements include valuations of investments, allowance for uncollectible loans receivable, and recognition and measurement of real property held for sale. Actual results could differ from those estimates.

(s) Future Accounting Standards

The Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)* which requires all entities to recognize all leases, including operating leases, on-balance sheet via a right of use asset and lease liability, unless the lease is a short-term lease. The Organization is currently evaluating the impact of this ASU and plans to adopt ASU 2016-02 for the year ending September 30, 2023 due to the deferral which was granted under ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*.

(t) Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation.

(3) Loans Receivable

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

(a) Community Loan Fund

Loans are primarily to nonprofit organizations, although loans are also made to for-profit corporations, partnerships, and individuals for business purposes. Loans are generally for terms of three months to seven years, unless there is specific capital that allows for longer term lending.

At September 30, 2022, there were no variable rate loans. At September 30, 2022, fixed rate loans of \$93,428,562 had interest rates ranging from 1% to 9.5%. Included are loans for the Garden State Relief Fund that are 0% for the first 6 months and switch to 3% thereafter.

At September 30, 2021, there were no variable rate loans. At September 30, 2021, fixed rate loans of \$87,674,524 had interest rates ranging from 1.3% to 9.5%. Included are loans for the Garden State Relief Fund that are 0% for the first 6 months and switch to 3% thereafter.

At September 30, 2022, there were fourteen (14) loans classified as nonaccrual and 90 days past due with a total balance of \$2,429,133.

At September 30, 2021, there were eleven (11) loans classified as nonaccrual and 90 days past due with a total balance of \$1,849,447.

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

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

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

All TDRs are classified as impaired loans, which are individually evaluated for impairment. At September 30, 2022 and 2021, there were seventeen (17) loans with balances that totaled \$2,510,153 and fourteen (14) loans with balances that totaled \$3,577,016, respectively, that were considered TDR loans.

(b) Proprietary Managed Assets – NPF

At September 30, 2022, these loans bear interest at an annual rate of 5.75% to 7.5% and are either unsecured or, if applicable, secured by the assets financed. At September 30, 2022, these loans amounted to \$2,651,975.

At September 30, 2021, these loans bear interest at an annual rate of 5.5% to 7.5% and are either unsecured or, if applicable, secured by the assets financed. At September 30, 2021, these loans amounted to \$4,184,649.

(c) Camden Power

At September 30, 2022 and 2021, the outstanding loan has a balance of \$119,580 and \$124,528, respectively, and bears interest at 4%. The loan matures on February 1, 2023.

(d) University Ventures

University Ventures had 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 was required to make monthly payments of \$2,000, which Red did sporadically in 2019. After careful consideration, the loan was written off in 2020.

Since 2019, a total of three (3) new loans bearing interest at an annual rate of 6.0% to 7.5% were added for entities unrelated to Red Restaurant Ventures. At September 30, 2022 and 2021, these loans amounted to \$678,505 and \$717,002, respectively.

(e) Lending Partners

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

Variable rate loans are generally for terms of one to sixty months and generally bear interest rates based on LIBOR. At September 30, 2022 and 2021, variable rate loans bear interest at 7% per annum and amounted to \$0 and \$90,536, respectively. Fixed rate loans are generally for twelve (12) to one hundred-eighty months (180). At September 30, 2022 and 2021, fixed rate loans bear interest at 4.5% to 7% per annum and amounted to \$10,004,474 and \$22,011,594, respectively.

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

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

At September 30, 2022 and 2021, there was one (1) loan classified as 90 days past due, for which the Organization did not accrue interest and was considered a TDR loan. The loan has outstanding balance of \$0 and \$723,802, as of September 30, 2022 and 2021, respectively.

The Organization assesses the risk of loss on its loans receivable internally by credit quality ratings. The Organization utilizes a six-point internal risk rating system. Loans deemed to be acceptable quality are rated one through three (pass), with a rating of one established for loans with minimal risk. Loans that are deemed to be of potential weakness are rated four (watch), and questionable repayment are rated five (substandard). Loans with serious doubt are rated six (doubtful). There were no doubtful receivables at September 30, 2022 or September 30, 2021. The following table includes the amounts of the outstanding loans receivable at September 30, 2022 and 2021, using the Organization's internally assigned credit quality indicators.

	<u>2022</u>	<u>2021</u>
Pass	\$ 95,499,818	103,781,350
Watch	7,147,328	6,326,092
Substandard	<u>4,235,950</u>	<u>4,695,391</u>
Total loans receivable	<u>\$ 106,883,096</u>	<u>114,802,833</u>

(4) Allowance for Uncollectible Loans Receivable

The following table presents the changes in the allowance for uncollectible loans receivable at September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Opening balance	\$ 5,504,940	4,832,940
Write-offs	(464,970)	(752,262)
Provision for uncollectible loans receivable, net	<u>192,970</u>	<u>1,424,262</u>
Ending balance	<u>\$ 5,232,940</u>	<u>5,504,940</u>

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

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

(5) PCI Loans

The following table summarizes information for PCI loans held at September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Contractually required payments	\$ 791,543	791,543
Nonaccretable difference	<u>(13,793)</u>	<u>(13,793)</u>
Cash flows expected to be collected	777,750	777,750
Accretable yield	<u>(662,842)</u>	<u>(662,842)</u>
Initial carrying amount at acquisition	114,908	114,908
Accretion recorded since acquisition	<u>265,388</u>	<u>270,005</u>
Carrying value at September 30	<u>\$ 380,296</u>	<u>384,913</u>

There was no accretion recorded for the years ended September 30, 2022 and 2021.

(6) Program-Related Investments

Program-related investments at September 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
NMTC III:		
NJCC CDE Bergen LLC	\$ —	748
NJCC CDE Hudson LLC	—	918
NMTC IV:		
NJCC CDE Ocean LLC	693	693
NJCC CDE Cumberland LLC	597	597
NJCC CDE Passaic LLC	500	500
NJCC CDE Camden LLC	494	494
NJCC CDE Monmouth LLC	597	597
NJCC CDE Middlesex LLC	674	674
NJCC CDE Campbell LLC	698	698
NJCC CDE Wilson LLC	774	774
NMTC V:		
NJCC CDE Hamilton LLC	1,039	1,039
NJCC CDE Edison LLC	788	788
NJCC CDE Kilmer LLC	501	501
NJCC CDE Morris LLC	680	680
NJCC CDE Livingston LLC	1,001	1,000
NJCC CDE Eagleton LLC	1,035	1,026

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

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

	2022	2021
NMTC VI:		
NJCC CDE Barton LLC	\$ 196	196
NJCC CDE Stockton LLC	399	399
NJCC CDE Whitman LLC	853	853
NJCC CDE Robeson LLC	520	519
NJCC CDE Parker LLC	1,045	1,045
NJCC CDE Amos LLC	797	798
NMTC VII:		
NJCC CDE Houston LLC	1,041	1,042
NJCC CDE Field LLC	796	796
NJCC CDE Peterson LLC	1,070	—
University Ventures, Inc.:		
Terracycle	200,000	200,000
Other:		
Lincoln Park-CAPC Urban Renewal, LLC	(53)	(53)
Community Development Trust, Inc.	500	500
CUMAnet, LLC	2,000,000	2,000,000
Tampa and Community Development Funds	2,517	2,517
CHS-CAPC JV1, LLC	15,000	15,000
NJCC Fund # 4 LLC	—	157,353
NJCC MM Invest LLC	—	553,231
NJCC Fund # 5 LLC	77,981	356,048
306 MLK Blvd Urban Renewal LLC	302,000	302,000
Parramore Asset Stabilization Fund	564,967	764,967
HPN Leverage IV LLC	7,975,454	8,057,676
Allevo Community Capital LLC	200,000	200,000
Valley Revitalization LLC	28,489	285,082
Wood Street Housing Partnership, LP	282,816	282,816
OZ 306 MLK Landlord LLC	2,315,400	2,315,400
306 MLK Master Tenant LLC	9,048	9,048
NJCC-NYS Community Restoration Fund II LLC	931,740	462,461
CAG Members Fund I	1,356,472	—
Socially Responsible Certificates of Deposit:		
Self Help Credit Union, 1.70%, 7/2/20	100,134	100,134
Self Help Credit Union, 2.10% 12/23/20	100,000	100,000
	\$ 16,479,253	16,181,555

In 2022, CLFNJ invested \$1,075 in NJCC CDE Peterson.

In 2021, CLFNJ invested \$800 in NJCC CDE Amos.

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

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

Net gain related to equity investments of \$549,683 and \$534,538 is included in realized gain on investments in the accompanying consolidated statements of activities as of September 30, 2022 and 2021, respectively.

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

	Managing member(s) ownership stake		Managing member(s) initial investment	Investor member(s) initial investment	Assets at December 31, 2021	Liabilities at December 31, 2021	Net income for December 31, 2021
NMTC III:							
NJCC CDE Bergen LLC	0.01	\$	740	7,400,000	\$ 7,536,124	40,590	212,668
NJCC CDE Hudson LLC	0.01		910	9,100,000	9,203,796	12,700	315,195
NMTC IV:							
NJCC CDE Ocean LLC	0.01		700	7,000,000	7,021,211	3,917	199,080
NJCC CDE Cumberland LLC	0.01		600	6,000,000	6,000,600	—	57,326
NJCC CDE Passaic LLC	0.01		500	5,000,000	5,001,636	—	27,998
NJCC CDE Camden LLC	0.01		500	5,000,000	5,032,086	22,500	109,017
NJCC CDE Monmouth LLC	0.01		600	6,000,000	6,027,100	11,500	60,000
NJCC CDE Middlesex LLC	0.01		675	6,750,000	6,767,856	14,313	38,417
NJCC CDE Campbell LLC	0.01		700	7,000,000	7,000,700	—	35,000
NJCC CDE Wilson LLC	0.01		800	8,000,000	8,044,559	12,332	382,926
NMTC V:							
NJCC CDE Hamilton LLC	0.01		1,050	10,500,000	10,521,819	5,395	132,968
NJCC CDE Edison LLC	0.01		800	8,000,000	8,048,912	—	268,661
NJCC CDE Kilmer LLC	0.01		500	5,000,000	5,026,468	16,673	29,011
NJCC CDE Morris LLC	0.01		700	7,000,000	7,069,465	21,913	294,369
NJCC CDE Livingston LLC	0.01		1,000	10,000,000	10,044,350	8,155	55,305
NJCC CDE Eagleton LLC	0.01		1,050	10,500,000	10,512,550	11,500	318,925
NMTC VI:							
NJCC CDE Barton LLC	0.01		200	2,000,000	2,017,068	11,500	52,405
NJCC CDE Stockton LLC	0.01		400	4,000,000	4,011,900	11,500	20,000
NJCC CDE Whitman LLC	0.01		880	8,800,000	8,805,598	4,099	354,511
NJCC CDE Robeson LLC	0.01		520	5,200,000	5,207,824	5,086	27,098
NJCC CDE Parker LLC	0.01		1,050	10,500,000	10,511,650	—	76,314
NJCC CDE Amos LLC	0.01		800	8,000,000	8,012,663	11,500	30,031
NMTC VII:							
NJCC CDE Houston LLC	0.01		1,050	10,500,000	10,517,050	16,000	103,635
NJCC CDE Field LLC	0.01		800	8,000,000	8,009,192	3,444	57,532
NJCC CDE Peterson LLC	0.01		1,075	10,750,000	7,500,750	—	—

Certain SPEs have been formed but are not yet funded.

Assets, liabilities and net income for NJCC CDE Middlesex LLC, NJCC CDE Hamilton LLC, NJCC CDE Parker LLC, and NJCC CDE Field LLC are at October 31, 2021.

On NJCC CDE Wilson's total members initial investment, \$750,000 have been expended under NMTC V. On NJCC CDE Eagleton's total members initial investment, \$6.75 million have been expended under NMTC VI. On NJCC CDE Amos' total members initial investment, \$5.25 million have been expended under NMTC VII. On NJCC CDE Peterson's total members initial investment, \$10 million have been expended under NMTC VIII.

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

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

As of September 30, 2022 and 2021, all of the New Market Tax Credits have been expended for NMTC II, NMTC III, NMTC IV, NMTC V and NMTC VI. As of September 30, 2022, approximately \$10.5 million and \$40 million were available to be expended on NMTC VII and NMTC VIII, respectively.

(7) Investments and Fair Value Measurements

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

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

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

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

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

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

U.S. government and agency obligations: Level 1 securities are valued at the closing price reported on the active market on which the individual securities or bonds are traded at September 30, 2022 and 2021. Level 2 securities are valued at the closing price reported on inactive markets or at the quoted price for a similar security.

Mutual funds and U.S. equity securities: Valued at the closing prices reported on an active market at September 30, 2022 and 2021.

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

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

The following tables represent the Organization's fair value hierarchy for its financial assets measured at fair value on a recurring basis as of September 30, 2022 and 2021:

		2022			
		Level 1	Level 2	Level 3	Total
Investments:					
Certificates of deposit	\$	—	4,154,753	—	4,154,753
U.S. government and agency obligations		12,268,357	2,096,221	—	14,364,578
Mutual funds		1,650,456	—	—	1,650,456
U.S. equity securities:					
Consumer discretionary		902,862	—	—	902,862
Consumer staples		229,521	—	—	229,521
Energy		111,017	—	—	111,017
Financial services		805,229	—	—	805,229
Healthcare		1,227,339	—	—	1,227,339
Industrials		993,701	—	—	993,701
Information technology		1,483,152	—	—	1,483,152
Materials		208,613	—	—	208,613
Telecommunications		950,977	—	—	950,977
Utilities		204,299	—	—	204,299
Other		140,748	14,337	—	155,085
	\$	<u>21,176,271</u>	<u>6,265,311</u>	<u>—</u>	<u>27,441,582</u>

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

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

		2021			
		Level 1	Level 2	Level 3	Total
Investments:					
Certificates of deposit	\$	—	4,903,285	—	4,903,285
U.S. government and agency obligations		12,846,623	2,704,499	—	15,551,122
Mutual funds		1,960,543	—	—	1,960,543
U.S. equity securities:					
Consumer discretionary		1,095,242	—	—	1,095,242
Consumer staples		209,674	—	—	209,674
Energy		92,003	—	—	92,003
Financial services		1,025,105	—	—	1,025,105
Healthcare		1,358,999	—	—	1,358,999
Industrials		1,328,252	—	—	1,328,252
Information technology		2,443,889	—	—	2,443,889
Materials		374,064	—	—	374,064
Telecommunications		1,608,798	—	—	1,608,798
Utilities		201,029	—	—	201,029
Other		128,361	158,967	—	287,328
	\$	24,672,582	7,766,751	—	32,439,333

(8) Fixed Assets, Net

Fixed assets at September 30, 2022 and 2021 consist of the following:

	2022	2021
Land	\$ 10,405,808	10,706,677
Computers and equipment	627,752	639,740
Buildings and improvements held for rental purposes	50,903,416	51,210,855
Building and improvements	846,541	775,956
	62,783,517	63,333,228
Less accumulated depreciation	6,054,384	4,916,467
Fixed assets, net	\$ 56,729,133	58,416,761

Depreciation expense for the years ended September 30, 2022 and 2021 amounted to \$1,284,806 and \$1,207,864, respectively.

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

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

At September 30, 2022, future minimum rentals of approximately \$5,506,785 and \$5,510,577 are due to the Organization under noncancelable leases that are expected to be received in fiscal years 2023 and 2024, respectively.

(9) Grants

(a) Credit Enhancement Grant

On June 13, 2006, the Organization received a credit enhancement grant from the U.S. Department of Education, which was recognized as donor restricted revenue at that time. The Organization was awarded \$8,150,000 to use as credit enhancement for the financing of current and future charter schools. The project period began on August 10, 2009 and ends on the date on which all of the grant funds and earnings thereon have been expended for eligible grant project purposes or when financing supported by the grant project has been retired, whichever is later. The grant allows the Organization to also use the investment income earned on the award. In July 2016, the Organization received an additional credit enhancement grant from the U.S. Department of Education for \$8,000,000 which was recognized as donor restricted revenue in the 2016 consolidated statement of activities. For the years ended September 30, 2022 and 2021, the net investment return was \$300,180 and \$237,753, respectively. At September 30, 2022 and 2021, \$1,825,800 and \$3,416,100, respectively, has been used to credit enhance loans issued by the Organization to charter schools and \$315,081 and \$2,893,534, respectively, has been used to credit enhance loans issued by outside organizations. As of September 30, 2022 and 2021, \$15,086,611 and \$11,633,463, respectively, was available for credit enhancements.

(b) Supportive Housing Fund Grant

In 2017, CLFNJ received an \$8,000,000 grant from Goldman Sachs to be used to finance loans to borrowers to acquire and rehabilitate affordable supportive housing units in New Jersey. These funds were combined with \$7,000,000 loan from an affiliate of the grantor to establish a \$15,000,000 revolving fund that will finance up to 80 units. The grant funds were committed to eligible project borrowers by June 21, 2020. In 2022 and 2021, respectively, \$3,777,337 and \$2,957,884 was used to finance loans.

In 2020, the \$7,000,000 loan expired and is no longer being used, therefore there is no timeline for disbursement. New loans are funded 50% from the \$8,000,000 grant and 50% from CLFNJ's own sources of capital. As of September 30, 2022 and 2021, \$4,222,663 and \$5,042,116, respectively, was available for lending.

(c) THRIVE South Jersey Initiative Grant

In 2019 and 2017 respectively, CLFNJ received a \$1,600,000 and \$1,500,000 grant from the Pascal Sykes Foundation to support financing of businesses in eligible areas of Atlantic, Cumberland, Gloucester and Salem counties, as part of CLFNJ's THRIVE South Jersey Initiative. Pascal Sykes Foundation provided two grants totaling \$4,100,000 in 2015 to support community and economic development via the THRIVE South Jersey Initiative. Unexpended portion of all grants totaled \$63,537 and \$704,435 and are included in net assets with donor restrictions as of September 30, 2022 and 2021, respectively.

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

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

(d) *Pascal Sykes Foundation Grant*

In 2020, \$2,900,000 was received from the Pascal Sykes Foundation. The grant is to be used for loans to small businesses and nonprofits located in the South Jersey market area negatively impacted by the COVID-19 pandemic. The grant is allocated to three sectors as follows; \$100,000 to the African American Chamber of Commerce Partnership; \$1,475,000 to THRIVE South Jersey Initiative; and \$1,325,000 to the Garden State Relief Fund in the South Jersey Area. The unexpended portion of the grant totaled \$533,268 and \$901,360 and are included in net assets with donor restrictions at September 30, 2022 and 2021, respectively. Additionally, in 2021, the organization received \$1,000,000 grant from the foundation to support the Black Business Enterprise Capital Fund. The grant funded the Black Business Enterprise Capital Fund with a \$500,000 equity contribution from CLFNJ and another \$500,000 equity contribution from the African American Chamber of Commerce Partnership. The unexpended portion of the grant totaled \$300,855 at September 30, 2022 and 2021, respectively. The unexpended portion is included in net assets with donor restrictions.

(e) *NeighborWorks America*

The Organization is a subrecipient of a grant through NeighborWorks America. NeighborWorks America provided a donor restricted grant (corpus to be maintained in perpetuity) in the amount of \$750,000 during the year ended September 30, 2016, for making affordable loans for housing and capital projects. This amount is permanently restricted although proceeds on capital projects, or interest earned, over and above corpus may be transferred to net assets without donor restrictions furthering the Organization's mission. Additionally, NeighborWorks America may authorize amounts to be transferred to net assets without donor restrictions. In 2020, \$343,000 was authorized to be transferred resulting in no remaining unexpended funds. However, should the Organization become defunct, all remaining grant funds, interest earnings, capital project proceeds, and the loan and capital projects portfolios representing the use of these funds will revert to NeighborWorks America. Additionally, NeighborWorks America provided unrestricted grants totaling \$584,000 and \$637,000 during the years ended September 30, 2022 and 2021, respectively.

(f) *Capital Magnet Fund Award*

In 2020, the Organization received \$2,250,000 for the Capital Magnet Fund award from the Community Development Financial Institutions Fund (CDFI). The funds are to be used for the funding and direct expenses towards providing affordable housing rentals for very low income families in areas of economic distress. The unexpended portion of the grant totaled \$1,062,500 and \$1,850,000 and are included in net assets with donor restrictions at September 30, 2022 and 2021, respectively. In 2022, the Organization received \$4,935,000 for the fiscal year 2021 Capital Magnet Fund award from the Community Development Financial Institutions Fund (CDFI). The grant is unexpended and is included in net assets with donor restrictions at September 30, 2022.

(g) *Financial Assistance Award*

The CDFI Fund provided \$565,000 in 2020 for financial assistance for the Partnership to Invest in Transformative Community Health (PITCH). The purpose of the funds is to be used for general lending in different areas of New Jersey. All of the funds were fully expended at September 30, 2020.

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

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

In 2021, CDFI Fund provided \$650,000 Base Financial Assistance (Base-FA) and \$500,000 Financial Assistance under the Healthy Food Financing Initiative (HFFI-FA). The purpose of the fund is to support the philanthropic and institutional capital and the healthy food financing activities in different areas of New Jersey. All of the funds under Base-FA were fully expended at September 30, 2021 while the HFFI-FA unexpended portion totaled \$456,203 and \$500,000 and is included in net assets with donor restrictions at September 30, 2022 and 2021, respectively.

(h) East Trenton Collaborative Grant

In 2020, the Neighborhood Revitalization Tax Credit Project (NRTC) provided \$720,000 to the East Trenton Collaborative project. The funds are to be used for revitalizing the East Trenton neighborhood of Trenton. The unexpended portion of the grant totaled \$64,037 and \$497,090 and are included in net assets with donor restrictions at September 30, 2022 and 2021, respectively. In 2021, the NRTC provided a \$1,035,000 grant for the same program. The unexpended portion of the grant totaled \$781,739 and \$985,000 and is included in net assets with donor restrictions at September 30, 2022 and 2021, respectively. In 2022, the NRTC provided \$985,000 grant for the same program. The grant is unexpended and is included in net assets with donor restrictions at September 30, 2022.

(i) Grant from Individual Donor

In 2020, \$510,000 was received from an individual donor. The purpose of the grant is to support CLFNJ's Small Business Emergency Loan Fund. The funding is allocated into four areas; Interest rate buy down; loans ranging from \$10,000 – \$75,000; a loan loss reserve for the Small Business Emergency Loan Fund; and \$25,000 for administrative fees for all loans. The unexpended portion of the grant totaled approximately \$10,000 and is included in net assets with donor restrictions at September 30, 2022 and 2021, respectively.

(j) CDFI Rapid Response Program

In 2021, CDFI Fund provided \$1,826,265 grant to be used for commercial real estate, small business, microenterprise, community facilities, affordable housing and intermediary lending to NPs and CDFIs. The unexpended portion of the grant totaled \$620,713 and \$1,826,265 and is included in the net assets with donor restrictions at September 30, 2022 and 2021, respectively.

(k) New Jersey Pandemic Relief Fund

In 2021, the Organization received \$1,000,000 grant from New Jersey Pandemic Relief Fund to fund small businesses in New Jersey, particularly Black Business Enterprise Capital Fund (BBECF) and to provide financial products and technical assistance to eligible small businesses. The unexpended portion of the grant totaled \$175,775 and \$750,000 and is included in the net assets with donor restrictions at September 30, 2022 and 2021, respectively.

(l) Robert Wood Johnson Foundation

In 2021, the Organization received \$2,307,500 grant from Robert Wood Foundation to fund various programs of the organizations. The \$1,000,000 was allocated for modifying nonperforming mortgage loans, \$1,000,000 to capitalize the newly formed Black Business Enterprise Capital Fund and the \$307,500 to support the exploration and development of the Black Business Enterprise Capital Fund.

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

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

The unexpended portion of the grant totaled \$561,551 and \$1,142,500 and is included in the net assets with donor restrictions at September 30, 2022 and 2021, respectively.

(m) Foreclosure Mitigation Program

In 2021, the State of New Jersey Department of Community Affairs (DCA) through its Mortgage Mitigation and Neighborhood Stabilization Program provided a \$2,900,000 grant for the foreclosure mitigation 2021 and \$3,000,000 for the foreclosure mitigation 2022. The unexpended portion of the grant totaled \$1,805,000 and \$3,000,000 and is included in the net assets with donor restrictions at September 30, 2022 and 2021, respectively.

(n) East Trenton Public Library

In 2021, the State of New Jersey New Jersey Historic Trust provided \$750,000 to the Organization. The grant will be used for the restoration of the East Trenton Public Library. The City of Trenton also contributed a matching grant of \$750,000 towards the total project cost. In 2022, DCA provided \$928,863 for the same program. The unconditional grants totaled \$2,259,306 and \$1,500,000 and are included in the net assets with donor restrictions at September 30, 2022 and 2021, respectively.

(o) Wells Fargo Grants

In 2021, Wells Fargo Bank provided a \$2,500,000 grant to the organization. The grant will be used to serve the Black and Brown enterprises and to further capitalize and operationalize the ESBI. The unexpended portion of the grant totaled \$799,779 and \$1,137,500 and is included in the net assets with donor restrictions at September 30, 2022 and 2021, respectively.

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

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

	<u>2022</u>	<u>2021</u>
SEED funds	\$ 198,128	225,037
BofA funds	950,452	909,423
TICIC funds	1,221,479	1,041,910
GFI funds	426,538	419,344
Escrows	5,435,228	8,255,090
Other	1,459,145	1,221,250
Conditional program advances:		
Goldman Sachs downpayment assistance program	—	46,166
Neighborhood enhancement program	3,671,411	3,428,851
Camden Power funds	1,013,403	1,013,403
Neighborhood stabilization program	1,590,349	1,590,349
Loan loss reserves	171,715	225,000
LIFT downpayment assistance program	157,031	90,046
	<u>\$ 16,294,879</u>	<u>18,465,869</u>

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

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

(11) Long-Term Debt

Balances at September 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Community Loan Fund:		
Various notes payable (a)	\$ 83,947,040	75,259,309
Credit facility (b)	44,287,771	34,757,343
Equity equivalent investment (c)	15,500,000	17,000,000
Proprietary Managed Assets – notes payable (d)	191,000	191,000
CAPC:		
Credit facility (e)	25,878,475	23,937,352
Equity equivalent investment (f)	1,500,000	1,500,000
Other loans (g)	17,530,623	25,444,915
NMTC related loans (h)	11,700,000	11,700,000
Lending Partners:		
Credit facility (i)	9,415,627	13,678,535
Equity equivalent investment (j)	1,000,000	1,000,000
NCC Mortgage Holdings (k)	<u>947,716</u>	<u>1,515,657</u>
Total long-term debt	211,898,252	205,984,111
Current portion of long-term debt	<u>35,458,903</u>	<u>30,430,563</u>
Long-term debt, net of current portion	<u>\$ 176,439,349</u>	<u>175,553,548</u>

- (a) Notes payable of the Community Loan Fund division represent loans by approximately 75 individuals, religious organizations, foundations, units of government and financial institutions in principal amounts ranging from \$200 to \$7,500,000. These notes bear interest at rates ranging from 0% to 5%, payable at varying maturities of one to ten years through 2041. The notes are unsecured.

These loan agreements are subject to financial covenant clauses that the Organization is required to meet. The Organization did not meet a certain financial covenant under one of its loan agreements; however, on September 30, 2022, the Organization received a waiver of the financial covenant from the lender, which waiver is effective from such date through October 1, 2023. The outstanding balance is presented as a noncurrent liability at September 30, 2022.

- (b) Community Loan Fund has \$5,000,000 in a credit facility from an insurance company with an outstanding balance of \$4,500,002 at September 30, 2022 to support its lending activities with interest rates of 4.4% payable in installments through 2023. Additionally, on September 28, 2015, NJCC closed on a \$28 million bond program as part of the US Treasury CDFI Bond Guarantee Program that has an outstanding balance of \$24,980,992 at September 30, 2022. These funds will mature on March 15, 2045 with an interest rates ranging from 1.306% to 3.604%. Also, on November 4, 2019, NJCC closed on a \$25 million bond program as part of the US Treasury CDFI Bond Guarantee Program that has an outstanding balance of \$13,031,313 at September 30, 2022. These funds will mature on March 15,

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

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

2049 with an interest rates ranging from 2.02% to 3.729%. This program is designed to provide CDFIs with long term fixed rate affordable capital they need to spur development in low income and under resourced communities. The Supportive Housing Fund Grant which has an interest rate of 5.5% has a balance of \$1,775,464 at September 30, 2022.

These loan agreements are subject to financial covenant clauses that the Organization is required to meet. The Organization did not meet a certain financial covenant under the loan agreements with Opportunity Finance Network (OFN) under the US Treasury CDFI Bond Guarantee Program; however, on September 30, 2022, OFN agreed to permanently waive such financial covenant effective from such date. The outstanding balance is presented as a noncurrent liability at September 30, 2022.

- (c) The Community Loan Fund division has an aggregate of \$15,500,000 of equity equivalent investments at September 30, 2022. \$500,000 of the equity equivalent investments will mature on June 2023 with a rate of 1.25%, \$5,000,000 will mature on August 2025 with a rate of 3.5%, \$2,000,000 will mature on June 2026 with a rate of 2.5%, \$1,500,000 will mature on June 2029 with a date of 3%, \$3,000,000 will mature on December 2029 with a rate of 2.5% and \$2,000,000 will mature on May 2030 with a rate of 0% up to May 2024. A \$3,000,000 equity equivalent investment with a rate of 2% that matures on June 2030 was allocated between CLFNJ and CAPC with each entity receiving \$1,500,000. The equity equivalent investments are subordinated and junior in right of payment to all other obligations of CLFNJ.
- (d) Notes payable of the NPF division represent recoverable grants from financial institutions. These consist of \$41,000 in noninterest bearing notes and \$150,000 in interest bearing notes with a rate of 2%. They have stated maturities from October 31, 2022 to fiscal year 2023. The notes are unsecured.
- (e) CAPC has an aggregate of \$25,878,475 in credit facilities, with interest rate ranging from 3.75% to 7.25% to support its activities. Maturities vary from January 2023 to January 2051. These notes are secured by properties purchased by CAPC.
- (f) A \$3,000,000 equity equivalent investment with a rate of 2% that matures on June 2030 was allocated between CLFNJ and CAPC with each entity receiving \$1,500,000.
- (g) CAPC has various other loans from financial institutions and individuals bearing interest rates from 2.00% to 5.75%. These loans have maturity dates ranging from 2023 to 2039 and are secured by properties financed.
- (h) In September 2018 CAPC participated in a New Markets Tax Credit Program to provide funds for investment in qualified low-income investments. This program required the creation of HPN Leverage IV, LLC (HPN). As a result, CAPC borrowed \$7,847,300 from a Community Development Financial Institution to finance a portion of its investment in HPN. Principal payments in the amount of \$1,356,884 were made in 2019. This financing matured August 2, 2020 with a floating rate of interest equal to the 30-day LIBOR rate plus a spread of five hundred twenty five basis points. Additionally, CAPC secured a 20-year loan in the amount of \$11,700,000 payable to a Community Development Entity. This debt requires interest only payments until September 2025 at a rate of 0.70%. The loan matures in September 2038 and is secured by substantially all the assets acquired by the Organization from the project loan proceeds.

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

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

- (i) Lending Partners has an aggregate \$16,500,000 of fixed rate credit facility which expired on April 30, 2018. The rates range from 3.23% to 5.39%. Individual notes underlying the credit facility mature at various times through June 2026 and the amount outstanding at September 30, 2022 is \$9,415,627.
- (j) Lending Partners has an aggregate \$1,000,000 of equity equivalent investments. The equity equivalent investments, evidenced by notes, have a stated maturity of ten years; however, upon the stated maturity the term shall automatically be extended for a period of one additional year, and thereafter each such extended maturity date shall automatically be extended for one additional year, unless the investor exercises its right to cancel the automatic maturity extension provisions of the investment. The equity equivalent investments are subordinate and junior in right of payment to all other obligations of Lending Partners. The equity equivalent investments are unsecured and will mature on June 30, 2025 with a rate of 3.00%.
- (k) NCC Mortgage Holdings has \$947,716 in loans outstanding at September 30, 2022, with installment payments due 2023 through 2024 with interest rate ranging from 5.08% to 5.75%.

Aggregate maturities of the Organization's long-term debt payments during the next five (5) years ending September 30 and thereafter are as follows:

	<u>Community loan fund</u>	<u>CAPC</u>	<u>Lending partners</u>	<u>Mortgage holdings</u>	<u>Total</u>
2023	\$ 26,086,893	5,240,722	3,655,356	475,932	35,458,903
2024	23,619,648	3,740,835	1,953,854	471,784	29,786,121
2025	19,887,475	5,397,311	2,272,707	—	27,557,493
2026	12,396,557	1,582,827	2,533,710	—	16,513,094
2027	5,818,894	4,711,259	—	—	10,530,153
Thereafter	56,116,344	35,936,144	—	—	92,052,488
	<u>\$ 143,925,811</u>	<u>56,609,098</u>	<u>10,415,627</u>	<u>947,716</u>	<u>211,898,252</u>

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

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

(12) Net Assets with Donor Restrictions

Net Assets with Donor Restrictions are available for the following purposes at September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Credit enhancements from USDOE grant	\$ 17,227,492	17,943,097
Camden county businesses involved in energy efficiency improvements	500,000	500,000
Loan loss reserves	550,000	550,000
South Jersey economic initiative	373,103	704,435
Goldman Sachs supportive housing initiative	4,222,663	5,042,116
East Trenton Collaborative	2,543,577	2,046,780
Garden State Relief Fund – THRIVE	263,702	300,462
Capital Magnet Fund	5,997,500	1,850,000
Foreclosure Mitigation	1,805,000	3,000,000
Equitable Small Business Initiative	1,627,961	2,188,355
Rapid Response Program	620,713	1,826,265
East Trenton Public Library restoration	2,259,306	1,500,000
Modification of nonperforming loans and reintroduction of REO properties	210,000	642,500
Financial and technical assistance to small Latin businesses	—	500,000
Healthy Foods Financing Initiative	456,203	500,000
Downtown Newark Revitalization	148,210	291,667
Time-restricted grants	—	35,000
Other	326,172	101,261
	<u>\$ 39,131,602</u>	<u>39,521,938</u>

(13) Financial Assets and Liquidity Resources

The Organization monitors the availability of resources required to meet its operating needs and other contractual commitments, while striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing mission-related activities, as well as the conduct of services undertaken to support those activities, to be general expenditures.

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

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

As of September 30, 2022 and 2021, the following financial assets could be made readily available within one year of the consolidated statement of financial position date to meet general expenditures:

	2022	2021
Cash and cash equivalents	\$ 52,499,393	31,821,210
Investments	14,302,650	18,008,716
Payments on loans receivable	23,818,886	21,734,319
Total financial assets and liquidity resources available to meet cash needs for general expenditures within one year	\$ 90,620,929	71,564,245

In addition to the financial assets noted above, the Organization operates with a balanced budget and anticipates collecting sufficient revenues and loan payments to cover general expenditures not covered by net assets with donor restrictions. Refer to the statement of cash flows which identifies the sources and uses of the Organization's cash.

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

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

(14) Functional Expenses

The costs of providing program services and support services of the Organization have been summarized on a functional basis in the consolidated statement of activities. The following chart shows the relationship between the functional and natural classifications of expenses. Certain operating costs have been allocated among the functional categories as disclosed in note 2(p).

Expenses by natural classification for the year ended September 30, 2022 consist of the following:

	Program services				Supporting services			Total expenses
	Community Loan Fund of New Jersey, Inc.	Community Lending Partners of New Jersey, Inc.	Community Asset Preservation Corporation	Total	Management and general	Fundraising	Total	
Salaries and benefits	\$ 3,864,145	167,685	2,650,936	6,682,766	1,129,596	740,489	1,870,085	8,552,851
Depreciation and amortization	32,820	—	1,205,626	1,238,446	87,350	45,293	132,643	1,371,089
Insurance	105,688	—	46,681	152,369	28,383	19,402	47,785	200,154
Occupancy	231,534	—	65,145	296,679	59,733	41,280	101,013	397,692
Office supplies	268,401	1,778	76,726	346,905	69,638	47,893	117,531	464,436
Professional development	31,614	—	15,211	46,825	8,573	5,845	14,418	61,243
Professional fees	1,992,041	17,235	1,302,799	3,312,075	184,472	121,532	306,004	3,618,079
Publicity	31,065	—	3,578	34,643	5,698	13,356	19,054	53,697
Loan servicing and commitment fees	69,788	—	360,459	430,247	23,503	15,192	38,695	468,942
Grants expense	736,524	—	25,000	761,524	—	—	—	761,524
Rental expenses	57,708	—	4,932,595	4,990,303	339,043	172,366	511,409	5,501,712
Property held for sale holding costs	129,537	—	—	129,537	—	—	—	129,537
Travel-site visits	15,239	—	27,952	43,191	—	—	—	43,191
Other	55,271	47	30,606	85,924	14,029	9,654	23,683	109,607
Total operating expenses	7,621,375	186,745	10,743,314	18,551,434	1,950,018	1,232,302	3,182,320	21,733,754
Interest expense	3,569,576	679,848	(407,955)	3,841,469	—	—	—	3,841,469
Provision for loan losses	784,605	(591,635)	—	192,970	—	—	—	192,970
Total other expenses	4,354,181	88,213	(407,955)	4,034,439	—	—	—	4,034,439
Total expenses	\$ 11,975,556	274,958	10,335,359	22,585,873	1,950,018	1,232,302	3,182,320	25,768,193

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

Notes to Consolidated Financial Statements
September 30, 2022 and 2021

Expenses by natural classification for the year ended September 30, 2021 consist of the following:

	<u>Program services</u>				<u>Supporting services</u>			<u>Total expenses</u>
	<u>Community Loan Fund of New Jersey, Inc.</u>	<u>Community Lending Partners of New Jersey, Inc.</u>	<u>Community Asset Preservation Corporation</u>	<u>Total</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>	
Salaries and benefits	\$ 4,368,745	180,695	2,767,262	7,316,702	1,247,940	980,393	2,228,333	9,545,035
Depreciation and amortization	29,812	—	1,129,694	1,159,506	85,528	58,050	143,578	1,303,084
Insurance	70,827	—	28,462	99,289	18,575	15,136	33,711	133,000
Occupancy	199,889	—	79,423	279,312	52,359	42,675	95,034	374,346
Office supplies	203,198	2,068	129,354	334,620	56,970	45,629	102,599	437,219
Professional development	17,962	—	12,210	30,172	5,058	4,069	9,127	39,299
Professional fees	1,961,553	10,381	1,362,744	3,334,678	143,282	110,490	253,772	3,588,450
Publicity	19,485	—	2,865	22,350	3,778	7,899	11,677	34,027
Loan servicing and commitment fees	121,111	—	1,085,491	1,206,602	61,628	45,743	107,371	1,313,973
Grants expense	460,448	—	200,000	660,448	—	—	—	660,448
Rental expenses	56,077	—	4,783,191	4,839,268	345,693	232,098	577,791	5,417,059
Property held for sale holding costs	122,877	—	(235)	122,642	—	—	—	122,642
Travel-site visits	6,211	—	21,277	27,488	—	—	—	27,488
Other	48,241	—	(770)	47,471	10,870	9,036	19,906	67,377
Total operating expenses	<u>7,686,436</u>	<u>193,144</u>	<u>11,600,968</u>	<u>19,480,548</u>	<u>2,031,681</u>	<u>1,551,218</u>	<u>3,582,899</u>	<u>23,063,447</u>
Interest expense	2,901,156	658,569	14,655	3,574,380	—	—	—	3,574,380
Provision for loan losses	1,362,262	62,000	—	1,424,262	—	—	—	1,424,262
Total other expenses	<u>4,263,418</u>	<u>720,569</u>	<u>14,655</u>	<u>4,998,642</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,998,642</u>
Total expenses	<u>\$ 11,949,854</u>	<u>913,713</u>	<u>11,615,623</u>	<u>24,479,190</u>	<u>2,031,681</u>	<u>1,551,218</u>	<u>3,582,899</u>	<u>28,062,089</u>

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

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

(15) Commitments and Contingencies – Operating Lease

The Organization leases equipment and office space under noncancelable operating leases through various dates expiring through fiscal year 2025. The office lease has an option to renew for one period of five years. Future minimum lease obligations as of September 30, 2022 are as follows:

2023		\$	230,149
2024			646,595
2025			638,367
			1,515,111
		\$	1,515,111

Rent expense for office space amounted to \$235,943 and \$179,129 for the years ended September 30, 2022 and 2021, respectively.

(a) Contingent Liabilities for Charter Fund

At September 30, 2022 and 2021, the Organization has \$315,081 and \$2,893,534, respectively, of contingent guarantees outstanding for the benefit of three (3) charter school transactions, respectively, funded by unrelated lenders. The guarantees will expire at various dates through 2046.

(b) Commitments

In the normal course of business, the Organization has various outstanding commitments that are not reflected in the accompanying consolidated financial statements. At September 30, 2022 and 2021, the principal commitments of the Organization are as follows:

	2022	2021
Financings committed but not yet closed:		
Community Loan Fund	\$ 26,538,996	37,284,703
	\$ 26,538,996	37,284,703
Financings closed but not yet funded:		
Community Loan Fund	\$ 24,965,119	15,969,223
Neighborhood Prosperity Fund	450,597	1,094,760
Lending Partners	700,000	609,464
	\$ 26,115,716	17,673,447

(16) Concentrations

Financial instruments that potentially subject the Organization to credit risk include loans receivable from entities amounting to \$106,883,096 and \$114,802,833 at September 30, 2022 and 2021, respectively. As of September 30, 2022 and 2021, \$54,582,760 and \$54,819,720, respectively, of the Organization's loans were to nonprofits, representing approximately 51% and 48%, respectively, of the loans receivable reported

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

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

in the 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 financial strength of the financial institutions.

(17) Related Party Transactions

As of September 30, 2022 and 2021, the Organization had notes payable to various employees or current members of the board of directors totaling \$74,570 and \$80,204, respectively. Interest of \$1,615 and \$2,154 was paid to these individuals. Contributions were made to the Organization by various employees or current members of the board of directors in the amount of and \$5,800 and \$3,650 during the years ended September 30, 2022 and 2021, respectively.

(18) Employee Benefit Plans

The Organization sponsors a qualified 401(k) profit sharing plan for all eligible employees. The plan allows eligible employees to elect to defer a portion of their annual compensation and have those amounts contributed to the plan. Among other things, the plan provides for (a) discretionary matching by the Organization of a percentage of employees' contributions; (b) discretionary employer contributions of a percentage of salary; (c) normal retirement age of 65; and (d) vesting in Organization contributions after specified years of service, as defined in the plan. The Organization's contributions to the plan reflected in the accompanying consolidated statements of activities for the years ended September 30, 2022 and 2021 was approximately \$173,000 and \$196,000, respectively.

(19) COVID-19

On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a public health emergency. In response, various governmental agencies mandated stringent regulations and guidelines to help organizations promote the health and safety of their communities. In connection with this event and restrictions by state and local governments, the Organization successfully transitioned most operations and related staff to remote working environments. The Organization focused its efforts on providing support to the families and organizations it currently serves by providing \$363,800 in loan payment deferrals to 62 borrowers and approximately \$402,000 in rent deferrals to 67 families. Additionally, renovations of several properties were delayed, resulting in loss of rental income.

The Organization also established the Garden State Relief Fund (GSRF) to provide immediate, low cost loans with deferred payment options to small businesses experiencing decreased income as a result of COVID-19 restrictions. As of September 30, 2022, loans totaling \$2,076,014 were disbursed through GSRF.

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

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

The United States Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act on March 27, 2020. Recognizing that the Organization's response to COVID-19 would negatively impact income available for operating expenses, the Organization applied for and received a \$1,391,332 loan under the Paycheck Protection Program (PPP). This loan is included in long-term debt in the Organization's consolidated statement of financial position as of September 30, 2020. The Organization applied for forgiveness on the PPP loan in August 2021. On May 16, 2022, the U.S. Small Business Administration granted the Organization full forgiveness on its PPP loan.

While uncertainty around the breadth and duration of other business disruptions related to the pandemic could potentially impact operations in the future, the Organization has been able to continue its mission to date and expects to continue to do so, in fiscal year 2023.

(20) Subsequent Events

The Organization has evaluated events subsequent to September 30, 2022 and through the date of February 8, 2023 which is the date the consolidated financial statements were available to be issued. The Organization has determined that there are no subsequent events which require disclosure in the consolidated financial statements.

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

Schedule of Financial Position Information

September 30, 2022

Assets	Community Loan Fund of New Jersey, Inc. (note)	Community Lending Partners of New Jersey, Inc.	Community Asset Preservation Corporation	Eliminating entries	Total
Current assets:					
Cash and cash equivalents	\$ 32,975,835	12,041,797	7,481,761	—	52,499,393
Investments	14,302,650	—	—	—	14,302,650
Grants receivable, net	4,295,818	—	2,334,467	—	6,630,285
Loans receivable, net	19,697,204	4,912,766	—	(791,084)	23,818,886
Other current assets	32,099,133	46,303	13,450,702	(28,804,975)	16,791,163
Total current assets	103,370,640	17,000,866	23,266,930	(29,596,059)	114,042,377
Loans receivable, net	87,804,733	4,691,708	1,330,660	(15,995,831)	77,831,270
Restricted cash	11,472,355	171,113	—	—	11,643,468
Investments	13,138,932	—	—	—	13,138,932
Purchased credit impaired loans held for investment	380,296	—	—	—	380,296
Real property held for sale	—	—	20,984,644	(42,597)	20,942,047
Program-related investments	7,215,576	—	10,928,155	(1,664,478)	16,479,253
Fixed assets, net	649,784	—	56,079,349	—	56,729,133
Other assets	2,982,640	—	1,495,940	—	4,478,580
Total assets	\$ 227,014,956	21,863,687	114,085,678	(47,298,965)	315,665,356
Liabilities and Net Assets					
Current liabilities:					
Accounts payable and accrued expenses	\$ 1,650,732	146,319	30,043,039	(28,805,902)	3,034,188
Funds held in trust, escrows, and other	3,637,358	175,113	5,553,512	—	9,365,983
Current portion of long-term debt	26,584,310	3,907,334	5,866,620	(899,361)	35,458,903
Total current liabilities	31,872,400	4,228,766	41,463,171	(29,705,263)	47,859,074
Long-term liabilities:					
Unearned fee income	1,075,817	7,079	—	(5,138)	1,077,758
Funds held in trust, escrows, and other, net	6,394,313	—	534,583	—	6,928,896
Long-term debt, net	118,289,217	14,938,281	59,976,340	(16,764,489)	176,439,349
Total liabilities	157,631,747	19,174,126	101,974,094	(46,474,890)	232,305,077
Net assets:					
Net assets without donor restrictions:					
Community Loan Fund and Subsidiaries	30,372,910	2,689,561	2,974,025	(824,075)	35,212,421
Noncontrolling Interest in Subsidiaries	2,608,164	—	6,408,092	—	9,016,256
Total net assets without donor restrictions	32,981,074	2,689,561	9,382,117	(824,075)	44,228,677
Net assets with donor restrictions					
	36,402,135	—	2,729,467	—	39,131,602
Total net assets	69,383,209	2,689,561	12,111,584	(824,075)	83,360,279
Total liabilities and net assets	\$ 227,014,956	21,863,687	114,085,678	(47,298,965)	315,665,356

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

See accompanying independent auditors' report.

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

Schedule of Financial Position Information

September 30, 2021

Assets	Community Loan Fund of New Jersey, Inc. (note)	Community Lending Partners of New Jersey, Inc.	Community Asset Preservation Corporation	Eliminating entries	Total
Current assets:					
Cash and cash equivalents	\$ 24,094,797	198,502	7,527,911	—	31,821,210
Investments	18,008,716	—	—	—	18,008,716
Grants receivable, net	5,973,444	—	3,492,333	—	9,465,777
Loans receivable, net	20,647,797	10,891,975	—	(9,350,196)	22,189,576
Other current assets	28,503,427	104,729	1,640,497	(25,772,588)	4,476,065
Total current assets	97,228,181	11,195,206	12,660,741	(35,122,784)	85,961,344
Loans receivable, net	80,888,273	10,325,155	1,330,660	(5,435,771)	87,108,317
Restricted cash	14,413,298	109,557	—	—	14,522,855
Investments	14,430,617	—	—	—	14,430,617
Purchased credit impaired loans held for investment	384,913	—	—	—	384,913
Real property held for sale	130,189	—	25,624,084	(42,597)	25,711,676
Program-related investments	6,470,611	—	11,266,968	(1,556,024)	16,181,555
Fixed assets, net	438,257	—	57,978,504	—	58,416,761
Other assets	3,344,424	—	6,794,074	—	10,138,498
Total assets	\$ 217,728,763	21,629,918	115,655,031	(42,157,176)	312,856,536
Liabilities and Net Assets					
Current liabilities:					
Accounts payable and accrued expenses	\$ 1,504,723	307,397	27,566,576	(25,786,718)	3,591,978
Funds held in trust, escrows, and other	5,950,131	109,557	5,840,255	—	11,899,943
Current portion of long-term debt	24,293,753	4,339,789	11,734,473	(9,937,452)	30,430,563
Total current liabilities	31,748,607	4,756,743	45,141,304	(35,724,170)	45,922,484
Long-term liabilities:					
Unearned fee income	813,617	38,582	—	(1,832)	850,367
Funds held in trust, escrows, and other, net	6,565,926	—	—	—	6,565,926
Long-term debt, net	105,929,556	14,940,497	60,296,048	(5,612,553)	175,553,548
Total liabilities	145,057,706	19,735,822	105,437,352	(41,338,555)	228,892,325
Net assets:					
Net assets without donor restrictions:					
Community Loan Fund and Subsidiaries	32,441,610	1,894,096	2,641,736	(818,621)	36,158,821
Noncontrolling Interest in Subsidiaries	2,613,505	—	5,669,947	—	8,283,452
Total net assets without donor restrictions	35,055,115	1,894,096	8,311,683	(818,621)	44,442,273
Net assets with donor restrictions					
	37,615,942	—	1,905,996	—	39,521,938
Total net assets	72,671,057	1,894,096	10,217,679	(818,621)	83,964,211
Total liabilities and net assets	\$ 217,728,763	21,629,918	115,655,031	(42,157,176)	312,856,536

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

See accompanying independent auditors' report.

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

Schedule of Activities Information

Year ended September 30, 2022

	Community Loan Fund of New Jersey, Inc. (note)	Community Lending Partners of New Jersey, Inc.	Community Asset Preservation Corporation	Eliminating entries	Total
Operating revenues, gains and other support:					
Interest from loans receivable	\$ 5,805,751	989,819	15,120	(600,198)	6,210,492
Investment interest and dividends	663,658	1,482	412	—	665,552
Total investment income	6,469,409	991,301	15,532	(600,198)	6,876,044
Interest expense	(3,750,918)	(679,848)	(10,901)	600,198	(3,841,469)
Net investment income	2,718,491	311,453	4,631	—	3,034,575
Provision for loan losses, net	(2,047,204)	591,635	—	1,262,599	(192,970)
Net investment income after provision for loan losses	671,287	903,088	4,631	1,262,599	2,841,605
Contributions, gifts, and grants	7,706,779	—	2,830,810	(132,307)	10,405,282
Fees	2,580,258	111,395	917,394	(15,034)	3,594,013
Rental income	86,647	—	4,663,938	—	4,750,585
Gain on sale of property and mortgages	17,822	—	3,736,674	—	3,754,496
Total operating revenues, gains and other support	11,062,793	1,014,483	12,153,447	1,115,258	25,345,981
Operating expenses:					
Program services	7,764,356	186,745	10,743,314	(142,981)	18,551,434
Supporting services:					
Management and general	1,285,165	32,273	635,136	(2,556)	1,950,018
Fundraising	915,008	—	319,098	(1,804)	1,232,302
Total supporting services	2,200,173	32,273	954,234	(4,360)	3,182,320
Total operating expenses	9,964,529	219,018	11,697,548	(147,341)	21,733,754
Changes in net assets before nonoperating activity	1,098,264	795,465	455,899	1,262,599	3,612,227
Nonoperating activity:					
Impairment loss on real property held for sale	—	—	(263,472)	—	(263,472)
Contributions from noncontrolling interests and other	(195,163)	—	541,879	(108,454)	238,262
Realized gain on investments	646,412	—	1,159,599	(1,159,599)	646,412
Unrealized loss on investments	(4,837,361)	—	—	—	(4,837,361)
Total nonoperating activity, net	(4,386,112)	—	1,438,006	(1,268,053)	(4,216,159)
(Decrease) increase in net assets	(3,287,848)	795,465	1,893,905	(5,454)	(603,932)
Net assets, beginning of year	72,671,057	1,894,096	10,217,679	(818,621)	83,964,211
Net assets, end of year	\$ 69,383,209	2,689,561	12,111,584	(824,075)	83,360,279

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

See accompanying independent auditors' report.

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

Schedule of Activities Information

Year ended September 30, 2021

	Community Loan Fund of New Jersey, Inc. (note)	Community Lending Partners of New Jersey, Inc.	Community Asset Preservation Corporation	Eliminating entries	Total
Operating revenues, gains and other support:					
Interest from loans receivable	\$ 5,165,287	1,225,723	79,757	(493,759)	5,977,008
Investment interest and dividends	605,737	868	14,109	—	620,714
Total investment income	5,771,024	1,226,591	93,866	(493,759)	6,597,722
Interest expense	(3,394,915)	(658,569)	(14,655)	493,759	(3,574,380)
Net investment income	2,376,109	568,022	79,211	—	3,023,342
Provision for loan losses, net	(1,427,262)	(62,000)	—	65,000	(1,424,262)
Net investment income after provision for loan losses	948,847	506,022	79,211	65,000	1,599,080
Contributions, gifts, and grants	13,392,791	—	6,707,385	(176,079)	19,924,097
Fees	2,615,063	42,738	1,220,199	(25,122)	3,852,878
Rental income	72,112	—	5,632,524	—	5,704,636
Gain on sale of property and mortgages	(44,568)	—	2,082,811	—	2,038,243
Total operating revenues, gains and other support	16,984,245	548,760	15,722,130	(136,201)	33,118,934
Operating expenses:					
Program services	7,880,090	193,144	11,600,968	(193,654)	19,480,548
Supporting services:					
Management and general	1,303,539	34,006	698,254	(4,118)	2,031,681
Fundraising	1,089,489	—	465,158	(3,429)	1,551,218
Total supporting services	2,393,028	34,006	1,163,412	(7,547)	3,582,899
Total operating expenses	10,273,118	227,150	12,764,380	(201,201)	23,063,447
Changes in net assets before nonoperating activity	6,711,127	321,610	2,957,750	65,000	10,055,487
Nonoperating activity:					
Impairment loss on real property held for sale	—	—	(211,685)	—	(211,685)
Contributions from noncontrolling interests and other	2,387,500	—	1,877,362	1,163,052	5,427,914
Realized gain on investments	1,221,012	—	80,002	(341,409)	959,605
Unrealized gain on investments	1,430,743	—	—	—	1,430,743
Total nonoperating activity, net	5,039,255	—	1,745,679	821,643	7,606,577
Increase in net assets	11,750,382	321,610	4,703,429	886,643	17,662,064
Net assets, beginning of year	60,920,675	1,572,486	5,514,250	(1,705,264)	66,302,147
Net assets, end of year	\$ 72,671,057	1,894,096	10,217,679	(818,621)	83,964,211

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

See accompanying independent auditors' report.