

McGladrey & Pullen

Certified Public Accountants

Florida Community Loan Fund, Inc.

Financial Report
June 30, 2008

Contents

Independent Auditor's Report on the Financial Statements	1 -2
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Financial Statements

Statements of financial position	3
Statements of activities	4 - 5
Statements of functional expenses	6 - 7
Statements of cash flows	8
Notes to financial statements	9 - 19

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Certified Public Accountants

Independent Auditor's Report on the Financial Statements

To the Board of Directors
Florida Community Loan Fund, Inc.
Orlando, Florida

We have audited the accompanying statements of financial position of Florida Community Loan Fund, Inc. as of June 30, 2008 and 2007, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As more fully described in Note 2 to the financial statements, at June 30, 2007, the Florida Community Loan Fund, Inc. accounted for the transfers of participated loans as sale transactions. In our opinion, in order to conform with accounting principles generally accepted in the United States of America, language within the participation agreements required that such participated loans and the related obligations be accounted for as secured borrowings. Subsequent to June 30, 2007, the participation agreements were amended and at June 30, 2008, the transfers of participated loans are properly accounted for as sale transactions.

In our opinion, except for the effects on the June 30, 2007 financial statements of accounting for transfers of participated loans as sale transactions as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Florida Community Loan Fund, Inc. as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2008 on our consideration of Florida Community Loan Fund Inc.'s, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

McGladrey & Pullen, LLP

Orlando, Florida
September 10, 2008

Florida Community Loan Fund, Inc.

Statements of Financial Position
June 30, 2008 and 2007

	2008	2007
Assets		
Current Assets		
Cash and cash equivalents	\$ 3,419,288	\$ 2,533,106
Assignment receivable	462,534	-
Contributions receivable	110,578	82,332
Loans receivable	5,195,868	2,135,564
Allowance for loan losses	(293,623)	(77,187)
Loans receivable, net	<u>4,902,245</u>	<u>2,058,377</u>
Other current assets	29,378	28,777
Total current assets	<u>8,924,023</u>	<u>4,702,592</u>
Contributions Receivable, net of current portion	<u>15,166</u>	<u>23,700</u>
Loans Receivable	9,064,857	11,143,334
Allowance for Loan Losses	(422,823)	(810,438)
Loans receivable, net	<u>8,642,034</u>	<u>10,332,896</u>
Furniture and Equipment, net of accumulated depreciation of \$58,054 and \$46,815, respectively	81,386	43,086
Total assets	<u>\$ 17,662,609</u>	<u>\$ 15,102,274</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 54,657	\$ 56,314
Notes payable, current portion	1,310,000	1,296,500
Total current liabilities	<u>1,364,657</u>	<u>1,352,814</u>
Notes Payable, net of current portion	7,982,211	6,470,211
Other Liabilities – Equity Equivalent Investments	3,750,000	3,750,000
Total liabilities	<u>13,096,868</u>	<u>11,573,025</u>
Net Assets		
Unrestricted		
Designated by the Board for Loans	3,698,300	2,711,500
Undesignated	691,697	688,792
Temporarily restricted	175,744	128,957
Total net assets	<u>4,565,741</u>	<u>3,529,249</u>
Total liabilities and net assets	<u>\$ 17,662,609</u>	<u>\$ 15,102,274</u>

See Notes to Financial Statements.

Florida Community Loan Fund, Inc.

Statement of Activities
Year Ended June 30, 2008

	Unrestricted	Temporarily Restricted	2008 Total
Revenues:			
Grants and contributions	\$ 1,019,958	\$ 142,807	\$ 1,162,765
Interest on bank deposits	98,570	-	98,570
Interest on loans receivable	798,446	-	798,446
Loan fees and other	810,522	-	810,522
Net assets released from restrictions	96,020	(96,020)	-
Total revenues	2,823,516	46,787	2,870,303
Expenses:			
Payroll and related costs	722,561	-	722,561
Provision for loan losses	380,229	-	380,229
Interest expense	310,652	-	310,652
Professional fees	197,565	-	197,565
Office and administrative	94,914	-	94,914
Occupancy	37,313	-	37,313
Awards and grants	30,000	-	30,000
Membership and training	21,006	-	21,006
Other	20,819	-	20,819
Depreciation	11,416	-	11,416
Marketing	7,336	-	7,336
Total expenses	1,833,811	-	1,833,811
Change in net assets	989,705	46,787	1,036,492
Net assets:			
Beginning	3,400,292	128,957	3,529,249
Ending	\$ 4,389,997	\$ 175,744	\$ 4,565,741

See Notes to Financial Statements.

Florida Community Loan Fund, Inc.

Statement of Activities
Year Ended June 30, 2007

	Unrestricted	Temporarily Restricted	2007 Total
Revenues:			
Grant and contributions	\$ 509,036	\$ 92,178	\$ 601,214
Interest on bank deposits	144,616	-	144,616
Interest on loans receivable	718,781	-	718,781
Loan fees and other	27,919	-	27,919
Net assets released from restrictions	127,041	(127,041)	-
Total revenues	1,527,393	(34,863)	1,492,530
Expenses:			
Payroll and related costs	623,044	-	623,044
Interest expense	324,311	-	324,311
Provision for loan losses	221,670	-	221,670
Office and administrative	102,751	-	102,751
Professional fees	63,556	-	63,556
Occupancy	30,439	-	30,439
Depreciation	10,430	-	10,430
Membership and training	8,883	-	8,883
Marketing	7,512	-	7,512
Other	5,962	-	5,962
Total expenses	1,398,558	-	1,398,558
Change in net assets	128,835	(34,863)	93,972
Net assets:			
Beginning	3,271,457	163,820	3,435,277
Ending	\$ 3,400,292	\$ 128,957	\$ 3,529,249

See Notes to Financial Statements.

Florida Community Loan Fund, Inc.

Statement of Functional Expenses
Year Ended June 30, 2008

	Supporting Services			Total Supporting Services	Total Expenses
	Program Services	Management and General	Fundraising		
Payroll and related costs	\$ 490,589	\$ 163,178	\$ 68,794	\$ 231,972	\$ 722,561
Provision for loan losses	380,229	-	-	-	380,229
Interest expense	310,652	-	-	-	310,652
Professional fees	129,727	52,479	15,359	67,838	197,565
Office and administrative	54,771	32,463	7,680	40,143	94,914
Occupancy	25,334	8,427	3,552	11,979	37,313
Awards and grants	30,000	-	-	-	30,000
Membership and training	21,006	-	-	-	21,006
Other	20,819	-	-	-	20,819
Depreciation	7,751	2,578	1,087	3,665	11,416
Marketing	6,602	-	734	734	7,336
Total expenses	<u>\$ 1,477,480</u>	<u>\$ 259,125</u>	<u>\$ 97,206</u>	<u>\$ 356,331</u>	<u>\$ 1,833,811</u>

See Notes to Financial Statements.

Florida Community Loan Fund, Inc.

Statement of Functional Expenses
Year Ended June 30, 2007

	Supporting Services			Total Supporting Services	Total Expenses
	Program Services	Management and General	Fundraising		
Payroll and related costs	\$ 436,131	\$ 124,609	\$ 62,304	\$ 186,913	\$ 623,044
Interest expense	324,311	-	-	-	324,311
Provision for loan losses	221,670	-	-	-	221,670
Office and administrative	82,200	15,413	5,138	20,551	102,751
Professional fees	35,580	27,976	-	27,976	63,556
Occupancy	24,351	4,566	1,522	6,088	30,439
Depreciation	8,344	2,086	-	2,086	10,430
Membership and training	8,883	-	-	-	8,883
Marketing	6,761	-	751	751	7,512
Other	4,770	894	298	1,192	5,962
Total expenses	<u>\$ 1,153,001</u>	<u>\$ 175,544</u>	<u>\$ 70,013</u>	<u>\$ 245,557</u>	<u>\$ 1,398,558</u>

See Notes to Financial Statements.

Florida Community Loan Fund, Inc.

Statements of Cash Flows
Years Ended June 30, 2008 and 2007

	2008	2007
Cash Flows From Operating Activities		
Change in net assets	\$ 1,036,492	\$ 93,972
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	11,416	10,430
Loss on disposal of asset	256	-
Provision for loan losses	380,229	221,670
Changes in operating assets and liabilities:		
Other current assets	(8,497)	(22,325)
Contributions receivable	(19,712)	61,855
Accounts payable and accrued liabilities	(1,657)	(8,131)
Net cash provided by operating activities	<u>1,398,527</u>	<u>357,471</u>
Cash Flows From Investing Activities		
Loan funds disbursed	(3,615,326)	(3,469,624)
Repayment of loans disbursed	1,627,453	2,875,526
Purchase of furniture and equipment	(50,322)	(3,981)
Proceeds from sale of furniture and equipment	350	-
Net cash used in investing activities	<u>(2,037,845)</u>	<u>(598,079)</u>
Cash Flows From Financing Activities		
Proceeds from notes payable	2,276,500	750,000
Principal payments on notes payable	(751,000)	(255,789)
Net cash provided by financing activities	<u>1,525,500</u>	<u>494,211</u>
Net increase in cash and cash equivalents	<u>886,182</u>	<u>253,603</u>
Cash and cash equivalents:		
Beginning	2,533,106	2,279,503
Ending	<u>\$ 3,419,288</u>	<u>\$ 2,533,106</u>
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest	<u>\$ 313,071</u>	<u>\$ 333,937</u>
Supplemental Disclosure of Noncash Investing Activities		
Assignment receivable received upon borrower refinancing of loan receivable	<u>\$ 462,534</u>	<u>\$ -</u>

Notes to Financial Statements

Note 1. Nature of Operations and Significant Accounting Policies

Nature of operations: The Florida Community Loan Fund, Inc. ("Loan Fund") was incorporated in 1994 as a not-for-profit Florida corporation and is exempt from income taxation under Section 501(c)(3) of the Internal Revenue Code. The Loan Fund provides loans to qualifying not-for-profit organizations that provide social services, affordable housing and economic development programs for low-income communities and their residents throughout Florida. Also, the Loan Fund provides on-site technical assistance to its not-for-profit borrowers and prospective borrowers through partnerships with leading technical assistance providers in the state. The United States Department of the Treasury's Community Development Financial Institutions Fund ("CDFI Fund") certified the Loan Fund as a Community Development Financial Institution ("CDFI") in 1996. The Loan Fund is also certified as a Community Development Entity ("CDE") under the New Markets Tax Credits ("NMTC") Program of the United States Department of the Treasury.

The Loan Fund receives support from foundations, religious organizations, financial institutions, the federal CDFI Fund, trade associations and individuals through low-interest loans, permanent loan capital grants, and operating support grants. Internal sources of revenue are loan interest, deposit interest, and loan fees.

A summary of the Loan Fund's significant accounting policies follows:

Basis of financial statement presentation: The financial statements are presented in accordance with Statement of Financial Accounting Standards ("SFAS") No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Loan Fund and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that will be maintained permanently by the Loan Fund.

The Loan Fund's policy is to prepare its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates that are particularly susceptible to change in the near term include the allowance for loan losses. Actual results could differ from those estimates.

Notes to Financial Statements

Note 1. Nature of Operations and Significant Accounting Policies (Continued)

Grants and contributions: The Loan Fund accounts for contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. The Loan Fund reports gifts of cash and other assets received as restricted support if they are received with donor stipulations that limit the use of the donated assets and the restrictions are not met in the period that the contribution is received. When a donor restriction expires by either actions of the Loan Fund or the passage of time, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions receivable, which represent unconditional written promises to give, are revenues in the period when the written promise is received. Conditional promises to give are recognized when the conditions upon which they depend are substantially met.

Cash and cash equivalents: The Loan Fund considers cash equivalents to include any investment in money market funds, certificates of deposit, commercial paper, treasury bills, and investment securities with maturities at the time of purchase of three months or less. The Loan Fund maintains cash and cash equivalents with various major financial institutions. They are insured by the Federal Deposit Insurance Corporation ("FDIC"). From time to time, balances may exceed amounts insured by the FDIC. Management believes the Loan Fund is not exposed to any significant credit risk on cash and cash equivalents.

Loans receivable: Loans are stated at the principal amount outstanding. The allowance for loan losses is netted with loans receivable. Interest income on loans is accrued at the loan's stated interest rate on the principal balance outstanding.

It is the policy of the Loan Fund to discontinue the accrual of interest when loan payments are delinquent for 90 days based on contractual terms, and, in management's opinion, the timely collection of interest or principal becomes uncertain, unless the loan principal and interest are determined by management to be fully collateralized and in the process of collection. Any unpaid amounts of interest previously accrued on these delinquent loans are then reversed from income. Interest on these loans is recognized when paid by the borrower only if collection of principal is likely to occur. A nonaccrual loan may be reinstated to an accrual status when contractual principal and interest payments are current and collection is reasonably assured.

Allowance for loan losses: The allowance for loan losses is established through a provision for loan losses charged to expense. Loans are charged-off against the allowance when management determines that the loan is uncollectible. Subsequent recoveries of amounts previously charged-off are credited to the allowance. The allowance for loan losses is maintained at a level believed adequate by management to absorb estimated potential losses after considering various factors, including prevailing and anticipated economic conditions, diversification and size of the loan portfolio, current financial status and credit standing of the borrowers, the status and level of non-performing assets, past and expected loan loss experience, adequacy of collateral, and specific impaired loans.

A loan is considered impaired when, based on current information and events, it is probable that the Loan Fund will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. The Loan Fund monitors all loans in the portfolio on an ongoing basis, and reviews loan classifications for all loans in the portfolio in accordance with its lending policies. Allowances for impaired loans are generally determined based on collateral values or the present value of estimated cash flows.

Notes to Financial Statements

Note 1. Nature of Operations and Significant Accounting Policies (Continued)

Furniture and equipment: Furniture and equipment is carried at cost less accumulated depreciation. Depreciation is taken on a straight-line basis over their estimated useful lives ranging from five to seven years. Major renewals, betterments, and replacements are capitalized. Maintenance and repairs are charged to expense as incurred.

Other liabilities – equity equivalent investments: Other liabilities are subordinated promissory notes with a rolling term (maturity) feature that lenders are classifying as Equity Equivalent Investments ("EQ2"). EQ2's are unique to the CDFI industry. They were created as a mechanism for not-for-profit CDFI's to acquire equity-like capital.

Below market interest rate loans: Accounting principles generally accepted in the United States of America require not-for-profit organizations to record interest expense (income) and contribution revenue (expense) in connection with loans that are interest free or that have below market interest rates. The Loan Fund believes there is no material difference between prevailing community development finance market rates and the stated rates of loans receivable in its portfolios, notes payable, or other liabilities. Consequently, no adjustments have been made to the financial statements to reflect rate differentials.

Reclassifications: Certain amounts in the 2007 financial statements have been reclassified in order to conform to the 2008 presentation. These reclassifications had no impact on total assets, total liabilities, total net assets, change in net assets, or cash flows previously reported.

Note 2. New Markets Tax Credit Program

During the 2004 fiscal year, the Loan Fund received a New Markets Tax Credit Program ("Program") allocation of \$15,000,000. The Program is administered by the CDFI Fund pursuant to Section 45D of the Internal Revenue Code. In accordance with the terms of the Program, the Loan Fund formed four for-profit entities to obtain Qualified Equity Investments ("QEIs") from investors to make qualified investments into Qualified Active Low-Income Community Businesses ("QALICBs"): The Florida Community New Markets Fund, LLC; The Florida Community New Markets Fund II, LLC; The Florida Community New Markets Fund III, LLC; and The Florida Community New Markets Fund IV, LLC (collectively the "FCNMF LLCs").

In September 2007, the Loan Fund sub-allocated a portion of its allocation to two of its FCNMF LLCs. The operating agreement of The Florida Community New Markets Fund, LLC was amended to admit an investor member making an \$8.3 million QEI. The Loan Fund serves as the Managing Member with a .01% interest and the Investor Member has a 99.99% interest. This entity invested in one QALICB through the issuance of two loans. The operating agreement of The Florida Community New Markets Fund II, LLC was amended to admit an investor member making a \$1 million QEI. The Loan Fund serves as Manager with a 0% interest and the unrelated Investor Member has a 100% interest. At June 30, 2008, this entity had not made an investment in a QALICB.

These two FCNMF LLCs have been identified as variable interest entities ("VIEs") in accordance with the Financial Accounting Standards Board ("FASB") Interpretation No. 46 (revised December 2003), *Consolidation of Variable Interests Entities* ("FIN 46R"). VIEs are defined as entities with a level of invested equity that is not sufficient to fund future activities to permit them to operate on a stand alone basis or whose equity holders lack certain characteristics of a controlling financial interest. FIN 46R sets forth a module to evaluate potential consolidation based on an assessment of which party to the VIE, if any, bears a majority of the exposure to expected losses, or stands to gain from a majority of its expected returns.

Notes to Financial Statements

Note 2. New Markets Tax Credit Program (Continued)

In accordance with FIN 46R, the Florida Community New Markets Fund, LLC has been included in the audited financial statements of ASPIRA North Investment Fund, LLC, as a consolidated entity as of and for the year ended December 31, 2007. Additionally, the Loan Fund has determined that is not the primary beneficiary of the Florida Community New Market Fund II, LLC and, accordingly, has not consolidated this entity. For its participation in establishing the LLCs, the Loan Fund earned upfront fees of approximately \$742,000 which are included as a component of loan fees and other in the accompanying 2008 statement of activities.

Terms of the operating agreements require the Loan Fund to maintain certain covenants to avoid recapture of New Markets Tax Credits (NMTC). At June 30, 2008, the Loan Fund was in compliance with all covenants that would cause a recapture of NMTC and management expects to maintain compliance throughout the seven-year life of the NMTC.

The Loan Fund is the Managing Partner for The Florida Community New Markets Fund III, LLC and The Florida Community New Markets Fund IV, LLC, with a 0.01% ownership interest in each entity. At June 30, 2008, both of these entities are unfunded and have no recorded assets or liabilities.

Note 3. Participated Loans

The Loan Fund accounts for the transfers of participated loans as sale transactions and excludes such amounts from loans receivable and liabilities in the accompanying statement of financial position.

At June 30, 2007, one clause within the participation agreements did not qualify the transactions for treatment as sales under accounting principles generally accepted in the United States of America. Notwithstanding separate language in the agreements that stipulates that both parties to the agreements understood the transactions to be a sale/purchase of assets at June 30, 2007, the transactions should have been accounted for as secured borrowings and the participated loans, related obligations, and related interest income and expense included in the organization's financial statements. If these participated loans were included, loans receivable and liabilities would have increased by \$2,493,031 as of June 30, 2007 and interest income and interest expense would have increased by \$155,471 for the year then ended.

Subsequent to June 30, 2007, the Loan Fund and the counterparties amended the participation agreements to reaffirm the seller/purchaser intent in the original agreements.

Had the amendments been in effect on or prior to June 30, 2007, the Loan Fund's accounting for participated loans would have been in conformity with accounting principles generally accepted in the United States of America as of June 30, 2007. As of June 30, 2008, under the terms of the amended agreements, these participations qualify for treatment as sales under accounting principles generally accepted in the United States of America and are reflected as such.

Florida Community Loan Fund, Inc.

Notes to Financial Statements

Note 4. Loans Serviced for Others

Loans serviced for others are not included in the accompanying statements of financial condition. The unpaid principal balances of loans serviced for others at June 30, 2008 and 2007 are as follows:

	<u>2008</u>	<u>2007</u>
Loan portfolio serviced for:		
Enterprise Community Loan Fund	\$ 2,006,738	\$ 2,168,262
Miami Coalition for the Homeless	315,149	324,769
	<u>\$ 2,321,887</u>	<u>\$ 2,493,031</u>

Note 5. Loans Receivable

Loans receivable from not-for-profit corporations at June 30, 2008 and 2007 are classified as follows:

	<u>2008</u>	<u>2007</u>
Loans by collateral:		
5.0% - 7.75% and 2.5% - 7.5%, respectively, secured by real estate (mortgage)	\$ 14,201,521	\$ 13,210,225
5.5% secured by collateral assignment of notes receivable	59,204	68,673
	<u>14,260,725</u>	<u>13,278,898</u>
Less allowance for loan losses	(716,446)	(887,625)
	<u>\$ 13,544,279</u>	<u>\$ 12,391,273</u>
Amounts due in:		
Less than one year	\$ 5,195,868	\$ 2,135,564
One to 10 years	9,064,857	11,143,334
	<u>\$ 14,260,725</u>	<u>\$ 13,278,898</u>

Florida Community Loan Fund, Inc.

Notes to Financial Statements

Note 5. Loans Receivable (Continued)

	June 30, 2008	
	Outstanding	Undisbursed
Loans by type:		
Affordable/supportive housing	\$ 11,376,681	\$ 3,268,855
Community facilities	1,959,732	-
Economic development	924,312	-
	<u>\$ 14,260,725</u>	<u>\$ 3,268,855</u>
	June 30, 2007	
	Outstanding	Undisbursed
Loans by type:		
Affordable/supportive housing	\$ 9,829,884	\$ 1,688,675
Community facilities	2,797,556	-
Economic development	651,458	-
	<u>\$ 13,278,898</u>	<u>\$ 1,688,675</u>

The undisbursed portion of loans shown above are loans closed but not fully disbursed, such as construction loans and lines of credit.

Changes in the allowance for loan losses for the years ended June 30, 2008 and 2007 are as follows:

	2008	2007
Beginning balance	\$ 887,625	\$ 665,955
Provision for loan losses	380,229	221,670
Write-off of uncollectible loans	(551,408)	-
	<u>\$ 716,446</u>	<u>\$ 887,625</u>

At June 30, 2007, there was one loan on which the accrual of interest had been discontinued. The principal balance of this loan, which was determined to be impaired, at June 30, 2007 was \$500,000 and a reserve of \$250,000 for the estimated loss related to this loan was included in the allowance for loan losses as of June 30, 2007. Interest income that would have been recognized in the year ended June 30, 2007 had nonaccrual loans performed according to original terms totaled approximately \$7,200. The loan was written off as uncollectible in the year ended June 30, 2008.

At June 30, 2008, there were no loans on nonaccrual status and no loans identified by management as impaired loans. No income was recognized on impaired loans in the years ended June 30, 2008 and 2007.

Florida Community Loan Fund, Inc.

Notes to Financial Statements

Note 6. Assignment Receivable

Assignment receivable represents amounts due to the Loan Fund for a loan receivable refinanced by the borrower with a third-party. The assignment of the borrower's note and the Loan Fund's interest in the borrower's collateral was completed on June 19, 2008, transferring payment obligation from the borrower to the assignee of the note. The assignment receivable was collected in full on July 18, 2008.

Note 7. Contributions Receivable

The Loan Fund has received written pledges from organizations that are unrestricted and available for operating expenses upon collection. The pledges are collectible in succeeding fiscal years. Amounts not expected to be collected within one year have been discounted to their estimated fair value. The Loan Fund uses the allowance method of accounting for doubtful accounts. The year-end allowance balance is based upon review of the current status of existing receivables and management's estimate as to their collectability. At June 30, 2008 and 2007, management determined that no allowance is deemed necessary.

Unconditional pledges are summarized for the years ended June 30, 2008 and 2007 as follows:

	2008	2007
Unconditional promises to give before unamortized discount	\$ 140,000	\$ 115,000
Less: unamortized discount	(14,256)	(8,968)
	<u>\$ 125,744</u>	<u>\$ 106,032</u>
Amounts due in:		
Less than one year	\$ 110,578	\$ 82,332
One to three years	15,166	23,700
	<u>\$ 125,744</u>	<u>\$ 106,032</u>

Florida Community Loan Fund, Inc.

Notes to Financial Statements

Note 8. Notes Payable

Notes payable include amounts due to foundations, individuals, financial institutions, religious organizations, the federal CDFI Fund and trade associations. The Loan Fund's obligations under notes payable for the years ended June 30, 2008 and 2007 consist of the following amounts:

	<u>2008</u>	<u>2007</u>
Unsecured:		
0% (interest-free): Five (5) notes payable; various maturities through April 2013 and June 2011, respectively	\$ 22,000	\$ 22,000
1%: One (1) note payable, interest only, payable annually, matures May 2010.	4,000	4,000
2%: Twenty-four (24) notes payable, interest only, payable periodically, various maturities through January 2019	6,130,000	4,606,000
2.5%: Two (2) notes payable, interest only, payable semi-annually or annually, various maturities through April 2010	220,000	220,000
3%: Eight (8) and nine (9), respectively, notes payable, interest only, payable periodically, various maturities through April 2017	1,866,211	2,614,711
3.25%: One (1) note payable, interest only, payable quarterly, matures June 2018	750,000	-
4%: One (1) note payable, interest only, payable quarterly, matures July 2009	300,000	300,000
	<u>9,292,211</u>	<u>7,766,711</u>
Less current portion	<u>(1,310,000)</u>	<u>(1,296,500)</u>
	<u>\$ 7,982,211</u>	<u>\$ 6,470,211</u>

Principal maturity requirements on notes payable subsequent to June 30, 2008 are as follows:

Year Ending June 30,	Amount
2009	\$ 1,310,000
2010	2,374,211
2011	768,000
2012	500,000
2013	680,000
Thereafter	3,660,000
	<u>\$ 9,292,211</u>

Florida Community Loan Fund, Inc.

Notes to Financial Statements

Note 9. Other Liabilities – Equity Equivalent Investments

The Organization has outstanding amounts under equity equivalent subordinated promissory note agreements for the years ended June 30, 2008 and 2007 as follows:

	<u>2008</u>	<u>2007</u>
Washington Mutual Bank, 3.5% interest only, payable quarterly. Initial ten year term; unsecured; subordinated with rolling maturity.	\$ 2,000,000	\$ 2,000,000
Wachovia Bank, 3% interest only, payable quarterly. Initial ten year term; unsecured; subordinated with rolling maturity.	750,000	750,000
Regions Bank (formerly AmSouth Bank), 2% interest only, payable quarterly. Initial ten year term; unsecured; subordinated with rolling maturity.	500,000	500,000
Regions Bank (formerly AmSouth Bank), 2% interest only, payable annually. Initial ten year term; unsecured; subordinated with rolling maturity.	500,000	500,000
	<u>\$ 3,750,000</u>	<u>\$ 3,750,000</u>

These notes are subordinated to all other debt of the Loan Fund.

Note 10. Temporarily Restricted Net Assets

Temporarily restricted net assets for the years ended June 30, 2008 and 2007 are as follows:

	<u>2008</u>	<u>2007</u>
Contributions due in future periods	\$ 125,744	\$ 56,032
Florida Green initiative	50,000	30,000
Hurricane relief funds	-	36,145
Child care initiative	-	6,780
	<u>\$ 175,744</u>	<u>\$ 128,957</u>

Contributions due in future periods, presented above at their present value, consist of two grants at June 30, 2008 and 2007. Hurricane/Disaster loan loss reserve funds were provided by the Fannie Mae Foundation at June 30, 2007. The Home Depot Foundation provided two grants: 1) to incentivize green affordable housing building; and 2) to hire a Florida Green coordinator and provide grants to Florida nonprofit corporations building affordable housing at June 30, 2008 and 2007. Jimmy Buffet's Singing for Change Foundation provided a matching grant to the National Community Capital Association's program development grant to develop loan products to expand quality childcare facilities in Florida at June 30, 2007.

Florida Community Loan Fund, Inc.

Notes to Financial Statements

Note 11. Commitments

Lines of credit: In the ordinary course of business, the Loan Fund has entered in to off-balance sheet financial instruments consisting of commitments to borrow. At June 30, 2008, the Loan Fund has an unsecured \$200,000 operating line of credit with Wachovia at prime with a maturity date of June 7, 2009, an unsecured \$1,500,000 loan capital line of credit with JP Morgan Chase at prime less 150 basis points with a maturity date of February 6, 2009, and an unsecured \$1,750,000 line of credit with Bank of America at a 3.25% interest rate with a maturity date of June 26, 2018. As of June 30, 2008, \$750,000 had been disbursed on the available Bank of America line of credit, no funds had been disbursed on the other lines of credit. As of June 30, 2007, no funds had been disbursed on the lines of credit.

Commitments to extend credit: In the normal course of business to meet the financing needs of its borrowers the Loan Fund is a party to commitments to extend credit. Those instruments involve, to varying degrees, elements of credit, liquidity and interest rate risk in excess of the amount recognized in the balance sheet. The Loan Fund uses the same credit policies in making commitments to extend credit as it does for extension of credits recorded on the balance sheet. The Loan Fund's exposure to credit loss in the event of nonperformance by the other party for commitments to extend credit is represented by the contractual amount of those instruments.

Commitments to extend credit include new loan commitments and line of credit agreements to lend to a borrower as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses. Since many of the commitments may expire without being fully drawn upon, the total commitment amounts do not necessarily represent future cash requirements. There were three new loan commitments at June 30, 2008 for \$1,438,500 and one new loan commitment at June 30, 2007 for \$500,000. In addition, unfunded borrowers' lines of credit approximated \$3,269,000 and \$1,689,000 at June 30, 2008 and 2007, respectively.

The Loan Fund evaluates each borrower's creditworthiness on a case-by-case basis. The amount of collateral obtained, if any, is based on management's credit evaluation of the borrower.

Note 12. Lease Commitments

The Loan Fund leases its office site and other office equipment. The lease agreements are for three years and are accounted for as operating leases. The rent expense under the said leases was approximately \$34,000 and \$29,000 for the years ended June 30, 2008 and 2007, respectively. Commitments for future rentals, by year and in the aggregate, to be paid as of June 30, 2008 are as follows:

Year Ending June 30,	Amount
2009	\$ 52,474
2010	53,940
2011	43,543
	<u>\$ 149,957</u>

Notes to Financial Statements

Note 13. Employee Retirement Plan

The Loan Fund has a defined contribution retirement plan for employees, which permits pre-tax contributions to the plan by participants pursuant to Section 403(b) of the Internal Revenue Code up to the legal maximums, as defined. The Loan Fund makes contributions based on a formula set forth in its personnel policies. Participants are immediately vested in their contributions and the Loan Fund contributions are immediately vested. The Loan Fund made contributions to the plan for the fiscal years ending June 30, 2008 and 2007 of \$48,333 and \$34,091, respectively.

Note 14. Subsequent Event

In July 2008, during the 2009 fiscal year, The Florida Community New Markets Fund II, LLC invested in one QALICB through the issuance of two loans.

In August 2008, during the 2009 fiscal year, the Loan Fund received a CORE Financial Assistance award from the U.S. Department of the Treasury's Community Development Financial Institution Fund (CDFI Fund) of \$1,000,000 towards loan capital.