

# McGladrey & Pullen

Certified Public Accountants

## Florida Community Loan Fund, Inc.

Financial Report  
June 30, 2009 and 2008

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# McGladrey & Pullen

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, 2009 and 2008, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Florida Community Loan Fund, Inc.'s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Florida Community Loan Fund, Inc. as of June 30, 2009 and 2008, 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 15, 2009 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 audits.

*McGladrey & Pullen, LLP*

Orlando, Florida  
September 15, 2009

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Florida Community Loan Fund, Inc.

Statements of Financial Position  
June 30, 2009 and 2008

	2009	2008
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 3,146,093	\$ 3,419,288
Certificates of deposit	2,026,408	-
Assignment receivable	-	462,534
Contributions receivable	20,000	110,578
Loans receivable	6,025,860	5,195,868
Allowance for loan losses	(876,323)	(293,623)
<b>Loans receivable, net</b>	<u>5,149,537</u>	<u>4,902,245</u>
Other current assets	54,198	29,378
<b>Total current assets</b>	<u>10,396,236</u>	<u>8,924,023</u>
Contributions Receivable, net of current portion	<u>9,228</u>	<u>15,166</u>
Loans Receivable	9,463,058	9,064,857
Allowance for Loan Losses	(484,639)	(422,823)
<b>Loans receivable, net</b>	<u>8,978,419</u>	<u>8,642,034</u>
Furniture and Equipment, net of accumulated depreciation in 2009 of \$74,451; 2008 of \$58,054	<u>67,802</u>	<u>81,386</u>
<b>Total assets</b>	<u>\$ 19,451,685</u>	<u>\$ 17,662,609</u>
<b>Liabilities and Net Assets</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 132,430	54,657
Notes payable and lines of credit, current portion	2,424,211	1,310,000
<b>Total current liabilities</b>	<u>2,556,641</u>	<u>1,364,657</u>
Notes Payable and Lines of Credit, net of current portion	7,793,000	7,982,211
Other Liabilities – Equity Equivalent Investments	3,750,000	3,750,000
<b>Total liabilities</b>	<u>14,099,641</u>	<u>13,096,868</u>
Net Assets		
Unrestricted		
Designated by the Board for loans	4,448,300	3,698,300
Undesignated	749,516	691,697
Temporarily restricted	154,228	175,744
<b>Total net assets</b>	<u>5,352,044</u>	<u>4,565,741</u>
<b>Total liabilities and net assets</b>	<u>\$ 19,451,685</u>	<u>\$ 17,662,609</u>

See Notes to Financial Statements.

Florida Community Loan Fund, Inc.

Statement of Activities  
Year Ended June 30, 2009

	Unrestricted	Temporarily Restricted	2009 Total
Revenues:			
Grants and contributions	\$ 1,350,538	\$ 81,291	\$ 1,431,829
Interest on bank deposits	60,436	-	60,436
Interest on loans receivable	882,473	-	882,473
Loan fees and other	561,392	-	561,392
Net assets released from restrictions	102,807	(102,807)	-
<b>Total revenues</b>	<b>2,957,646</b>	<b>(21,516)</b>	<b>2,936,130</b>
Expenses:			
Payroll and related costs	765,407	-	765,407
Provision for loan losses	644,516	-	644,516
Interest expense	356,244	-	356,244
Professional fees	181,845	-	181,845
Office and administrative	87,516	-	87,516
Occupancy	57,918	-	57,918
Membership and training	19,595	-	19,595
Depreciation	17,190	-	17,190
Marketing	13,629	-	13,629
Other	5,967	-	5,967
<b>Total expenses</b>	<b>2,149,827</b>	<b>-</b>	<b>2,149,827</b>
<b>Change in net assets</b>	<b>807,819</b>	<b>(21,516)</b>	<b>786,303</b>
Net assets:			
Beginning	4,389,997	175,744	4,565,741
Ending	<u>\$ 5,197,816</u>	<u>\$ 154,228</u>	<u>\$ 5,352,044</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)	-
<b>Total revenues</b>	<b>2,823,516</b>	<b>46,787</b>	<b>2,870,303</b>
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
Depreciation	11,416	-	11,416
Marketing	7,336	-	7,336
Other	20,819	-	20,819
<b>Total expenses</b>	<b>1,833,811</b>	<b>-</b>	<b>1,833,811</b>
<b>Change in net assets</b>	<b>989,705</b>	<b>46,787</b>	<b>1,036,492</b>
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 Functional Expenses  
Year Ended June 30, 2009

	Supporting Services				Total Supporting Services	Total Expenses
	Program Services	Management and General	Fundraising			
Payroll and related costs	\$ 529,272	\$ 164,512	\$ 71,623	\$ 236,135	\$ 765,407	
Provision for loan losses	644,516	-	-	-	644,516	
Interest expense	356,244	-	-	-	356,244	
Professional fees	118,550	43,910	19,385	63,295	181,845	
Office and administrative	52,025	28,451	7,040	35,491	87,516	
Occupancy	40,050	12,448	5,420	17,868	57,918	
Membership and training	19,595	-	-	-	19,595	
Depreciation	11,886	3,698	1,606	5,304	17,190	
Marketing	12,265	-	1,364	1,364	13,629	
Other	5,967	-	-	-	5,967	
<b>Total expenses</b>	<b>\$ 1,790,370</b>	<b>\$ 253,019</b>	<b>\$ 106,438</b>	<b>\$ 359,457</b>	<b>\$ 2,149,827</b>	

See Notes to Financial Statements.

Florida Community Loan Fund, Inc.

Statement of Functional Expenses  
Year Ended June 30, 2008

	Supporting Services				Total Expenses
	Program Services	Management and General	Fundraising	Total Supporting Services	
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
Depreciation	7,751	2,578	1,087	3,665	11,416
Marketing	6,602	-	734	734	7,336
Other	20,819	-	-	-	20,819
<b>Total expenses</b>	<b>\$ 1,477,480</b>	<b>\$ 259,125</b>	<b>\$ 97,206</b>	<b>\$ 356,331</b>	<b>\$ 1,833,811</b>

See Notes to Financial Statements.

Florida Community Loan Fund, Inc.

Statements of Cash Flows  
Years Ended June 30, 2009 and 2008

	2009	2008
Cash Flows From Operating Activities		
Change in net assets	\$ 786,303	\$ 1,036,492
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	17,190	11,416
Loss on disposal of asset	1,587	256
Provision for loan losses	644,516	380,229
Changes in operating assets and liabilities:		
Other current assets	(24,820)	(8,497)
Contributions receivable	96,516	(19,712)
Accounts payable and accrued liabilities	77,773	(1,657)
<b>Net cash provided by operating activities</b>	<b>1,599,065</b>	<b>1,398,527</b>
Cash Flows From Investing Activities		
Purchases of certificates of deposit	(2,026,408)	-
Loan funds disbursed	(3,536,377)	(3,615,326)
Repayment of loans disbursed	2,308,184	1,627,453
Proceeds from collection of assignment receivable	462,534	-
Purchase of furniture and equipment	(5,193)	(50,322)
Proceeds from sale of furniture and equipment	-	350
<b>Net cash used in investing activities</b>	<b>(2,797,260)</b>	<b>(2,037,845)</b>
Cash Flows From Financing Activities		
Proceeds from notes payable	1,325,000	2,276,500
Principal payments on notes payable	(400,000)	(751,000)
<b>Net cash provided by financing activities</b>	<b>925,000</b>	<b>1,525,500</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(273,195)</b>	<b>886,182</b>
Cash and cash equivalents:		
Beginning	3,419,288	2,533,106
Ending	<b>\$ 3,146,093</b>	<b>\$ 3,419,288</b>
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest	<b>\$ 352,712</b>	<b>\$ 313,071</b>
Supplemental Disclosure of Noncash Investing Activities		
Assignment receivable received upon borrower refinancing of loan receivable	<b>\$ -</b>	<b>\$ 462,534</b>

See Notes to Financial Statements.

Notes to Financial Statements

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**Note 1. Nature of Operations and Significant Accounting Policies**

Nature of operations: The Florida Community Loan Fund, Inc. (the Loan Fund or Organization) 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 primarily 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 Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (Statement) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under Statement 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

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

Grants and contributions: The Loan Fund accounts for contributions in accordance with Statement 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.

Grant revenue is recognized upon receipt of the funds. During 2009, the Loan Fund received \$1,000,000 of federal funds from the Community Development Financial Institutions Fund in the form of a grant.

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.

Certificates of deposit: The Loan Fund holds certificates of deposit with maturity dates at time of purchase greater than three months. These certificates of deposit are carried at amortized cost.

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 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.

Allowance for loan losses are allocated between current and long-term on the accompanying statements of financial position based on a specific identification method to be consistent with the classification of the associated loan receivable balance.

Notes to Financial Statements

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

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.

Furniture and equipment: Furniture and equipment is carried at cost less accumulated depreciation. Depreciation is based on the straight-line method over the 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.

Subsequent events: Management has assessed subsequent events through September 15, 2009, the date the financial statements were available to be issued.

Fair value measurements: Effective January 1, 2008, the Loan Fund adopted the provisions of Statement 157, *Fair Value Measurements*. On February 12, 2008, the FASB issued Staff Position 157-2, which delayed the effective date for Statement 157 for nonfinancial assets and nonfinancial liabilities until January 1, 2009. As such, the Loan Fund did not adopt Statement 157's fair value framework for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements at least annually. Statement 157 establishes a single authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures for instruments carried at fair value. The statement applies only to fair value measurements which are already required or permitted by other accounting standards. Accordingly, this statement does not require any new fair value measurements. Statement 157 clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Under Statement 157, fair value measurements are not adjusted for transaction costs.

Notes to Financial Statements

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

Statement 157 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels are defined as follows:

- Level 1 – inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that are accessible at the measurement date.
- Level 2 – inputs to the valuation methodology include quoted prices in markets that are not active or quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 – inputs to the valuation methodology are unobservable, reflecting the entity's own assumptions about assumptions market participants would use in pricing the asset or liability.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

New accounting pronouncements: In June 2006, the FASB issued Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement 109*. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with Statement 109, *Accounting for Income Taxes*. FIN 48 prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements tax positions taken or expected to be taken on a tax return, including positions on unrelated business income when the organization is exempt from income taxes. If there are changes in net assets as a result of application of FIN 48 these will be accounted for as an adjustment to the opening balance of net assets. Additional disclosures about the amounts of such liabilities will be required also. The Loan Fund presently recognizes uncertain income tax positions based on management's estimate of whether it is probable that a liability has been incurred under Statement 5, *Accounting for Contingencies*. The Loan Fund has elected to defer the application of FIN 48 in accordance with FASB Staff Position (FSP) FIN 48-3. This FSP defers the effective date of FIN 48 for nonpublic enterprises included within its scope to the annual financial statements for fiscal years beginning after December 15, 2008. The Loan Fund will be required to adopt FIN 48 in its 2010 annual financial statements. Management has assessed the impact of FIN 48 on its financial position and results of activities and has determined there will not be any significant impact on its financial statements upon adoption of FIN 48.

Notes to Financial Statements

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

In June 2009, the FASB issued Statement 166, *Accounting for Transfers of Financial Assets – an amendment of FASB Statement No. 140*. Statement 166 clarifies that the objective of paragraph 9 of Statement 140 is to determine whether a transferor and all of the entities included in the transferor's financial statements have surrendered control over transferred financial assets. That determination must consider the transferor's continuing involvement in the transferred financial assets. Statement 166 modifies the financial components approach used in Statement 140 and limits the circumstances in which a financial asset, or portion of a financial asset, such as a loan participation, should be derecognized when the transferor has not transferred the entire original financial asset to an entity that is not consolidated with the transferor and/or when the transferor has continuing involvement with the transferred financial asset. Statement 166 is effective for financial reporting periods beginning after November 15, 2009. Statement 166 will be adopted by the Loan Fund on July 1, 2010. Management is evaluating the potential impact of Statement 166 on the Loan Fund's financial position and results of activities.

**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. Concurrently with sub-allocation, 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. In July 2008, this entity invested in one QALICB through the issuance of two loans.

In April 2009, the Loan Fund sub-allocated the last portion of its allocation to The Florida Community New Markets Fund III, LLC. The operating agreement of The Florida Community New Markets Fund III, LLC was amended to admit an investor member making a \$5.7 million QEI. The Loan Fund serves as the Managing Member with a .01% interest and the Investor Member has a 99.99% interest. In May 2009, this entity invested in one QALICB through the issuance of one loan.

These three FCNMF LLCs have been identified as variable interest entities (VIEs) in accordance with the 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.

## Florida Community Loan Fund, Inc.

### Notes to Financial Statements

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#### 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, 2008 and 2007. Additionally, the Loan Fund has determined that it is not the primary beneficiary of the Florida Community New Market Fund II, LLC or the Florida Community New Market Fund III, LLC and, accordingly, has not consolidated these entities. For its participation in establishing the LLCs, the Loan Fund earned upfront fees of approximately \$458,000 and \$742,000 at June 30, 2009 and 2008, respectively, which are included as a component of loan fees and other in the accompanying 2009 and 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, 2009, the Loan Fund is 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 IV, LLC, with a 0.01% ownership interest in this entity.

#### Note 3. Participated Loans and Loan Servicing

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.

Loans serviced for others, as lead lender in participation agreements, are not included in the accompanying statements of financial condition. The unpaid principal balances of loans serviced for others at June 30, 2009 and 2008 are as follows:

	2009	2008
Loan portfolio serviced for:		
Enterprise Community Loan Fund	\$ 1,680,051	\$ 2,006,738
Miami Coalition for the Homeless	462,978	315,149
Partners for Common Good	456,651	-
	<u>\$ 2,599,680</u>	<u>\$ 2,321,887</u>

Florida Community Loan Fund, Inc.

Notes to Financial Statements

**Note 4. Loans Receivable**

Loans receivable from not-for-profit corporations at June 30, 2009 and 2008 are classified as follows:

	<u>2009</u>	<u>2008</u>
Loans By Collateral:		
4.5% - 7.75% And 5.0% - 7.75%, Respectively, Secured By Real Estate (Mortgage)	\$ 15,488,918	\$ 14,201,521
5.5% Secured By Collateral Assignment Of Notes Receivable	-	59,204
	<u>15,488,918</u>	<u>14,260,725</u>
Less allowance for loan losses	(1,360,962)	(716,446)
	<u>\$ 14,127,956</u>	<u>\$ 13,544,279</u>

Principal maturity requirements on loans receivable subsequent to June 30, 2009 are as follows:

Years Ending June 30,	Amount
2010	\$ 6,025,860
2011	2,922,639
2012	1,804,344
2013	794,096
2014	1,687,118
Thereafter	2,254,861
	<u>\$ 15,488,918</u>

	<u>June 30, 2009</u>	
	<u>Outstanding</u>	<u>Undisbursed</u>
Loans by type:		
Affordable/supportive housing	\$ 12,485,782	\$ 2,288,712
Community facilities	2,146,040	94,068
Economic development	857,096	-
	<u>\$ 15,488,918</u>	<u>\$ 2,382,780</u>

	<u>June 30, 2008</u>	
	<u>Outstanding</u>	<u>Undisbursed</u>
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>

Florida Community Loan Fund, Inc.

Notes to Financial Statements

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**Note 4. Loans Receivable (Continued)**

The undisbursed portion of loans shown above are loans closed but not fully disbursed and available to be drawn upon by the borrowers, such as construction loans and lines of credit.

Changes in the allowance for loan losses for the years ended June 30, 2009 and 2008 are as follows:

	2009	2008
Beginning balance	\$ 716,446	\$ 887,625
Provision for loan losses	644,516	380,229
Write-off of uncollectible loans	-	(551,408)
	<u>\$ 1,360,962</u>	<u>\$ 716,446</u>

Information about nonaccrual and impaired loans as of and for the year ended June 30, 2009 is summarized as follows:

	2009
Impaired loans with a valuation allowance	\$ 1,726,512
Allowance related to impaired loans	625,567
Average investment in impaired loans during 2009	863,256
Interest income recognized on impaired loans during the year	74,569
Interest income foregone on loans on non-accrual status	18,233

At June 30, 2009, these loans were deemed impaired in accordance with Statement No. 114, *Accounting by Creditors for Impairment of a Loan*, an amendment of FASB Statements No. 5 and 15, significantly due to construction or home sale delays on the projects that these loans are funding. There was only one loan for the amount of \$500,000 that was deemed impaired and placed on nonaccrual status after project delays lead to a mutually agreed forbearance of loan payments.

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 year ended June 30, 2008.

**Note 5. Assignment Receivable**

Assignment receivable at June 30, 2008 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.

Florida Community Loan Fund, Inc.

Notes to Financial Statements

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**Note 6. 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, 2009 and 2008, management determined that no allowance is deemed necessary.

Unconditional pledges are summarized for the years ended June 30, 2009 and 2008 as follows:

	2009	2008
Unconditional promises to give before unamortized discount	\$ 30,000	\$ 140,000
Less: unamortized discount	(772)	(14,256)
	<u>\$ 29,228</u>	<u>\$ 125,744</u>
Amounts due in:		
Less than one year	\$ 20,000	\$ 110,578
One to three years	9,228	15,166
	<u>\$ 29,228</u>	<u>\$ 125,744</u>

Florida Community Loan Fund, Inc.

Notes to Financial Statements

**Note 7. Notes Payable and Lines of Credit**

Notes payable and lines of credit are unsecured and 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 and lines of credit for the years ended June 30, 2009 and 2008 consist of the following amounts:

	2009	2008
Unsecured:		
0% (interest-free): Five (5) notes payable; various maturities through April 2013.	\$ 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 February 2019 and January 2019, respectively.	6,455,000	6,130,000
2.5%: Two (2) notes payable, interest only, payable semi-annually or annually, various maturities through June 2014 and April 2010, respectively.	270,000	220,000
3%: Ten (10) and eight (8), respectively, notes payable and lines of credit, interest only, payable periodically, various maturities through April 2017.	2,416,211	1,866,211
3.25%: One (1) line of credit, interest only, payable quarterly, matures June 2018.	750,000	750,000
4%: One (1) note payable, interest only, payable quarterly, matures July 2009.	300,000	300,000
	<u>10,217,211</u>	<u>9,292,211</u>
Less current portion	<u>(2,424,211)</u>	<u>(1,310,000)</u>
	<u>\$ 7,793,000</u>	<u>\$ 7,982,211</u>

Principal maturity requirements on notes payable subsequent to June 30, 2009 are as follows:

Note 8b Years Ending June 30,	Amount
2010	\$ 2,424,211
2011	783,000
2012	1,395,000
2013	680,000
2014	550,000
Thereafter	4,385,000
	<u>\$ 10,217,211</u>

Florida Community Loan Fund, Inc.

Notes to Financial Statements

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**Note 7. Notes Payable and Lines of Credit (Continued)**

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, 2009, the Loan Fund has an unsecured \$200,000 operating line of credit with Wachovia at a 5% interest rate with a maturity date of June 7, 2010, 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, and an unsecured \$750,000 line of credit with Comerica at a 3% interest rate with a maturity date of July 1, 2011. As of June 30, 2009, \$750,000 had been disbursed on the available Bank of America line of credit, \$500,000 had been disbursed on the available Comerica line of credit, and no funds had been disbursed on the Wachovia line of credit. As of June 30, 2008, \$750,000 had been disbursed on the available Bank of America line of credit, and no funds had been disbursed on the other lines of credit.

**Note 8. Other Liabilities – Equity Equivalent Investments**

The Organization has outstanding amounts under equity equivalent subordinated promissory note agreements for the years ended June 30, 2009 and 2008 as follows:

	2009	2008
JPMorgan Chase (formerly Washington Mutual Bank), 3.5% interest only, payable quarterly. Initial seven year term; unsecured; subordinated with rolling maturity.	\$ 2,000,000	\$ 2,000,000
Wells Fargo (formerly 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
	\$ 3,750,000	\$ 3,750,000

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

## Florida Community Loan Fund, Inc.

### Notes to Financial Statements

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#### Note 9. Temporarily Restricted Net Assets

Temporarily restricted net assets for the years ended June 30, 2009 and 2008 are as follows:

	2009	2008
Contributions due in future periods	\$ 29,228	\$ 125,744
Green building initiative	50,000	50,000
Preservation initiative	75,000	-
	<u>\$ 154,228</u>	<u>\$ 175,744</u>

Contributions due in future periods, presented above at their present value, consist of one grant at June 30, 2009 and two grants at June 30, 2008. The Home Depot Foundation provided a grant to incentivize green affordable housing building at June 30, 2009 and 2008. The JPMorgan Chase Foundation provided a grant for use towards affordable housing preservation work at June 30, 2009.

#### Note 10. Commitments

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 five new loan commitments at June 30, 2009 for \$3,200,000 and three new loan commitments at June 30, 2008 for \$1,438,500. In addition, unfunded borrowers' lines of credit approximated \$2,383,000 and \$3,269,000 (see Note 4) at June 30, 2009 and 2008, 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.

Florida Community Loan Fund, Inc.

Notes to Financial Statements

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**Note 11. Lease Commitments**

The Loan Fund leases its office site and other office equipment. The lease agreements are for one to three years and are accounted for as operating leases. Rent expense under the said leases was approximately \$61,000 and \$34,000 for the years ended June 30, 2009 and 2008, respectively. Commitments for future rentals, by year and in the aggregate, to be paid as of June 30, 2009 are as follows:

Years Ending June 30,	Amount
2010	\$ 63,815
2011	47,114
	<u>\$ 110,929</u>

**Note 12. 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's contributions. The Loan Fund made contributions to the plan for the fiscal years ending June 30, 2009 and 2008 of \$40,395 and \$48,333, respectively.

**Note 13. Fair Value Measurements**

*Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis*

The fair values of assets carried at fair value measured on a nonrecurring basis are as follows at June 30, 2009:

	Quoted Prices in Active Markets for Identical Assets Level I	Significant Other Observable Inputs Level II	Significant Unobservable Inputs Level III	2009 Provision for Loan Losses
Impaired loans	\$ -	\$ -	\$ 1,100,945	\$ 503,771

Impaired loans include certain loans for which an allowance for loan losses has been calculated based upon the fair value of underlying real estate collateral. The allowance for loan losses was calculated by reference to real estate appraisals that used a combination of cost, market and income approaches to valuation. In some cases, appraised values were adjusted based on management's assessment of changes in market conditions since the appraisal date.

**Notes to Financial Statements**

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**Note 14. Subsequent Events**

In July 2009, the Loan Fund received a \$4.85 million grant from Florida Housing Finance Corporation to implement a Preservation Pilot Program for Orange, Palm Beach and Pasco Counties. The funding represents the initial equity capital infusion to the Florida Preservation Fund. Over the next four years, the Loan Fund will leverage these funds with additional loan capital from other sources to provide bridge loans for the purpose of preserving affordable rental housing in Orange, Palm Beach, and Pasco counties.

In July 2009, The Loan Fund refinanced notes payable in the amount of \$300,000 at the prime interest rate plus .25%. The notes were originally due in June 2009 and the refinanced notes have a maturity date of June 2012. This balance has been classified in the long-term portion of notes payable and lines of credit as of June 30, 2009.

On August 20, 2009, the Loan Fund obtained a \$4 million non-revolving line of credit from the Community Foundation of Palm Beach and Martin Counties to support and fund Florida's needs for affordable rental housing in the two counties. The non-revolving line of credit is at 2%, interest only, payable quarterly, and matures in August 2016. As of September 15, 2009, there is no balance outstanding on the non-revolving line of credit.