Florida Community Loan Fund, Inc.

Financial and Compliance Report
June 30, 2012 and 2011

McGladrey

Assurance ▪ Tax ▪ Consulting

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McGladrey

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, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Florida Community Loan Fund, Inc.'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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Florida Community Loan Fund, Inc. as of June 30, 2012 and 2011, 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 reports dated October 24, 2012 and October 26 2011, on our consideration of Florida Community Loan Fund, Inc.'s internal control over financial reporting and 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.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for the current year only for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and State of Florida Chapter 10.650, Rules of the Auditor General, and is not a required part of the basic financial statements. The other supplementary information, as listed in the table of contents, is also presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

McGladrey LLP

Orlando, Florida
October 24, 2012

Florida Community Loan Fund, Inc.

Statements of Financial Position
June 30, 2012 and 2011

	2012	2011
Assets		
Current Assets:		
Cash and cash equivalents	**$ 12,925,922**	$ 13,993,393
Certificates of deposit	**-**	2,072,779
Other receivables	**20,000**	-
Pledges receivable	**10,500**	8,500
Loans receivable	**2,023,537**	2,964,330
Allowance for loan losses	**(141,654)**	(182,829)
Loans receivable, net	**1,881,883**	2,781,501
Other current assets	**284,144**	245,741
Total current assets	**15,122,449**	19,101,914
Pledges Receivable, net of current portion	**20,422**	23,832
Loans Receivable	**14,205,459**	9,431,191
Allowance for Loan Losses	**(892,196)**	(919,068)
Loans receivable, net	**13,313,263**	8,512,123
Furniture and Equipment, net of accumulated depreciation in 2012 of $114,344; 2011 of $96,705	**40,367**	56,491
Total assets	**$ 28,496,501**	$ 27,694,360
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	**$ 393,255**	$ 304,881
Notes payable, bonds payable and lines of credit, current portion	**881,489**	1,450,229
Other liabilities – equity equivalent investments, current portion	**1,250,000**	2,750,000
Total current liabilities	**2,524,744**	4,505,110
Notes Payable, Bonds Payable and Lines of Credit, net of current portion	**9,831,069**	10,562,518
Other Liabilities – Equity Equivalent Investments, net of current portion	**500,000**	1,000,000
Total liabilities	**12,855,813**	16,067,628
Commitments and Contingencies (Notes 9 and 10)		
Net Assets:		
Unrestricted		
Designated by the Board for loans	**13,424,290**	9,750,790
Undesignated	**2,167,476**	1,825,610
Temporarily restricted	**48,922**	50,332
Total net assets	**15,640,688**	11,626,732
Total liabilities and net assets	**$ 28,496,501**	$ 27,694,360

See Notes to Financial Statements.

Florida Community Loan Fund, Inc.

Statement of Activities
Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	2012 Total
Revenues:			
Grants and contributions	$ 4,168,500	$ 6,090	$ 4,174,590
Interest on bank deposits	15,021	-	15,021
Interest on loans receivable	809,844	-	809,844
Fees and other	892,709	-	892,709
Net assets released from restrictions	7,500	(7,500)	-
Total revenues	5,893,574	(1,410)	5,892,164
Expenses:			
Payroll and related costs	1,208,110	-	1,208,110
Interest expense	373,822	-	373,822
Professional fees	137,004	-	137,004
Office and administrative	124,713	-	124,713
Occupancy	65,898	-	65,898
Other	24,667	-	24,667
Membership and training	18,016	-	18,016
Depreciation	17,639	-	17,639
Marketing	14,289	-	14,289
Provision for loan losses (recoveries)	(105,950)	-	(105,950)
Total expenses	1,878,208	-	1,878,208
Change in net assets	4,015,366	(1,410)	4,013,956
Net assets:			
Beginning	11,576,400	50,332	11,626,732
Ending	$ 15,591,766	$ 48,922	$ 15,640,688

See Notes to Financial Statements.

Florida Community Loan Fund, Inc.

Statement of Activities
Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	2011 Total
Revenues:			
Grants and contributions	$ 1,111,500	$ 32,332	$ 1,143,832
Interest on bank deposits	41,984	-	41,984
Interest on loans receivable	696,983	-	696,983
Fees and other	2,466,397	-	2,466,397
Net assets released from restrictions	82,429	(82,429)	-
Total revenues	4,399,293	(50,097)	4,349,196
Expenses:			
Payroll and related costs	1,123,381	-	1,123,381
Interest expense	495,026	-	495,026
Provision for loan losses	170,754	-	170,754
Professional fees	153,688	-	153,688
Office and administrative	119,496	-	119,496
Other	81,329	-	81,329
Occupancy	69,130	-	69,130
Awards and grants	24,000	-	24,000
Depreciation	18,865	-	18,865
Membership and training	15,669	-	15,669
Marketing	6,189	-	6,189
Total expenses	2,277,527	-	2,277,527
Change in net assets	2,121,766	(50,097)	2,071,669
Net assets:			
Beginning	9,454,634	100,429	9,555,063
Ending	$ 11,576,400	$ 50,332	$ 11,626,732

See Notes to Financial Statements.

Florida Community Loan Fund, Inc.

Statement of Functional Expenses
Year Ended June 30, 2012

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Supporting Services: Total Supporting Services	2012 Total Expenses
Payroll and related costs	$ 841,263	$ 240,478	$ 126,369	$ 366,847	$ 1,208,110
Interest expense	373,822	-	-	-	373,822
Professional fees	88,233	48,275	496	48,771	137,004
Office and administrative	83,474	31,989	9,250	41,239	124,713
Occupancy	46,015	12,968	6,915	19,883	65,898
Other	24,667	-	-	-	24,667
Membership and training	18,016	-	-	-	18,016
Depreciation	12,317	3,471	1,851	5,322	17,639
Marketing	12,860	-	1,429	1,429	14,289
Provision for loan losses (recoveries)	(105,950)	-	-	-	(105,950)
Total expenses	$ 1,394,717	$ 337,181	$ 146,310	$ 483,491	$ 1,878,208

See Notes to Financial Statements.

Florida Community Loan Fund, Inc.

Statement of Functional Expenses
Year Ended June 30, 2011

		Supporting Services			
	Program Services	Management and General	Fundraising	Total Supporting Services	2011 Total Expenses
Payroll and related costs	$ 793,367	$ 201,440	$ 128,574	$ 330,014	$ 1,123,381
Interest expense	495,026	-	-	-	495,026
Provision for loan losses	170,754	-	-	-	170,754
Professional fees	105,027	48,661	-	48,661	153,688
Office and administrative	80,753	28,215	10,528	38,743	119,496
Other	81,329	-	-	-	81,329
Occupancy	48,822	12,396	7,912	20,308	69,130
Awards and grants	24,000	-	-	-	24,000
Depreciation	13,323	3,383	2,159	5,542	18,865
Membership and training	15,669	-	-	-	15,669
Marketing	5,570	-	619	619	6,189
Total expenses	$ 1,833,640	$ 294,095	$ 149,792	$ 443,887	$ 2,277,527

See Notes to Financial Statements.

Florida Community Loan Fund, Inc.

Statements of Cash Flows
Years Ended June 30, 2012 and 2011

	2012	2011
Cash Flows From Operating Activities		
Change in net assets	**$ 4,013,956**	$ 2,071,669
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	**17,639**	18,865
Loss on other real estate owned	**-**	48,509
Provision for loan losses (recoveries)	**(105,950)**	170,754
Interest income reinvested in certificates of deposit	**-**	(21,782)
Changes in operating assets and liabilities:		
Pledges receivable	**1,410**	(22,332)
Other receivables	**(20,000)**	100,000
Other current assets	**(38,403)**	(39,514)
Accounts payable and accrued liabilities	**88,374**	133,470
Net cash provided by operating activities	**3,957,026**	2,459,639
Cash Flows From Investing Activities		
Withdrawal of certificate of deposit	**2,072,779**	-
Loan funds disbursed	**(4,639,235)**	(1,208,640)
Repayment of loans disbursed	**843,663**	1,156,135
Proceeds from sale of other real estate owned	**-**	235,491
Purchase of furniture and equipment	**(1,515)**	(4,634)
Net cash (used in) provided by investing activities	**(1,724,308)**	178,352
Cash Flows From Financing Activities		
Principal payments on notes payable, bonds payable and lines of credit	**(1,300,189)**	(1,942,072)
Repayment of other liabilities – equity equivalent investments	**(2,000,000)**	-
Net cash used in financing activities	**(3,300,189)**	(1,942,072)
Net (decrease) increase in cash and cash equivalents	**(1,067,471)**	695,919
Cash and cash equivalents:		
Beginning	**13,993,393**	13,297,474
Ending	**$ 12,925,922**	$ 13,993,393
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest	**$ 372,285**	$ 496,125
Supplemental Disclosure of Noncash Investment and Financing Activities		
Notes receivable transferred to other real estate owned	**$ -**	$ 338,000

See Notes to Financial Statements.

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 financial institutions, foundations, religious and non-profit organizations, individuals and Federal and State agencies through low-interest loans, permanent loan capital grants and operating grants. Internal sources of revenue includes interest and fees from its loan programs, upfront and ongoing fees from its NMTC program and interest income on idle capital.

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

Basis of financial statement presentation: A not-for-profit 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 in accordance with generally accepted accounting principles 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.

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

Grants and contributions: 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 2012 and 2011, the Loan Fund received $1,500,000 and $750,000, respectively, of federal funds from the CDFI Fund in the form of a grant, which were expended as of June 30, 2012. During 2010, the Loan Fund received $4,802,490 of state funds from Florida Housing Finance Corporation in the form of a grant as initial capital of the Florida Preservation Fund. During the year ended June 30, 2012, approximately $2,018,000 of the state funds were expended. Under terms of the Florida Housing grant agreement, the Loan Fund might be required to repay undisbursed amounts if annual performance benchmarks are not met; at June 30, 2012, the Loan Fund was in compliance with the grant agreement.

Fees: The Loan Fund receives fees in connection with the New Markets Tax Credit Program (Program). Allocation fees from the Program are recognized upon the closing of the transaction, receipt of the funds and once any other terms of the allocation fee agreement are satisfied. Management fees under the Program are recognized annually based upon the terms in the management agreement.

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 held certificates of deposit with maturity dates at time of purchase greater than three months. These certificates of deposit were 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.

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

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 consists of specific and general components and is maintained at a level believed adequate by management to absorb estimated losses inherent in the portfolio after considering various factors, including prevailing 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 loan loss experience and adequacy of collateral and specific impaired loans. The specific component relates to loans that are individually classified as impaired.

The allowance for loan losses is 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.

Management has categorized loans into risk categories generally based on the nature of the project. These risk categories and the relevant risk characteristics are as follows:

<u>Affordable/supportive housing</u> – Affordable/supportive housing loans are loans and lines of credit for constructions or rehabilitation of low-and moderate-income communities throughout Florida including single family, multi-family, supportive housing including social services for residents and preservation of multi-family affordable rental housing. Affordable/supportive housing loans generally have terms of up to ten years with amortizations of up to 30 years and interest rates that generally range from 4.5%-7.75%. Loans for land acquisition and/or construction also run the risk that projects will not be completed on time or in accordance with specifications and projected costs. All of such loans are secured by real estate or liquid collateral.

<u>Community facilities</u> – Community facility loans are loans and lines of credit for construction and rehabilitation of family health care centers, educational facilities and social services facilities. Community facility loans generally have terms of up to ten years with amortizations of up to 30 years and interest rates that generally range from 4.5%-7.75%. Loans for land acquisition and/or construction also run the risk that projects will not be completed on time or in accordance with specifications and projected costs. All of such loans are secured by real estate or liquid collateral.

<u>Economic development</u> – Economic development loans are loans and lines of credit for commercial real estate projects that stimulate economic development in low-to moderate-income areas. Economic development loans generally have terms of up to ten years with amortizations of up to 30 years and interest rates that generally range from 4.5%-7.75%. Loans for land acquisition and/or construction also run the risk that projects will not be completed on time or in accordance with specifications and projected costs. All of such loans are secured by real estate or liquid collateral.

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. The amount of impairment, if any, is measured on a loan-by-loan basis as either the present value of expected future cash flows discounted at the loan's effective interest rate or the loan's observable market price, or the fair value of the collateral if the loan is collateral dependent, and is included in the allowance for loan losses.

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

Troubled debt restructurings are separately identified for impairment disclosures and are measured at the present value of estimated future cash flows using the loan's effective rate at inception. If a troubled debt restructuring is considered to be a collateral dependent loan, the loan is reported, net, at the fair value of the collateral. For troubled debt restructurings that subsequently default, the Loan Fund determines the amount of reserve in accordance with the accounting policy for the allowance for loan losses.

Other real estate owned: Assets acquired through, or in lieu of, foreclosure are held for sale and initially recorded at fair value less estimated costs of sale at the date of acquisition. Subsequent to acquisition, the assets are carried at the lower of the carrying value established at acquisition or fair value less cost to sell. Subsequent write-downs are recorded through a charge to the statement of activities. Expenses incurred from ownership of the property, net of income received, and changes in the valuation allowance are included in other expenses. Sales are recognized upon passage of title to the buyer. Other real estate owned of $108,000 is included in other current assets as of June 30, 2012 and 2011.

The Loan Fund acquired the assets underlying the loans in which another entity had an interest. A payable in the amount of $54,000 was recognized for the other entity's interest in the proceeds from the future disposition of those assets as of June 30, 2012 and 2011.

Furniture and equipment: Furniture and equipment is carried at cost less accumulated depreciation. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as temporarily restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Depreciation is calculated on the straight-line method over 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.

Impairment of long-lived assets: The carrying value of property and equipment is reviewed for impairment whenever events or changes in circumstances indicate such value may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell.

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.

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

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.

Income taxes: The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and from state income taxes under similar provisions of the Florida Statutes. Accordingly, no provision for federal and state income taxes has been recorded in the accompanying financial statements. In addition, management assessed whether there were any uncertain tax positions which may give rise to income tax liabilities and determined that there were no such matters requiring recognition in the accompanying financial statements. The Organization files income tax returns in the U.S. federal jurisdiction. Generally, the Organization is no longer subject to U.S. federal income tax examinations by tax authorities for years before June 30, 2009.

Fair value measurements: 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. Fair value measurements are not adjusted for transaction costs.

There is a three-level valuation hierarchy for the determination and 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.

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

Subsequent events: Management has assessed subsequent events through October 24, 2012, the date the financial statements were available to be issued.

New accounting pronouncements: In April 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-02, *A Creditor's Determination of Whether a Restructuring is a Troubled Debt Restructuring*. Under ASU 2011-02, a restructuring constitutes a troubled debt restructuring if the following criteria are met: (1) the restructuring constitutes a concession and (2) the debtor is experiencing financial difficulties. This ASU is effective for annual reporting periods ending after December 15, 2012. Management is in the process of evaluating the potential effect of this ASU on the Loan Fund's financial position, activities and cash flows.

In May 2011, FASB issued guidance to converge fair value measurement guidance in generally accepted accounting principles (GAAP) and International Financial Reporting Standards (IFRS). Among other things, the guidance clarifies the application of existing fair value measurement requirements and requires additional fair value disclosures. The amendments are to be applied prospectively and are effective for annual periods beginning after December 15, 2011. Management is currently evaluating the impact of the guidance related to application of existing fair value measurement requirements and disclosure.

The FASB issued new or modifications to, or interpretations of, existing accounting guidance during 2012. The Loan Fund has considered the new pronouncements that altered accounting principles generally accepted in the United States of America, and other than as disclosed in these notes to the financial statements, does not believe that any other new or modified principles will have a material impact on the Loan Fund's reported financial position or activities in the near term.

Recently adopted accounting pronouncements: In July 2010, the FASB issued an accounting standards update, which requires expanded disclosures about the credit quality of an entity's loan, lease and other financing receivables and its related allowance for credit losses. The new disclosures focus on providing financial statement users more information to understand an organization's exposure to credit losses and how the allowance relates to that exposure. The new disclosure requirements were effective for annual reporting periods ending after December 15, 2011. This guidance was adopted by the Loan Fund on July 1, 2011.

Note 2. New Markets Tax Credit Program

The Loan Fund has been granted status by the Treasury as a certified Community Development Entity (CDE), under the New Markets Tax Credit Program (NMTC) administered by the CDFI Fund. During fiscal years 2004, 2010 and 2011, the Loan Fund received allocations totaling $15 million, $45 million and $21 million, respectively, for this program. In fiscal year 2012, the Loan Fund received an additional $30 million allocation. The Loan Fund has formed twelve CDEs (collectively the CDE LLCs), the first eight of which have been activated as of June 30, 2012: The Florida Community New Markets Fund, LLC; The Florida Community New Markets Fund II, LLC; The Florida Community New Markets Fund III, LLC; The Florida Community New Markets Fund IV, LLC; Florida Community New Markets Fund V; Florida Community New Markets Fund VI; Florida Community New Markets Fund VII, LLC; and Florida Community New Markets Fund VIII, LLC. The other four CDE LLCs have been formed for the NMTC allocations but have conducted no financial activity at June 30, 2012.

Note 2. New Market Tax Credit Program (Continued)

The CDE LLCs were formed as Florida limited liability companies in which the Loan Fund will serve as the Managing Member with a 0.01% interest and unrelated Investor Members as regular members with a 99.99% interest. These entities have been consolidated into the Investor Members under accounting guidance for consolidations.

The active CDE LLCs have made qualified low-income community investments (QLICIs) within the meaning of the NMTC program and IRC Section 45D. The Loan Fund entered into agreements with the Investor Members who provided approximately $70,850,000 in cumulative qualified equity investments (QEIs) at June 30, 2012 to make QLICIs from the active CDE LLCs. By making QLICIs, the CDE LLCs enable Investor Members to claim approximately $27,631,500 of NMTC over seven-year credit period. For its participation in establishing the CDE LLCs and underwriting the QLICIs, the Loan Fund earned upfront fees of $505,750 and $2,260,000 as of June 30, 2012 and 2011, respectively, which are included as a component of fees and other in the accompanying statements of activities.

Terms of the agreements with the Investor Members require the Loan Fund to maintain certain covenants to avoid recapture of NMTC and possible reimbursement of a portion of upfront fees it has received. At June 30, 2012, 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 each NMTC.

Note 3. Participated Loans and Loan Servicing

The transfer of loan participations by the Loan Fund meet the requirements to be recognized as sale transactions and, as such, participations are excluded from loans receivable and liabilities in the accompanying statements 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, 2012 and 2011 are as follows:

	2012	2011
Loan portfolio serviced for:		
Enterprise Community Loan Fund	**$ 415,695**	$ 445,295
Miami Coalition for the Homeless	**397,327**	415,087
Partners for Common Good	**-**	378,748
	$ 813,022	$ 1,239,130

Note 4. Loans Receivable

Loans receivable from not-for-profit corporations at June 30, 2012 and 2011 are classified as follows:

	2012	2011
Loans By Collateral:		
4.5% – 7.75%, Secured By Real Estate (Mortgage)	**$ 16,201,621**	$ 12,395,521
5%, Secured by Certificate of Deposit	**27,375**	-
	16,228,996	12,395,521
Less allowance for loan losses	**(1,033,850)**	(1,101,897)
	$ 15,195,146	$ 11,293,624

Scheduled principal payments on loans receivable subsequent to June 30, 2012 are as follows:

Years Ending June 30,	Amount
2013	$ 2,023,537
2014	3,125,469
2015	1,420,635
2016	1,626,072
2017	1,389,185
Thereafter	6,644,098
	$ 16,228,996

	June 30, 2012	
	Outstanding	**Undisbursed**
Loans by type:		
Affordable/supportive housing	**$ 12,959,806**	**$ 2,832,782**
Community facilities	**1,687,522**	**552,146**
Economic development	**1,581,668**	**-**
	$ 16,228,996	**$ 3,384,928**

	June 30, 2011	
	Outstanding	Undisbursed
Loans by type:		
Affordable/supportive housing	$ 9,276,617	$ 2,409,117
Community facilities	1,820,862	-
Economic development	1,298,042	304,517
	$ 12,395,521	$ 2,713,634

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

Note 4. Loans Receivable (Continued)

As part of the on-going monitoring of the credit quality of the Loan Fund's loan portfolio, management categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt and comply with various terms of their loan agreements. The Loan Fund considers current financial information, historical payment experience, credit documentation, public information and current economic trends. Generally, all loans receive a financial review no less than twice per year to monitor and adjust, if necessary, the credit's risk profile.

The Loan Fund categorizes loans into the following risk categories based on relevant information about the ability of borrowers to service their debt:

Excellent/Acceptable – The loan is well protected by the current worth and paying capacity of the borrower (or guarantors, if any) or by the fair value, less cost to acquire and sell, of any collateral in a timely manner.

Weak – A loan with a risk rating of 5, has potential weaknesses and deserves closer attention by management. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or in the Loan Fund's credit position at some future date. Weak loans are not adversely classified and do not expose the Loan Fund to sufficient risk to warrant adverse classification.

Inadequate/Substandard – An inadequate/substandard loan, or risk rating of 6 through 8, is a loan with well-defined weaknesses that puts repayment at risk. These loans are often inadequately protected by the current sound worth and paying capacity of the borrower or of the collateral pledged. These loans are characterized by the possibility that the Loan Fund will sustain some loss of principal and/or interest if the risks are not addressed.

Doubtful – A loan that has weaknesses, or a risk rating of 9, inherent in the inadequate/substandard category, with the added risk that the weaknesses make collection in full, on the basis of currently known facts, conditions and values, highly questionable and improbable. The possibility of loss is extremely likely, but it is not identified at this point due to pending factors.

Loss – A loan classified as loss, or risk rated 10, is considered uncollectible and of such little value that its continuance on the Loan Fund's books as an asset is not warranted. This classification does not necessarily mean that an asset has no recovery value; but rather, there is much doubt about whether, how much, or when the recovery would occur. As such, it is not practical or desirable to defer the write-off. Therefore, there is no balance to report.

Note 4. Loans Receivable (Continued)

The following tables present the risk category of loans evaluated by internal asset classification based on the most recent analysis performed at June 30, 2012 and 2011:

	2012			
	Excellent/ Acceptable	**Weak**	**Inadequate/ Substandard**	**Total**
Affordable/supportive housing	**$ 11,828,527**	**$ 551,992**	**$ 579,287**	**$ 12,959,806**
Community facilities	**910,820**	**56,441**	**720,261**	**1,687,522**
Economic development	**1,086,188**	**495,480**	**-**	**1,581,668**
	$ 13,825,535	**$ 1,103,913**	**$ 1,299,548**	**$ 16,228,996**

	2011			
	Excellent/ Acceptable	Weak	Inadequate/ Substandard	Total
Affordable/supportive housing	$ 8,011,288	$ 630,492	$ 634,837	$ 9,276,617
Community facilities	1,090,033	-	730,829	1,820,862
Economic development	526,827	771,215	-	1,298,042
	$ 9,628,148	$ 1,401,707	$ 1,365,666	$ 12,395,521

As of June 30, 2012 or 2011, there were no loans classified as doubtful or loss.

Changes in the allowance for loan losses for the years ended June 30, 2012 and 2011 are as follows:

	2012			
	Affordable/ Supportive Housing	**Community Facilities**	**Economic Development**	**Total**
Beginning balance	**$ 750,958**	**$ 211,554**	**$ 139,385**	**$ 1,101,897**
Provision for loan losses (recoveries)	**(7,473)**	**(71,262)**	**(27,215)**	**(105,950)**
Recoveries of amounts previously charged off	**80,000**	**-**	**-**	**80,000**
Write-off of uncollectible loans	**(42,097)**	**-**	**-**	**(42,097)**
	$ 781,388	**$ 140,292**	**$ 112,170**	**$ 1,033,850**
End of year allowance amount allocated:				
Loans individually evaluated for impairment	**$ 160,934**	**$ 93,309**	**$ -**	**$ 254,243**
Loans collectively evaluated for impairment	**620,454**	**46,983**	**112,170**	**779,607**
	$ 781,388	**$ 140,292**	**$ 112,170**	**$ 1,033,850**
Loans:				
Individually evaluated for impairment	**$ 628,333**	**$ 776,702**	**$ -**	**$ 1,405,035**
Collectively evaluated for impairment	**12,331,473**	**910,820**	**1,581,668**	**14,823,961**
	$ 12,959,806	**$ 1,687,522**	**$ 1,581,668**	**$ 16,228,996**

Note 4. Loans Receivable (Continued)

	2011			
	Affordable/ Supportive Housing	Community Facilities	Economic Development	Total
Beginning balance	$ 737,358	$ 109,140	$ 84,645	$ 931,143
Provision for loan losses	13,600	102,414	54,740	170,754
	$ 750,958	$ 211,554	$ 139,385	$ 1,101,897
End of year amount allocated:				
Loans individually evaluated for impairment	$ 178,944	$ 148,060	$ -	$ 327,004
Loans collectively evaluated for impairment	572,014	63,494	139,385	774,893
	$ 750,958	$ 211,554	$ 139,385	$ 1,101,897
Loans:				
Individually evaluated for impairment	$ 688,401	$ 730,829	$ -	$ 1,419,230
Collectively evaluated for impairment	8,588,216	1,090,033	1,298,042	10,976,291
	$ 9,276,617	$ 1,820,862	$ 1,298,042	$ 12,395,521

There were no loans past due ninety days or more and still accruing interest as of June 30, 2012 and 2011.

Information about nonaccrual and impaired loans as of and for the years ended June 30, 2012 and 2011 is summarized as follows:

	2012		
	Affordable/ Supportive Housing	**Community Facilities**	**Total**
Impaired loans with a valuation allowance	**$ 628,333**	**$ 776,702**	**$ 1,405,035**
Allowance related to impaired loans	**160,934**	**93,309**	**254,243**
Average investment in impaired loans during 2012	**658,367**	**753,766**	**1,412,133**
Loans on non-accrual status	**579,287**	**720,261**	**1,299,548**
Interest income recognized on impaired loans during the year	**35,139**	**11,489**	**46,628**
Interest income foregone on loans on non-accrual status	**5,090**	**23,962**	**29,052**

	2011		
	Affordable/ Supportive Housing	Community Facilities	Total
Impaired loans with a valuation allowance	$ 688,401	$ 730,829	$ 1,419,230
Allowance related to impaired loans	178,944	148,060	327,004
Average investment in impaired loans during 2011	1,333,943	738,595	2,072,538
Loans on non-accrual status	634,837	730,829	1,365,666
Interest income recognized on impaired loans during the year	23,196	7,125	30,321
Interest income foregone on loans on non-accrual status	19,784	34,439	54,223

Note 4. Loans Receivable (Continued)

The following table presents impaired loans classified as troubled debt restructurings and the financial effects of troubled debt restructurings for the years ended June 30, 2012 and 2011:

	2012				
	Number of Loans	**Pre-Modification Outstanding Loan Balance**	**Post-Modification Outstanding Loan Balance**	**Forgiven Principal**	**Lost Interest Income**
Affordable/supportive housing	**3**	**$ 579,287**	**$ 579,287**	**$ -**	**$ 5,090**
Community facilities	**2**	**720,261**	**720,261**	**-**	**23,962**
Total	**5**	**$ 1,299,548**	**$ 1,299,548**	**$ -**	**$ 29,052**

	2011				
	Number of Loans	Pre-Modification Outstanding Loan Balance	Post-Modification Outstanding Loan Balance	Forgiven Principal	Lost Interest Income
Affordable/supportive housing	4	$ 634,837	$ 634,837	$ -	$ 19,784
Community facilities	2	730,829	730,829	-	34,439
Total	6	$ 1,365,666	$ 1,365,666	$ -	$ 54,223

In its estimate of the specific allowance for loan losses, management considers the probability of troubled debt restructurings and its impact on expected cash flows in accordance with the loan policies and impaired loans guidance for troubled debt restructurings.

Note 5. Pledges 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, 2012 and 2011, management determined that no allowance is deemed necessary.

Unconditional pledges receivable are summarized at June 30, 2012 and 2011 as follows:

	2012	2011
Unconditional promises to give before unamortized discount	**$ 31,500**	$ 34,000
Less: unamortized discount	**(578)**	(1,668)
	$ 30,922	$ 32,332
Amounts due in:		
Less than one year	**$ 10,500**	$ 8,500
One to four years	**20,422**	23,832
	$ 30,922	$ 32,332

Note 6. Notes Payable, Bonds Payable and Lines of Credit

Notes payable, bonds 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, bonds payable and lines of credit at June 30, 2012 and 2011 consist of the following amounts:

	2012	2011
Unsecured:		
2.0%: Three (3) investment bonds payable, interest only, payable quarterly, maturities 2016 through 2018.	**$ 2,000,000**	$ 2,000,000
2.0%: One (1) note payable, interest only, payable quarterly, matures June 2018.	**1,500,000**	1,500,000
3.0%: One (1) note payable, interest only, payable quarterly, matures April 2017.	**1,000,000**	1,000,000
3.25%: One (1) line of credit, interest only, payable quarterly, matures June 2018.	**1,750,000**	1,750,000
0%-1.9%: Eight (8) and Six (6), respectively, notes payable; various maturities through April 2016.	**86,040**	26,000
2.0%-2.9%: Eighteen (18) and nineteen (19), respectively, notes payable, principal and interest or interest only, payable periodically, various maturities through February 2019.	**2,378,307**	3,135,289
3.0%-3.9%: Thirteen (13) and fourteen (14), respectively, notes payable and lines of credit, principal and interest or interest only, payable periodically, various maturities through January 2021.	**1,998,211**	1,601,458
4%-4.9%: None (0) and two (2), respectively, notes payable, interest only, payable periodically. Principal and interest were repaid in September 2011.	**-**	1,000,000
	10,712,558	12,012,747
Less current portion	**(881,489)**	(1,450,229)
	$ 9,831,069	$ 10,562,518

Principal maturity requirements on notes payable subsequent to June 30, 2012 are as follows:

Years Ending June 30,	Amount
2013	$ 881,489
2014	1,180,819
2015	2,500,250
2016	1,125,000
2017	2,300,000
Thereafter	2,725,000
	$ 10,712,558

Note 6. Notes Payable, Bonds Payable and Lines of Credit (Continued)

Lines of credit: In the ordinary course of business, the Loan Fund has entered into off-balance sheet financial instruments consisting of commitments to borrow. Commitments to borrow and the respective outstanding balances at June 30, 2012 are as follows:

	Total Line of Credit	June 30, 2012 Outstanding
Unsecured line of credit with Bank of America at a 3.25% interest rate with a maturity date of June 26, 2018.	**$ 1,750,000**	$ 1,750,000
Unsecured line of credit with Comerica at a 3% interest rate with a maturity date of July 1, 2014.	**750,000**	500,000
Unsecured line of credit with PNC Bank at a 3% interest rate with a maturity date of August 19, 2015 and a draw period through November 17, 2012.	**5,000,000**	-
Unsecured line of credit with Jesse Ball duPont at a 2% interest rate with a maturity date of October 25, 2018.	**2,000,000**	-
Unsecured line of credit with Bank United at a 2% interest rate with a maturity date of December 27, 2015.	**1,000,000**	-
Unsecured line of credit with Sabadell United Bank at a 3% interest rate with a maturity date of January 26, 2021.	**250,000**	-
Unsecured line of credit with Trustco Bank at a 3.25% interest rate with a maturity date of August 3, 2015.	**250,000**	-
	$ 11,000,000	$ 2,250,000

Note 7. Other Liabilities – Equity Equivalent Investments

The Organization has outstanding amounts due under equity equivalent subordinated promissory note agreements for at June 30, 2012 and 2011, as follows:

	2012	2011
Wells Fargo (formerly Wachovia Bank), 3% interest only, payable quarterly. Initial ten year term; unsecured; subordinated and matured in June 2011 with annual maturity terms thereafter.	**$ 750,000**	$ 750,000
Regions Bank (formerly AmSouth Bank), 2% interest only, payable quarterly. Initial ten year term; unsecured; subordinated and initially matures in January 2016 with annual maturity terms thereafter.	**500,000**	500,000
Regions Bank (formerly AmSouth Bank), 2% interest only, payable annually. Initial ten year term; unsecured; subordinated and matured in July 2012 with annual maturity terms thereafter.	**500,000**	500,000
JPMorgan Chase (formerly Washington Mutual Bank), 3.5% interest only, payable quarterly. Principal and interest repaid in April 2012.	**-**	2,000,000
	1,750,000	3,750,000
Less current portion	**(1,250,000)**	(2,750,000)
	$ 500,000	$ 1,000,000

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

Note 8. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2012 and 2011 are as follows:

	2012	2011
Contributions due in future periods	**$ 30,922**	$ 32,332
Green building initiative	**18,000**	18,000
	$ 48,922	$ 50,332

Contributions due in future periods, presented above at their present value, consist of four and three grants at June 30, 2012 and 2011. The Home Depot Foundation provided a grant to incentivize green affordable housing building as of June 30, 2012 and 2011.

Note 9. 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 statement of financial position. The Loan Fund uses the same credit policies in making commitments to extend credit as it does for extension of credits recorded in the statements of financial position. 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 six new loan commitments at June 30, 2012 for $2,580,000 and five new loan commitments at June 30, 2011 for $2,048,928. In addition, unfunded borrowers' lines of credit approximated $3,385,000 and $2,714,000 (see Note 4) at June 30, 2012 and 2011, 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 10. 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 $69,000 and $72,000 for the years ended June 30, 2012 and 2011, respectively, and is included in occupancy and office and administrative in the accompanying statements of activities. Commitments for future rentals, by year and in the aggregate, to be paid as of June 30, 2012 are as follows:

Year Ending June 30,	Amount
2013	$ 55,458
2014	40,591
	$ 96,049

Note 11. 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, 2012 and 2011 of $122,233 and $101,080, respectively, which are included in payroll and related costs in the accompanying statements of activities.

Note 12. Fair Value Measurements

The fair values of assets measured at fair value on a nonrecurring basis during the years ended June 30, 2012 and 2011, are as follows:

	2012			
	Quoted Prices in Active Markets for Identical Assets Level I	**Significant Other Observable Inputs Level II**	**Significant Unobservable Inputs Level III**	**2012 Provision for Loan Losses (Recoveries)**
Impaired loans	**$ -**	**$ -**	**$ 1,150,792**	**$ (69,010)**

	2011			
	Quoted Prices in Active Markets for Identical Assets Level I	Significant Other Observable Inputs Level II	Significant Unobservable Inputs Level III	2011 Provision for Loan Losses / Impairment Losses
Impaired loans	$ -	$ -	$ 1,092,226	$ 156,597
Other real estate owned	-	-	108,000	48,509
	$ -	$ -	$ 1,200,226	$ 205,106

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 and other real estate owned values were calculated by reference to real estate appraisals that used a combination of cost, market and income approaches to valuation and/or reported tax assessed values, adjusted to reflect management's estimate of selling costs. In some cases, appraised values were adjusted based on management's assessment of changes in market conditions since the appraisal date.

Note 13. Subsequent Events

In August 2012, Florida Community New Markets Fund IX, LLC received a $20,000,000 QEI and invested in one Qualified Active Low-Income Community Business through the issuance of a loan in the amount of $19,000,000. For its participation, the Loan Fund earned $1,000,000 in upfront fees.

Florida Community Loan Fund, Inc.

Combining Statement of Financial Position
June 30, 2012

	Operating Fund	Community Development Fund	Florida Preservation Fund	Total All Funds
Assets				
Current Assets:				
Cash and cash equivalents	$ 925,743	$ 6,292,405	$ 5,707,774	$ 12,925,922
Other receivables	20,000	-	-	20,000
Pledges receivable	10,500	-	-	10,500
Loans receivable	-	2,023,537	-	2,023,537
Allowance for loan losses	-	(141,654)	-	(141,654)
Loans receivable, net	-	1,881,883	-	1,881,883
Other current assets	139,289	125,956	18,899	284,144
Total current assets	1,095,532	8,300,244	5,726,673	15,122,449
Pledges Receivable, net of current portion	20,422	-	-	20,422
Loans receivable	-	11,359,737	2,845,722	14,205,459
Allowance for loan losses	-	(764,138)	(128,058)	(892,196)
Loans receivable, net	-	10,595,599	2,717,664	13,313,263
Furniture and Equipment, net of accumulated depreciation	40,367	-	-	40,367
Total assets	$ 1,156,321	$ 18,895,843	$ 8,444,337	$ 28,496,501
Liabilities and Net Assets				
Current Liabilities:				
Accounts payable and accrued liabilities	$ 325,052	$ 68,203	$ -	$ 393,255
Notes payable, bonds payable and lines of credit, current portion	-	881,489	-	881,489
Other liabilities – equity equivalent investments, current portion	-	1,250,000	-	1,250,000
Total current liabilities	325,052	2,199,692	-	2,524,744
Notes Payable, Bonds Payable, and Lines of Credit, net of current portion	-	8,831,069	1,000,000	9,831,069
Other Liabilities – Equity Equivalent Investments, net of current portion	-	500,000	-	500,000
Total liabilities	325,052	11,530,761	1,000,000	12,855,813
Net Assets:				
Unrestricted				
Designated by the Board for loans	-	5,746,800	7,677,490	13,424,290
Undesignated	800,347	1,600,282	(233,153)	2,167,476
Temporarily restricted	30,922	18,000	-	48,922
Total net assets	831,269	7,365,082	7,444,337	15,640,688
Total liabilities and net assets	$ 1,156,321	$ 18,895,843	$ 8,444,337	$ 28,496,501

Florida Community Loan Fund, Inc.

Combining Statement of Activities
Year Ended June 30, 2012

	Operating Fund	Community Development Fund	Florida Preservation Fund	Total All Funds
Revenues:				
Grant and contributions	$ 501,090	$ 1,173,500	$ 2,500,000	$ 4,174,590
Interest on bank deposits	701	14,320	-	15,021
Interest on loans receivable	-	741,443	68,401	809,844
Fees and other	885,026	7,683	-	892,709
Total revenues	1,386,817	1,936,946	2,568,401	5,892,164
Expenses:				
Payroll and related costs	1,208,110	-	-	1,208,110
Interest expense	-	332,838	40,984	373,822
Professional fees	124,881	12,123	-	137,004
Office and administrative	124,713	-	-	124,713
Occupancy	65,898	-	-	65,898
Other	-	12,539	12,128	24,667
Membership and training	18,016	-	-	18,016
Depreciation	17,639	-	-	17,639
Marketing	14,289	-	-	14,289
Provision for loan losses (recoveries)	-	(234,008)	128,058	(105,950)
Total expenses	1,573,546	123,492	181,170	1,878,208
Change in net assets	(186,729)	1,813,454	2,387,231	4,013,956
Transfer net assets	-	(35,125)	35,125	-
Net assets:				
Beginning	1,017,998	5,586,753	5,021,981	11,626,732
Ending	$ 831,269	$ 7,365,082	$ 7,444,337	$ 15,640,688

Florida Community Loan Fund, Inc.

Combining Statement of Cash Flows
Year Ended June 30, 2012

	Operating Fund	Community Development Fund	Florida Preservation Fund	Total All Funds
Cash Flows From Operating Activities				
Change in net assets	$ (186,729)	$ 1,813,454	$ 2,387,231	$ 4,013,956
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:				
Depreciation	17,639	-	-	17,639
Provision for loan losses (recoveries)	-	(234,008)	128,058	(105,950)
Transfer net assets	-	(35,125)	35,125	-
Changes in operating assets and liabilities:				
Pledges receivable	1,410	-	-	1,410
Other receivables	(20,000)	-	-	(20,000)
Other current assets	(59,707)	15,950	5,354	(38,403)
Accounts payable and accrued liabilities	86,837	1,537	-	88,374
Net cash (used in) provided by operating activities	(160,550)	1,561,808	2,555,768	3,957,026
Cash Flows From Investing Activities				
Withdrawal of certificate of deposit	-	2,072,779	-	2,072,779
Loan funds disbursed	-	(1,793,513)	(2,845,722)	(4,639,235)
Repayment of loans disbursed	-	843,663	-	843,663
Purchase of furniture and equipment	(1,515)	-	-	(1,515)
Net cash (used in) provided by investing activities	(1,515)	1,122,929	(2,845,722)	(1,724,308)
Cash Flows From Financing Activities				
Principal payments on notes payable, bonds payable and lines of credit	-	(300,189)	(1,000,000)	(1,300,189)
Repayment of other liabilities – equity equivalent investments	-	(2,000,000)	-	(2,000,000)
Net cash used in financing activities	-	(2,300,189)	(1,000,000)	(3,300,189)
Net (decrease) increase in cash and cash equivalents	(162,065)	384,548	(1,289,954)	(1,067,471)
Cash and cash equivalents:				
Beginning	1,087,808	5,907,857	6,997,728	13,993,393
Ending	$ 925,743	$ 6,292,405	$ 5,707,774	$ 12,925,922
Supplemental Cash Flow Information				
Cash paid for interest	$ -	$ 331,301	$ 40,984	$ 372,285

Florida Community Loan Fund, Inc.

Schedule of Expenditures of Federal Awards and State Financial Assistance
Year Ended June 30, 2012

Grantor/Pass-Through/Program Title	Contract or Grant Number	Federal CFDA #	Grant Period	Federal Expenditures
Federal Awards:				
U.S. Department of the Treasury passed through the				
Community Development Financial Institutions Fund –				
Community Development Financial Institutions Program	111FA009934	21.020	7/18/2011-6/30/2015	$ 1,500,000
Total expenditures of federal awards				$ 1,500,000

Grantor/Pass-Through/Program Title	Contract or Grant Number	State CSFA #	Grant Period	State Expenditures
State Financial Assistance:				
Florida Housing Finance Corporation –				
Preservation Bridge Loan Pilot Program	2008-01-03-001	52.903	6/26/2009-6/30/2013	$ 2,018,006
Total expenditures of state financial assistance				$ 2,018,006
Total expenditures of federal awards and state financial assistance				$ 3,518,006

See Note to Schedule of Expenditures of Federal Awards and State Financial Assistance.

Florida Community Loan Fund, Inc.

Note to Schedule of Expenditure of Federal Awards and State Financial Assistance

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance includes the federal grant activity and state financial assistance project contracts of Florida Community Loan Fund, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133*, Audits of States, Local Governments, and Non-profit Organizations* and the State of Florida Chapter 10.650, *Rules of the Auditor General*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of financial statements.

During the year ended June 30, 2010, the Loan Fund received $4,802,490 of state funds from Florida Housing Finance Corporation in the form of a grant as initial capital of the Florida Preservation Fund. During the year ended June 30, 2012, approximately $2,018,000 of the state funds were expended on a $3,291,500 loan in Palm Beach County.

McGladrey

Independent Auditor's Report
on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based
on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards*

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

We have audited the financial statements of Florida Community Loan Fund, Inc. as of and for the year ended June 30, 2012, and have issued our report thereon dated October 24, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of Florida Community Loan Fund, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Florida Community Loan Fund, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Florida Community Loan Fund, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Florida Community Loan Fund, Inc.'s internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Florida Community Loan Fund, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey LLP

Orlando, Florida
October 24, 2012

McGladrey

Independent Auditor's Report
on Compliance with Requirements that Could Have a Direct and Material Effect
on Each Major Federal Program and State Financial Assistance Project
and on Internal Control Over Compliance in Accordance with OMB Circular A-133
and State of Florida Chapter 10.650, *Rules of the Auditor General*

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

Compliance

We have audited the compliance of Florida Community Loan Fund, Inc. with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the requirements described in the Department of Financial Services' State Projects Compliance Supplement that could have a direct and material effect on Florida Community Loan Fund, Inc.'s major federal program and state financial assistance project for the year ended June 30, 2012. Florida Community Loan Fund, Inc.'s major federal program and state financial assistance project are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal program and state financial assistance project is the responsibility of Florida Community Loan Fund, Inc.'s management. Our responsibility is to express an opinion on Florida Community Loan Fund, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the State of Florida Chapter 10.650, *Rules of the Auditor General*. Those standards, OMB Circular A-133, and Chapter 10.650, *Rules of the Auditor General*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state financial assistance project occurred. An audit includes examining, on a test basis, evidence about Florida Community Loan Fund, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Florida Community Loan Fund, Inc.'s compliance with those requirements.

In our opinion, Florida Community Loan Fund, Inc. complied, in all material respects, with the compliance requirements referred to above that are could have a direct and material effect on each of its major federal program and state financial assistance project for the year ended June 30, 2012.

Internal Control over Compliance

Management of Florida Community Loan Fund, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal program and state financial assistance project. In planning and performing our audit, we considered Florida Community Loan Fund, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program or state financial assistance project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB circular A-133 and Chapter 10.650, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Florida Community Loan Fund, Inc.'s internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state financial assistance project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state financial assistance project will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey LLP

Orlando, Florida
October 24, 2012

Florida Community Loan Fund, Inc.

Schedule of Findings and Questioned Costs – Federal Awards and State Financial Assistance Projects
Year Ended June 30, 2012

I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:			Unqualified	
Internal control over financial reporting:				
Material weakness(es) identified?	______	Yes	X	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	______	Yes	X	None Reported
Noncompliance material to financial statements noted?	______	Yes	X	No

Federal Awards and State Financial Assistance

Internal control over major programs:				
Material weakness(es) identified?	______	Yes	X	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	______	Yes	X	None Reported
Type of auditor's report issued on compliance for major programs:			Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	______	Yes	X	No
Any audit findings disclosed that are required to be reported in accordance with 10.654(1)(h)(1)(f), *Rules of the Auditor General*?	______	Yes	X	No

(Continued)

I - Summary of Auditor's Results (Continued)

Identification of major programs:

Federal Awards:

CFDA Number	Name of Federal Program or Cluster
21.020	Community Development Financial Institutions Program

Dollar threshold used to distinguish between type A and type B Federal programs: $ 300,000

Auditee qualified as low-risk auditee? ______ Yes ___X___ No

State Financial Assistance:

CSFA Number	Name of State Project
52.903	Preservation Bridge Loan Pilot Program

Dollar threshold used to distinguish between type A and type B State projects: $ 300,000

II - Financial Statement Findings

No matters were reported.

III - Findings and Questioned Costs for Federal Awards and State Financial Assistance Projects

No matters were reported.

IV - Other Reporting

1. No Summary Schedule of Prior Audit Findings is presented because there were no prior audit findings related to federal awards and state financial assistance projects.

2. No Corrective Action Plan is presented because there were no findings required to be reported under the Federal Single Audit Act or the Florida Single Audit Act.

3. There was no management letter or control deficiency letter issued for the year ended June 30, 2012 and there were no findings required to be reported in these letters.