Florida Community Loan Fund, Inc.

Financial and Compliance Report
June 30, 2014 and 2013

McGladrey

Assurance ▪ Tax ▪ Consulting

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Independent Auditor's Report

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

Report on the Financial Statements
We have audited the accompanying financial statements of Florida Community Loan Fund, Inc., which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 2014 and 2013, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards and state financial assistance, 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 presented for the current year only for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2014 on our consideration of Florida Community Loan Fund'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Florida Community Loan Fund's internal control over financial reporting and compliance.

McGladrey LLP

Orlando, Florida
October 31, 2014

Florida Community Loan Fund, Inc.

Statements of Financial Position
June 30, 2014 and 2013

	2014	2013
Assets		
Current Assets:		
Cash and cash equivalents	**$ 10,948,630**	$ 12,675,961
Investments	**968,312**	600,544
Loans receivable, net of allowance for loan losses in 2014 $142,247; 2013 $223,026	**2,308,953**	2,570,672
Other current assets	**363,767**	298,692
Total current assets	**14,589,662**	16,145,869
Pledges Receivable, net of current portion	**1,951**	11,911
Investments, net of current portion	**2,066,326**	-
Loans Receivable, net of allowance for loan losses in 2014 $1,382,740; 2013 $791,998	**26,343,752**	15,549,652
Furniture and Equipment, net of accumulated depreciation in 2014 $142,489; 2013 $130,297	**38,261**	26,494
Total assets	**$ 43,039,952**	$ 31,733,926
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	**$ 460,401**	$ 276,564
Notes payable, bonds payable and lines of credit, current portion	**1,485,251**	1,180,819
Other liabilities – equity equivalent investments, current portion	**500,000**	500,000
Total current liabilities	**2,445,652**	1,957,383
Notes Payable, Bonds Payable and Lines of Credit, net of current portion	**17,365,500**	9,890,251
Other Liabilities – Equity Equivalent Investments, net of current portion	**3,500,000**	2,750,000
Total liabilities	**23,311,152**	14,597,634
Commitments and Contingencies (Notes 5, 7, 10 and 11)		
Net Assets:		
Unrestricted		
Designated by the Board for loans	**14,804,040**	13,457,040
Undesignated	**4,778,918**	3,638,841
Temporarily restricted	**145,842**	40,411
Total net assets	**19,728,800**	17,136,292
Total liabilities and net assets	**$ 43,039,952**	$ 31,733,926

See Notes to Financial Statements.

Florida Community Loan Fund, Inc.

Statements of Activities
Years Ended June 30, 2014 and 2013

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues:						
Grants and contributions	$ 1,868,567	$ 114,231	$ 1,982,798	$ 525,264	$ 189	$ 525,453
Investment income	90,666	-	90,666	4,350	-	4,350
Interest on loans receivable	1,328,000	-	1,328,000	1,024,767	-	1,024,767
Fees and other	2,083,379	-	2,083,379	2,033,556	-	2,033,556
Net assets released from restrictions	8,800	(8,800)	-	8,700	(8,700)	-
Total revenues	5,379,412	105,431	5,484,843	3,596,637	(8,511)	3,588,126
Expenses:						
Program services	2,337,844	-	2,337,844	1,576,999	-	1,576,999
Supporting services						
Management and general	396,365	-	396,365	369,388	-	369,388
Fundraising	158,126	-	158,126	146,135	-	146,135
Total supporting services	554,491	-	554,491	515,523	-	515,523
Total expenses	2,892,335	-	2,892,335	2,092,522	-	2,092,522
Change in net assets	2,487,077	105,431	2,592,508	1,504,115	(8,511)	1,495,604
Net assets:						
Beginning	17,095,881	40,411	17,136,292	15,591,766	48,922	15,640,688
Ending	$ 19,582,958	$ 145,842	$ 19,728,800	$ 17,095,881	$ 40,411	$ 17,136,292

See Notes to Financial Statements.

Florida Community Loan Fund, Inc.

Statement of Functional Expenses
Year Ended June 30, 2014

		Supporting Services			
	Program Services	Management and General	Fundraising	Total Supporting Services	2014 Total Expenses
Payroll and related costs	$ 1,109,163	$ 224,884	$ 131,526	$ 356,410	$ 1,465,573
Provision for loan losses	469,980	-	-	-	469,980
Interest expense	410,627	-	-	-	410,627
Professional fees	76,280	113,145	3,696	116,841	193,121
Office and administrative	130,086	43,410	11,182	54,592	184,678
Occupancy	64,390	13,055	7,635	20,690	85,080
Marketing	26,939	-	2,993	2,993	29,932
Membership and training	22,136	-	-	-	22,136
Other	19,016	-	-	-	19,016
Depreciation	9,227	1,871	1,094	2,965	12,192
Total expenses	$ 2,337,844	$ 396,365	$ 158,126	$ 554,491	$ 2,892,335

See Notes to Financial Statements.

Florida Community Loan Fund, Inc.

Statement of Functional Expenses
Year Ended June 30, 2013

		Supporting Services			
	Program Services	**Management and General**	**Fundraising**	**Total Supporting Services**	**2013 Total Expenses**
Payroll and related costs	$ 876,584	$ 211,312	$ 120,546	$ 331,858	$ 1,208,442
Interest expense	317,993	-	-	-	317,993
Professional fees	118,954	105,063	5,939	111,002	229,956
Office and administrative	95,367	37,625	9,487	47,112	142,479
Occupancy	52,262	12,598	7,187	19,785	72,047
Other	46,957	-	-	-	46,957
Provision for loan losses	25,188	-	-	-	25,188
Membership and training	19,660	-	-	-	19,660
Depreciation	11,572	2,790	1,591	4,381	15,953
Marketing	12,462	-	1,385	1,385	13,847
Total expenses	$ 1,576,999	$ 369,388	$ 146,135	$ 515,523	$ 2,092,522

See Notes to Financial Statements.

Florida Community Loan Fund, Inc.

Statements of Cash Flows
Years Ended June 30, 2014 and 2013

	2014	2013
Cash Flows From Operating Activities		
Change in net assets	**$ 2,592,508**	$ 1,495,604
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	**12,192**	15,953
Provision for loan losses	**469,980**	25,188
Net unrealized gains on investments	**(4,045)**	-
Loss on other real estate owned	**-**	9,000
Changes in operating assets and liabilities:		
Pledges receivable	**8,960**	8,511
Other current assets	**(64,075)**	(83,048)
Accounts payable and accrued liabilities	**183,837**	(116,691)
Net cash provided by operating activities	**3,199,357**	1,354,517
Cash Flows From Investing Activities		
Purchase of investments	**(2,430,049)**	(600,544)
Loan funds disbursed	**(14,431,344)**	(5,296,631)
Repayment of loans disbursed	**3,428,983**	2,436,265
Purchase of furniture and equipment	**(23,959)**	(2,080)
Net cash used in investing activities	**(13,456,369)**	(3,462,990)
Cash Flows From Financing Activities		
Proceeds from notes payable, bonds payable and lines of credit	**8,120,000**	2,975,000
Principal payments on notes payable, bonds payable and lines of credit	**(340,319)**	(1,116,488)
Proceeds from other liabilities – equity equivalent investments	**750,000**	-
Net cash provided by financing activities	**8,529,681**	1,858,512
Net decrease in cash and cash equivalents	**(1,727,331)**	(249,961)
Cash and cash equivalents:		
Beginning	**12,675,961**	12,925,922
Ending	**$ 10,948,630**	$ 12,675,961
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest	**$ 380,244**	$ 315,388
Supplemental Disclosure of Noncash Investing and Financing Activities		
Proceeds from sale of other real estate owned satisfied by the disbursement of a note receivable	**$ -**	$ 90,000
Conversion of notes payable into other liabilities – equity equivalent investments	**$ -**	$ 1,500,000

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.

> <u>Unrestricted net assets</u> – Net assets that are not subject to donor-imposed stipulations.
>
> <u>Temporarily restricted net assets</u> – 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.
>
> <u>Permanently restricted net assets</u> – 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 2014 and 2013, the Loan Fund received $1,347,000 and $0, respectively, of federal funds from the CDFI Fund in the form of a grant, which were expended as of June 30, 2014. 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 years ended June 30, 2014 and 2013, approximately $1,280,000 and $427,500, respectively, of the state funds were expended. As of June 30, 2014, the grant period ended and the Florida Housing Finance Corporation released the Loan Fund from any future obligations under the grant contract, including future repayment of unexpended funds.

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.

Investments: Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Realized gains and losses are recognized when securities are sold. Unrealized gains and losses are recognized as the change in fair value of securities between reporting periods. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

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

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 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:

> Affordable/Supportive Housing – 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 3.0%-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.

> Community Facilities – 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 5.0%-6.0%. 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.

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

Economic Development – 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 4.75%-6.5%. 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 less estimated selling costs if the loan is collateral dependent, and is included in the allowance for loan losses.

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 at the fair value of the collateral less estimated selling costs. 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.

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: Long-lived assets are evaluated for impairment whenever events or changes in circumstances have indicated that an asset may not be recoverable and are grouped with other assets to the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. If the sum of the projected undiscounted cash flows (excluding interest charges) is less than the carrying value of the assets, the assets will be written down to the estimated fair value and such loss is recognized in income from continuing operations in the period in which the determination is made. Management determined that no impairment of long-lived assets existed as of June 30, 2014 and 2013.

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

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.

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, 2011.

Fair value measurements: Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Loan Fund uses various methods including market and income approaches. Based on these approaches, the Loan Fund often uses certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Loan Fund uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

Reclassification: Certain amounts have been reclassified from prior year financial statements to conform with current year presentation. Such reclassifications had no effect on total assets, total liabilities, net assets or change in net assets as previously reported.

Subsequent events: Management has assessed subsequent events through October 31, 2014, the date the financial statements were available to be issued.

New accounting pronouncements: The FASB issued new or modifications to, or interpretations of, existing accounting guidance during 2014. 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.

Note 2. New Markets Tax Credit Program

The Loan Fund has been granted status by the United States Departments of 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 through 2014, the Loan Fund received allocations totaling $151 million for this program. During fiscal year 2014, the Loan Fund received $4.8 million in state of Florida allocation from the Florida New Markets Development Program. The Loan Fund has formed twenty-two CDEs (collectively the CDE LLCs), the first fifteen of which have been activated as of June 30, 2014: 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, LLC; Florida Community New Markets Fund VI, LLC; Florida Community New Markets Fund VII, LLC; Florida Community New Markets Fund VIII, LLC; Florida Community New Markets Fund IX, LLC; Florida Community New Markets Fund X, LLC; Florida Community New Markets Fund XI, LLC; Florida Community New Markets Fund XII, LLC; Florida Community New Markets Fund XIII, LLC; Florida Community New Markets Fund XIV, LLC; and Florida Community New Markets Fund XV, LLC. The other seven CDE LLCs have been formed for the NMTC allocations but have conducted no financial activity as of June 30, 2014.

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. The Loan Fund does not consolidate these entities due to the rights granted to the investor members as defined in the respective operating agreements. The investor members' rights overcome the presumption of control of the managing member.

The Loan Fund had a .01% interest in each of the above entities with the exception of The Florida Community New Markets Fund II. Additionally, the Loan Fund has a .01% interest in NL-Camillus NMTC Fund, LLC, which is the investment fund for Florida Community New Markets Fund IX, LLC. The Loan Fund does not consolidate this entity due to the rights granted to the investor member as defined in the operating agreement. The investor member's rights overcome the presumption of control of the managing member.

As of June 30, 2014 and 2013, the total investment amount is $14,230 and $11,393, respectively.

The fiscal year end for these companies is December 31, and each company has an annual audit performed by a different independent auditor after its first complete year of operations. Below is a summary of the unaudited interim financial information for these companies for the interim 6-month periods ended June 30, 2014 and 2013:

	2014	2013
Total assets	$ 159,524,596	$ 130,292,408
Total liabilities	14,508,731	14,487,975
Members' equity	145,015,865	115,804,434
Total revenue	1,123,730	1,011,619
Total expenses	698,545	722,132
Total other income	28,200	9,000
Net income	453,385	298,487

Note 2. New Markets Tax Credit Program (Continued)

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 $139,800,000 in cumulative qualified equity investments (QEIs) as of June 30, 2014 to make QLICIs from the active CDE LLCs. By making QLICIs, the CDE LLCs enable Investor Members to claim approximately $54,525,000 of NMTC over seven-year credit period. In connection for obtaining allocation, establishing the CDE LLCs, and making sub-allocation to the CDE LLCs, the Loan Fund earned upfront fees of $1,404,442 and $1,525,000 as of June 30, 2014 and 2013, 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, 2014, 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. Investments

A summary of the Loan Fund's investments at fair value as of June 30, 2014 and 2013 is as follows:

	2014	2013
Mutual Funds:		
Short-term bonds	$ 635,771	$ 600,544
Debt Securities:		
Domestic corporate debt securities	2,260,495	-
Foreign corporate debt securities	138,372	-
	2,398,867	-
	$ 3,034,638	$ 600,544

The Loan Fund invests in various investment securities in accordance with its investment policy. These investment securities are exposed to various risks such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the uncertainty related to changes in their values, it is reasonable to expect that changes in the values of the investment securities will occur in the near term and that such changes could materially affect the investment balance.

Investment expenses are netted against investment income. Investment returns consist of interest and dividends and realized and unrealized gains and losses. Investment return is summarized for the years ended June 30, 2014 and 2013, as follows:

	2014	2013
Interest and dividends, net of investment expenses	$ 86,621	$ 4,350
Net unrealized gains	4,045	-
	$ 90,666	$ 4,350

Note 4. 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, 2014 and 2013 are as follows:

	2014	2013
Loan portfolio serviced for:		
Miami Coalition for the Homeless	$ 357,797	$ 370,366
Central Bank SW FL	1,449,100	-
	$ 1,806,897	$ 370,366

Note 5. Loans Receivable

Loans receivable from not-for-profit corporations at June 30, 2014 and 2013 are classified as follows:

	2014	2013
Loans By Collateral:		
3.0% – 7.75% and 4.0% – 7.75%, respectively,		
Secured By Real Estate (Mortgage)	$ 29,627,692	$ 19,135,348
4.75%, Secured by Assignment of Notes	550,000	-
	30,177,692	19,135,348
Less allowance for loan losses	(1,524,987)	(1,015,024)
	$ 28,652,705	$ 18,120,324

Scheduled principal payments on loans receivable subsequent to June 30, 2014 are as follows:

Years Ending June 30,	Amount
2015	$ 2,451,200
2016	1,915,986
2017	1,461,658
2018	1,617,171
2019	4,882,504
Thereafter	17,849,173
	$ 30,177,692

Note 5. Loans Receivable (Continued)

	June 30, 2014	
	Outstanding	Undisbursed
Loans by type:		
Affordable/supportive housing	$ 23,120,610	$ 1,992,005
Community facilities	5,642,928	130,324
Economic development	1,414,154	96,880
	$ 30,177,692	$ 2,219,209

	June 30, 2013	
	Outstanding	Undisbursed
Loans by type:		
Affordable/supportive housing	$ 14,893,947	$ 2,086,432
Community facilities	2,693,175	85,507
Economic development	1,548,226	-
	$ 19,135,348	$ 2,171,939

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.

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.

Note 5. Loans Receivable (Continued)

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.

The following tables present the risk category of loans evaluated by internal asset classification based on the most recent analysis performed at June 30, 2014 and 2013:

	2014			
	Excellent/ Acceptable	Weak	Inadequate/ Substandard	Total
Affordable/supportive housing	$ 21,104,422	$ 646,251	$ 1,369,937	$ 23,120,610
Community facilities	4,826,805	-	816,123	5,642,928
Economic development	953,495	460,659	-	1,414,154
	$ 26,884,722	$ 1,106,910	$ 2,186,060	$ 30,177,692

	2013			
	Excellent/ Acceptable	Weak	Inadequate/ Substandard	Total
Affordable/supportive housing	$ 12,968,505	$ 1,009,638	$ 915,804	$ 14,893,947
Community facilities	1,904,032	-	789,143	2,693,175
Economic development	1,069,988	478,238	-	1,548,226
	$ 15,942,525	$ 1,487,876	$ 1,704,947	$ 19,135,348

As of June 30, 2014 or 2013, there were no loans classified as doubtful or loss.

Changes in the allowance for loan losses for the years ended June 30, 2014 and 2013 are as follows:

	2014			
	Affordable/ Supportive Housing	Community Facilities	Economic Development	Total
Beginning balance	$ 779,441	$ 126,302	$ 109,281	$ 1,015,024
Provision for loan losses (recoveries)	355,009	126,066	(11,095)	469,980
Recoveries of amounts previously charged off	33,983	6,000	-	39,983
Ending balance	$ 1,168,433	$ 258,368	$ 98,186	$ 1,524,987
End of year allowance amount allocated:				
Loans individually evaluated for impairment	$ 140,757	$ 6,755	$ -	$ 147,512
Loans collectively evaluated for impairment	1,027,676	251,613	98,186	1,377,475
	$ 1,168,433	$ 258,368	$ 98,186	$ 1,524,987
Loans:				
Individually evaluated for impairment	$ 1,369,937	$ 816,123	$ -	$ 2,186,060
Collectively evaluated for impairment	21,750,673	4,826,805	1,414,154	27,991,632
	$ 23,120,610	$ 5,642,928	$ 1,414,154	$ 30,177,692

Note 5. Loans Receivable (Continued)

	2013							
		Affordable/ Supportive Housing		Community Facilities		Economic Development		Total
Beginning balance	$	781,388	$	140,292	$	112,170	$	1,033,850
Provision for loan losses (recoveries)		63,574		(35,497)		(2,889)		25,188
Recoveries of amounts previously charged off		8,125		21,507		-		29,632
Write-off of uncollectible loans		(73,646)		-		-		(73,646)
Ending balance	$	779,441	$	126,302	$	109,281	$	1,015,024
End of year allowance amount allocated:								
Loans individually evaluated for impairment	$	70,365	$	37,794	$	-	$	108,159
Loans collectively evaluated for impairment		709,076		88,508		109,281		906,865
	$	779,441	$	126,302	$	109,281	$	1,015,024
Loans:								
Individually evaluated for impairment	$	915,804	$	789,143	$	-	$	1,704,947
Collectively evaluated for impairment		13,978,143		1,904,032		1,548,226		17,430,401
	$	14,893,947	$	2,693,175	$	1,548,226	$	19,135,348

As of June 30, 2014, there are three affordable housing loans with a total outstanding balance of $528,923 which are less than thirty days past due. As of June 30, 2013, there were three affordable housing loans and one community facility loan with a total outstanding balance of $777,066 which were less than thirty days past due, and there was one affordable housing loan with an outstanding balance of $315,203, which was greater than ninety days past due but not accruing interest.

Information about nonaccrual and impaired loans as of and for the years ended June 30, 2014 and 2013 is summarized as follows:

	2014					
		Affordable/ Supportive Housing		Community Facilities		Total
Impaired loans with a valuation allowance	$	1,056,800	$	56,290	$	1,113,090
Impaired loans without a valuation allowance		313,137		759,833		1,072,970
Average investment in impaired loans during 2014		1,142,870		802,633		1,945,503
Allowance related to impaired loans		140,757		6,755		147,512
Loans on non-accrual status		811,953		759,833		1,571,786
Interest income recognized on impaired loans during the year		37,511		-		37,511
Interest income foregone on loans on non-accrual status		9,981		33,281		43,262

	2013					
		Affordable/ Supportive Housing		Community Facilities		Total
Impaired loans with a valuation allowance	$	600,601	$	249,143	$	849,744
Impaired loans without a valuation allowance		315,203		540,000		855,203
Average investment in impaired loans during 2013		772,068		782,923		1,554,991
Allowance related to impaired loans		70,365		37,794		108,159
Loans on non-accrual status		811,764		735,768		1,547,532
Interest income recognized on impaired loans during the year		48,957		3,286		52,243
Interest income foregone on loans on non-accrual status		10,813		31,758		42,571

Interest income recognized on a cash basis during 2014 and 2013 was $0.

Note 5. Loans Receivable (Continued)

Impaired loans include loans modified in troubled debt restructurings where concessions have been granted to borrowers experiencing financial difficulties. These concessions could include a reduction of interest rate on the loan, payment extensions, forbearance or other actions intended to maximize collection. 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, 2014 and 2013:

	2014				
	Number of Loans	Pre-Modification Outstanding Loan Balance	Post-Modification Outstanding Loan Balance	Forgiven Principal	Lost Interest Income
Affordable/supportive housing	4	$ 871,120	$ 871,120	$ -	$ 9,981
Community facilities	2	267,639	276,123	-	13,190
Total	6	$ 1,138,759	$ 1,147,243	$ -	$ 23,171

	2013				
	Number of Loans	Pre-Modification Outstanding Loan Balance	Post-Modification Outstanding Loan Balance	Forgiven Principal	Lost Interest Income
Affordable/supportive housing	2	$ 357,829	$ 294,040	$ 63,789	$ 2,555
Community facilities	2	249,143	249,143	-	11,746
Total	4	$ 606,972	$ 543,183	$ 63,789	$ 14,301

As of June 30, 2014, there is one affordable/supportive housing loan with an outstanding balance of $101,486, and two community facilities loan with a total outstanding balance of $276,123, which are 2013 troubled debt restructurings that were restructured again during 2014 to grant additional concessions. As of June 30, 2013, there is one affordable/supportive housing loan with an outstanding balance of $190,000 and one community facilities loan with an outstanding balance of $195,768, which are 2012 troubled debt restructurings that were restructured again during 2013 to grant additional concessions.

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 6. Concentration of Credit Risk

As of June 30, 2014, all of the Loan Fund's loans receivable was due from borrowers located throughout Florida. Therefore, the Loan Funds's exposure to credit risk is significantly affected by changes in the economy and real estate markets in Florida.

Note 7. 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, 2014 and 2013, management determined that no allowance is deemed necessary.

Unconditional pledges receivable are summarized at June 30, 2014 and 2013 as follows:

	2014	2013
Unconditional promises to give before unamortized discount	$ 14,000	$ 22,800
Less: unamortized discount	(549)	(389)
	$ 13,451	$ 22,411
Amounts due in:		
Less than one year	$ 11,500	$ 10,500
One to four years	1,951	11,911
	$ 13,451	$ 22,411

Note 8. 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, 2014 and 2013 consist of the following amounts:

	2014	2013
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) line of credit, interest only, payable quarterly, with $500,000 annual principal payments beginning June 2016, matures June 2019	1,500,000	500,000
2.0%: One (1) line of credit, interest only payable quarterly, matures December 2015	1,000,000	-
2.25%: One (1) line of credit, interest only, payable quarterly, matures November 2017.	5,000,000	2,500,000
3.0%: One (1) note payable, interest only, payable quarterly, matures February 2017.	3,000,000	-
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.	750,000	750,000
0%-1.9%: Nine (9) and Eight (8), respectively, notes payable; various maturities through April 2018.	206,040	86,040
2.0%-2.9%: Seventeen (17) notes payable and lines of credit, principal and interest or interest only, payable periodically, various maturities through May 2021.	3,462,211	2,801,030
3.0%-3.25%: Eight (8) and seven (7), respectively, notes payable and lines of credit, principal and interest or interest only, payable periodically, various maturities through January 2021.	932,500	1,434,000
	18,850,751	11,071,070
Less current portion	(1,485,251)	(1,180,819)
	$ 17,365,500	$ 9,890,251

Principal maturity requirements on notes payable subsequent to June 30, 2014 are as follows:

Years Ending June 30,	Amount
2015	$ 1,485,251
2016	2,117,500
2017	5,918,000
2018	7,155,000
2019	1,925,000
Thereafter	250,000
	$ 18,850,751

Note 8. Notes Payable, Bonds Payable and Lines of Credit (Continued)

Undisbursed commitments to borrow: In the ordinary course of business, the Loan Fund has entered into lines of credit, which includes undisbursed commitments to borrow. Undisbursed commitments to borrow and the outstanding balances at June 30, 2014 are as follows:

	Total Line of Credit	June 30, 2014 Outstanding
Unsecured revolving line of credit with TD Bank at a 2% interest rate with a maturity date of June 11, 2019 and a draw period through June 11, 2016.	$ 2,500,000	$ 1,500,000
Unsecured line of credit with Bank United at a 2% interest rate with a maturity date of December 27, 2015. Line of credit was renewed in July 2014 with an additional $1,000,000 of credit extended with a draw period through July 25, 2016. Line of credit bears interest at the prime interest rate less 1.25% with a floor of 2% and a ceiling of 3%. Extended maturity date is July 25, 2019.	2,000,000	1,000,000
Unsecured line of credit with Comerica at a 2.75% interest rate with a maturity date of January 1, 2017.	1,000,000	500,000
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	-
	$ 6,000,000	$ 3,000,000

Note 9. Other Liabilities – Equity Equivalent Investments

The Organization has outstanding amounts due under equity equivalent subordinated promissory note agreements at June 30, 2014 and 2013, as follows:

	2014	2013
Wells Fargo, 2% interest only, payable quarterly. Initial ten year term; unsecured; subordinated, and initially matures June 2023, with annual maturity terms thereafter.	$ 2,500,000	$ 2,250,000
Regions 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, 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
Raymond James Bank, 2% interest only, payable quarterly. Initial ten year term, unsecured; subordinated and initially matures in December 2023, with five year extended maturity thereafter.	500,000	-
	4,000,000	3,250,000
Less current portion	(500,000)	(500,000)
	$ 3,500,000	$ 2,750,000

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

Note 9. Other Liabilities – Equity Equivalent Investments (Continued)

Principal maturity requirements on equity equivalent investments subsequent to June 30, 2014 are as follows:

Years Ending June 30,	Amount
2015	$ 500,000
2016	500,000
Thereafter	3,000,000
	$ 4,000,000

Note 10. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2014 and 2013 are as follows:

	2014	2013
Food access initiative	$ 86,354	$ -
Community healthcare center initiative	28,037	-
Green building initiative	18,000	18,000
Contributions due in future periods	13,451	22,411
	$ 145,842	$ 40,411

The Reinvestment Fund, through the JPMorgan Chase Foundation CDFI Cluster Demonstration Program, Florida Partnership for Healthy People and Healthy Places and Northern Trust provided grants for the food access initiative as of June 30, 2014. Northern Trust also provided a grant for community healthcare center initiatives as of June 30, 2014. The Home Depot Foundation provided a grant to incentivize green affordable housing building as of June 30, 2014 and 2013. Contributions due in future periods, presented above at their present value, consist of four grants at June 30, 2014 and 2013.

Note 11. 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 ten new loan commitments at June 30, 2014 for $5,318,670 and six new loan commitments at June 30, 2013 for $7,350,000. In addition, undisbursed borrowers' lines of credit approximated $2,219,000 and $2,172,000 (see Note 5) at June 30, 2014 and 2013, respectively.

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

Note 12. Lease Commitments

The Loan Fund leases its office site and other office equipment. The lease agreements are for one to four years and are accounted for as operating leases. Rent expense under the said leases was approximately $88,000 and $75,000 for the years ended June 30, 2014 and 2013, respectively, and is included in occupancy and office and administrative in the accompanying statements of functional expenses. Commitments for future rentals, by year and in the aggregate, to be paid as of June 30, 2014 are as follows:

Year Ending June 30,	Amount
2015	$ 76,677
2016	70,924
2017	43,770
	$ 191,371

Note 13. Employee Retirement Plan

The Loan Fund has a defined contribution retirement plan for employees, which permits pre-tax contributions to the plan by participants pursuant to Section 403(b) of the Internal Revenue Code up to the legal maximums, as defined. The Loan Fund makes contributions based on a formula set forth in its personnel policies. Participants are immediately vested in their contributions and the Loan Fund’s contributions. The Loan Fund made contributions to the plan for the fiscal years ending June 30, 2014 and 2013 of $113,845 and $111,048, respectively, which are included in payroll and related costs in the accompanying statements of activities.

Note 14. Fair Value Measurements

The fair value measurement accounting literature provides a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. 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: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

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 on a recurring or nonrecurring basis.

Note 14. Fair Value Measurements (Continued)

The fair values of assets measured at fair value on a recurring basis during the years ended June 30, 2014 and 2013 are as follows:

	2014			
	Level I	Level II	Level III	Total
Mutual Funds -				
Short-term bonds	$ 635,771	$ -	$ -	$ 635,771
Debt Securities -				
Domestic corporate debt securities	-	2,260,495	-	2,260,495
Foreign corporate debt securities	-	138,372	-	138,372
	-	2,398,867	-	2,398,867
	$ 635,771	$ 2,398,867	$ -	$ 3,034,638

	2013			
	Level I	Level II	Level III	Total
Mutual Funds -				
Short-term bonds	$ 600,544	$ -	$ -	$ 600,544

The fair value of actively traded investment securities are based on quoted market prices. Fair value of inactively traded investment securities are based on quoted market prices of similar securities or based on observable inputs like interest rates using either a market or income valuation approach and are generally classified as Level 2.

The fair values of assets measured at fair value on a nonrecurring basis during the years ended June 30, 2014 and 2013, are as follows:

	2014			
	Level I	Level II	Level III	Provision for Loan Losses (Recoveries)
Impaired loans	$ -	$ -	$ 2,038,548	$ (17,031)

	2013			
	Level I	Level II	Level III	Provision for Loan Losses / (Recoveries)
Impaired loans	$ -	$ -	$ 1,596,788	$ (133,979)

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 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 15. Subsequent Event

In September 2014, the Loan Fund was awarded $4,000,000 through the Wells Fargo NEXT Awards for Opportunity Finance. The award was in the form of a $3,636,364 loan and a $363,636 grant toward its Florida Preservation Fund lending program.

In October 2014, the Loan Fund obtained a $5,000,000 revolving line of credit from a bank. The unsecured line of credit bears interest at London Interbank Offered Rate (LIBOR) plus 2.25%. Interest payments are due quarterly, and the principal balance is payable upon demand. As of October 31, 2014, $0 is outstanding on the line of credit.

Florida Community Loan Fund, Inc.

Schedule of Expenditures of Federal Awards and State Financial Assistance
Year Ended June 30, 2014

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	131FA011588	21.020	9/24/2013 - 6/30/2017	$ 1,347,000
Total expenditures of federal awards				$ 1,347,000

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	6/26/2009-6/30/2014	$ 1,279,864
Total expenditures of state financial assistance				$ 1,279,864
Total expenditures of federal awards and state financial assistance				$ 2,626,864

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

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance (the Schedule) includes the federal grant activity and state financial assistance project activity of Florida Community Loan Fund, Inc. (the Loan Fund) under programs of the federal government and the State of Florida for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (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*. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations* and cost principles established by the State of Florida Department of Financial Services, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers (contract or grant number) are presented where available.

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 for the Preservation Bridge Loan Pilot Program (the Program). During the year ended June 30, 2014, $1,279,864 of the state funds were expended on a $3,850,000 loan in Orange County. The Program ended as of June 30, 2014, and Florida Housing Finance Corporation released the Loan Fund from any future obligations under the grant contract, including future repayment of unexpended funds.

McGladrey

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*

Independent Auditor's Report

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

We have audited, in accordance with the 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, the financial statements of Florida Community Loan Fund, Inc., which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Florida Community Loan Fund, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Florida Community Loan Fund, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Florida Community Loan Fund, Inc.'s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether Florida Community Loan Fund, Inc.'s financial statements are free from 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*.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McGladrey LLP

Orlando, Florida
October 31, 2014

McGladrey

Report on Compliance for Each Major Federal Program and State Financial Assistance Project; and on Internal Control Over Compliance

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program and State Project

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, 2014. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs and state projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Florida Community Loan Fund, Inc.'s major federal programs and state projects based on our audit of the types of compliance requirements referred to above. 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 Chapter 10.650, *Rules of the Auditor General* of the State of Florida. Those standards, OMB Circular A-133 and Chapter 10.650 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 and state 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Florida Community Loan Fund, Inc.'s compliance.

Opinion on Each Major Federal Program and State Project

In our opinion, Florida Community Loan Fund, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of Florida Community Loan Fund, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Florida Community Loan Fund, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project 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 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 project will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and Chapter 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

McGladrey LLP

Orlando, Florida
October 31, 2014

Florida Community Loan Fund, Inc.

Schedule of Findings and Questioned Costs – Federal Awards and State Financial Assistance Projects
Year Ended June 30, 2014

I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:			Unmodified	
Internal control over financial reporting:				
Material weakness(es) identified?	______	Yes	X	No
Significant deficiency(ies) identified?	______	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	______	Yes	X	None Reported
Type of auditor's report issued on compliance for major programs:			Unmodified	
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)

Florida Community Loan Fund, Inc.

Schedule of Findings and Questioned Costs – Federal Awards and State Financial Assistance Projects (Continued)
Year Ended June 30, 2014

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 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.

2. 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.

3. There was no management letter or control deficiency letter issued for the year ended June 30, 2014 and there were no matters required to be reported in these letters.