Florida Community Loan Fund, Inc.

Financial and Compliance Report
June 30, 2011 and 2010

Contents

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, 2011 and 2010, 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, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated 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 basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented 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 is not a required part of the basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

McGladrey & Pullen, LLP

Orlando, Florida
October 26, 2011

Florida Community Loan Fund, Inc.

Statements of Financial Position
June 30, 2011 and 2010

	2011	2010
Assets		
Current Assets:		
Cash and cash equivalents	**$ 13,993,393**	$ 13,297,474
Certificates of deposit	**2,072,779**	2,050,997
Other receivables	**-**	100,000
Pledges receivable	**8,500**	10,000
Loans receivable	**2,964,330**	3,864,390
Allowance for loan losses	**(182,829)**	(307,016)
Loans receivable, net	**2,781,501**	3,557,374
Other current assets	**245,741**	98,227
Total current assets	**19,101,914**	19,114,072
Pledges Receivable, net of current portion	**23,832**	-
Loans Receivable	**9,431,191**	8,816,626
Allowance for Loan Losses	**(919,068)**	(624,127)
Loans receivable, net	**8,512,123**	8,192,499
Furniture and Equipment, net of accumulated depreciation in 2011 of $96,705; 2010 of $77,840	**56,491**	70,722
Total assets	**$ 27,694,360**	$ 27,377,293
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	**$ 304,881**	$ 117,411
Notes payable, bonds payable and lines of credit, current portion	**1,450,229**	1,948,000
Other liabilities – equity equivalent investments, current portion	**2,750,000**	750,000
Total current liabilities	**4,505,110**	2,815,411
Notes Payable, Bonds Payable and Lines of Credit, net of current portion	**10,562,518**	12,006,819
Other Liabilities – Equity Equivalent Investments, net of current portion	**1,000,000**	3,000,000
Total liabilities	**16,067,628**	17,822,230
Commitments and Contingencies (Notes 9 and 10)		
Net Assets:		
Unrestricted		
Designated by the Board for loans	**9,750,790**	8,250,790
Undesignated	**1,825,610**	1,203,844
Temporarily restricted	**50,332**	100,429
Total net assets	**11,626,732**	9,555,063
Total liabilities and net assets	**$ 27,694,360**	$ 27,377,293

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 Activities
Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	2010 Total
Revenues:			
Grants and contributions	$ 5,235,385	$ 49,201	$ 5,284,586
Interest on bank deposits	43,168	-	43,168
Interest on loans receivable	778,027	-	778,027
Fees and other	148,663	-	148,663
Net assets released from restrictions	103,000	(103,000)	-
Total revenues	6,308,243	(53,799)	6,254,444
Expenses:			
Payroll and related costs	810,193	-	810,193
Interest expense	399,548	-	399,548
Provision for loan losses	397,590	-	397,590
Professional fees	176,566	-	176,566
Office and administrative	125,093	-	125,093
Occupancy	62,481	-	62,481
Other	22,764	-	22,764
Depreciation	19,918	-	19,918
Membership and training	18,870	-	18,870
Marketing	10,402	-	10,402
Awards and grants	8,000	-	8,000
Total expenses	2,051,425	-	2,051,425
Change in net assets	4,256,818	(53,799)	4,203,019
Net assets:			
Beginning	5,197,816	154,228	5,352,044
Ending	$ 9,454,634	$ 100,429	$ 9,555,063

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	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.

Statement of Functional Expenses
Year Ended June 30, 2010

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Supporting Services: Total Supporting Services	Total Expenses
Payroll and related costs	$ 557,834	$ 148,890	$ 103,469	$ 252,359	$ 810,193
Interest expense	399,548	-	-	-	399,548
Provision for loan losses	397,590	-	-	-	397,590
Professional fees	115,003	56,563	5,000	61,563	176,566
Office and administrative	78,424	33,882	12,787	46,669	125,093
Occupancy	43,020	11,482	7,979	19,461	62,481
Other	22,764	-	-	-	22,764
Depreciation	13,714	3,660	2,544	6,204	19,918
Membership and training	18,870	-	-	-	18,870
Marketing	9,362	-	1,040	1,040	10,402
Awards and grants	8,000	-	-	-	8,000
Total expenses	$ 1,664,129	$ 254,477	$ 132,819	$ 387,296	$ 2,051,425

See Notes to Financial Statements.

Florida Community Loan Fund, Inc.

Statements of Cash Flows
Years Ended June 30, 2011 and 2010

	2011	2010
Cash Flows From Operating Activities:		
Change in net assets	**$ 2,071,669**	$ 4,203,019
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	**18,865**	19,918
Loss on other real estate owned	**48,509**	-
Provision for loan losses	**170,754**	397,590
In-kind contribution	**-**	(15,314)
Interest income reinvested in certificates of deposit	**(21,782)**	(24,589)
Changes in operating assets and liabilities:		
Pledges receivable	**(22,332)**	19,228
Other receivables	**100,000**	(100,000)
Other current assets	**(39,514)**	(44,029)
Accounts payable and accrued liabilities	**133,470**	(15,019)
Net cash provided by operating activities	**2,459,639**	4,440,804
Cash Flows From Investing Activities:		
Loan funds disbursed	**(1,208,640)**	(2,733,748)
Repayment of loans disbursed	**1,156,135**	4,714,241
Proceeds from sale of other real estate owned	**235,491**	-
Purchase of furniture and equipment	**(4,634)**	(7,524)
Net cash provided by investing activities	**178,352**	1,972,969
Cash Flows From Financing Activities:		
Proceeds from notes payable, bonds payable and lines of credit	**-**	4,401,000
Principal payments on notes payable, bonds payable and lines of credit	**(1,942,072)**	(663,392)
Net cash (used in) provided by financing activities	**(1,942,072)**	3,737,608
Net increase in cash and cash equivalents	**695,919**	10,151,381
Cash and cash equivalents:		
Beginning	**13,297,474**	3,146,093
Ending	**$ 13,993,393**	$ 13,297,474
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest	**$ 496,125**	$ 399,964
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 2011, the Loan Fund received $750,000 of federal funds from the CDFI Fund in the form of a grant. 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. 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, 2011, 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 and receipt of the funds. 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 holds certificates of deposit with maturity dates at time of purchase greater than three months. These certificates of deposit are carried at amortized cost.

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

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

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 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.

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

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 loss.

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 and $0 is included in other current assets as of June 30, 2011 and 2010, respectively.

The Loan Fund acquired the assets underlying the loans in which another entity had an interest. A payable in the amount of $54,000 and $0 was recognized for the other entity's interest in the proceeds from the future disposition of those assets as of June 30, 2011 and 2010, respectively.

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.

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

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.

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. With few exceptions, the Organization is no longer subject to U.S. federal income tax examinations by tax authorities for years before June 30, 2008.

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 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.

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

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.

Subsequent events: Management has assessed subsequent events through October 26, 2011, the date the financial statements were available to be issued.

New accounting pronouncements: In July 2010, the Financial Accounting Standards Board (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 will 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 are effective for annual reporting periods ending after December 15, 2011. Management is evaluating the potential impact of this update on the accompanying financial statements.

The FASB issued new or modifications to, or interpretations of, existing accounting guidance during 2011. 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 June 2009, the FASB issued authoritative guidance related to accounting for transfers of financial assets. This guidance requires the Organization to determine whether a transferor and all of the entities included in the transferor's financial statements have surrendered control over transferred financial assets. That determination must consider the transferor's continuing involvement in the transferred financial assets. This modifies the financial components approach used and limits the circumstances in which a financial asset, or portion of a financial asset, such as a loan participation, should be derecognized when the transferor has not transferred the entire original financial asset to an entity that is not consolidated with the transferor and/or when the transferor has continuing involvement with the transferred financial asset. This guidance was adopted by the Loan Fund on July 1, 2010. The guidance did not have a material effect on the accompanying financial statements.

In June 2009, the FASB issued new guidance which replaces the quantitative-based risks and rewards calculation for determining which enterprise, if any, has a controlling financial interest in a VIE with an approach focused on identifying which enterprise has the power to direct the activities of the VIE that most significantly impacts the entity's economic performance and the obligation to absorb losses or the right to receive benefits from the entity. The new guidance was adopted by the Loan Fund on July 1, 2010. The guidance did not have a material effect on the accompanying financial statements.

Note 2. New Markets Tax Credit Program

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

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 active CDE LLCs have been evaluated as possible variable interest entities (VIEs). VIEs are defined as entities with a level of invested equity that is not sufficient to fund future activities to permit them to operate on a standalone basis or whose equity holders lack certain characteristics of a controlling financial interest. VIEs are evaluated for potential consolidation based on an assessment of which party to the VIE, if any, bears a majority of the exposure to expected losses or stands to gain from a majority of its expected returns. The Loan Fund has determined these entities are not VIE's and as such have been consolidated into the Investor Members under other accounting guidance.

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 $62 million in cumulative qualified equity investments (QEIs) at June 30, 2011 to make QLICIs from the active CDE LLCs. By making QLICIs, the CDE LLCs enable Investor Members to claim approximately $24,180,000 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 $2,260,000 and $75,000 at June 30, 2011 and 2010, respectively, which are included as a component of fees and other in the accompanying 2011 and 2010 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, 2011, 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 Loan Fund accounts for the transfers of participated loans as sale transactions and excludes such amounts 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, 2011 and 2010 are as follows:

	2011	2010
Loan portfolio serviced for:		
Enterprise Community Loan Fund	**$ 445,295**	$ 882,600
Miami Coalition for the Homeless	**415,087**	441,415
Partners for Common Good	**378,748**	436,206
	$ 1,239,130	$ 1,760,221

Note 4. Loans Receivable

Loans receivable from not-for-profit corporations at June 30, 2011 and 2010 are classified as follows:

	2011	2010
Loans By Collateral:		
4.5% – 7.75%, Secured By Real Estate (Mortgage)	**$ 12,395,521**	$ 12,681,016
Less allowance for loan losses	**(1,101,897)**	(931,143)
	$ 11,293,624	$ 11,749,873

Scheduled principal payments on loans receivable subsequent to June 30, 2011 are as follows:

Years Ending June 30,	Amount
2012	$ 2,964,330
2013	1,027,464
2014	2,640,057
2015	735,559
2016	1,927,754
Thereafter	3,100,357
	$ 12,395,521

Note 4. Loans Receivable (Continued)

	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**

	June 30, 2010	
	Outstanding	Undisbursed
Loans by type:		
Affordable/supportive housing	$ 9,919,681	$ 2,413,687
Community facilities	1,936,567	-
Economic development	824,768	-
	$ 12,681,016	$ 2,413,687

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.

Changes in the allowance for loan losses for the years ended June 30, 2011 and 2010 are as follows:

	2011	2010
Beginning balance	**$ 931,143**	$ 1,360,962
Provision for loan losses	**170,754**	397,590
Write-off of uncollectible loans	**-**	(827,409)
	$ 1,101,897	$ 931,143

Information about nonaccrual and impaired loans as of and for the years ended June 30, 2011 and 2010 is summarized as follows:

	2011	2010
Impaired loans with a valuation allowance	**$ 1,419,230**	$ 2,725,845
Allowance related to impaired loans	**327,004**	300,506
Average investment in impaired loans during 2011	**2,072,538**	2,226,179
Interest income recognized on impaired loans during the year	**30,321**	112,373
Interest income foregone on loans on non-accrual status	**24,416**	74,398

As of June 30, 2011 and 2010, these loans were deemed impaired, significantly due to construction or home sale delays on the projects that these loans are funding.

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, 2011 and 2010, management determined that no allowance is deemed necessary.

Unconditional pledges are summarized for the years ended June 30, 2011 and 2010 as follows:

	2011	2010
Unconditional promises to give before unamortized discount	**$ 34,000**	$ 10,000
Less: unamortized discount	**(1,668)**	-
	$ 32,332	$ 10,000
Amounts due in:		
Less than one year	**$ 8,500**	$ 10,000
One to four years	**23,832**	-
	$ 32,332	$ 10,000

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 for the years ended June 30, 2011 and 2010 consist of the following amounts:

	2011	2010
Unsecured:		
2.0%: Three (3) investment bonds payable, interest only, payable quarterly, mature June 2012 through September 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%: Six (6) and Seven (7), respectively, notes payable; various maturities through May 2015.	**26,000**	626,000
2.0%-2.9%: Nineteen (19) and twenty-two (22), respectively, notes payable, principal and interest or interest only, payable periodically, various maturities through February 2019.	**3,135,289**	2,919,793
3.0%-3.9%: Fourteen (14) and ten (10), respectively, notes payable and lines of credit, principal and interest or interest only, payable periodically, various maturities through January 2021.	**1,601,458**	1,659,026
4%-4.9%: Two (2) notes payable, interest only, payable periodically, various maturities through March 2015.	**1,000,000**	2,500,000
	12,012,747	13,954,819
Less current portion	**(1,450,229)**	(1,948,000)
	$ 10,562,518	$ 12,006,819

Principal maturity requirements on notes payable subsequent to June 30, 2011 are as follows:

Years Ending June 30,	Amount
2012	$ 1,450,229
2013	851,488
2014	1,176,819
2015	2,929,211
2016	1,080,000
Thereafter	4,525,000
	$ 12,012,747

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 for the years ended June 30, 2011 and June 30, 2010 as follows:

At June 30, 2011, the Loan Fund has an unsecured $1,750,000 line of credit with Bank of America at a 3.25% interest rate with a maturity date of June 26, 2018, an unsecured $750,000 line of credit with Comerica at a 3% interest rate with a maturity date of July 1, 2014, an unsecured $250,000 line of credit with Sabadell United Bank at a 3% interest rate with a maturity date of January 26, 2021, an unsecured $1,000,000 line of credit with BankUnited at a 2% interest rate with a maturity date of December 27, 2015, an unsecured $5,000,000 line of credit with PNC Bank at a 3% interest rate with a maturity date of August 19, 2015, and an unsecured $250,000 line of credit with Trustco Bank at a 3.25% interest rate with a maturity date of August 3, 2015. As of June 30, 2011 and 2010, $1,750,000 and $1,750,000, respectively, had been disbursed on the available Bank of America line of credit. As of June 30, 2011 and 2010, $500,000 and $500,000, respectively, had been disbursed on the available Comerica line of credit. No funds have been disbursed on the other lines of credit.

Note 7. Other Liabilities – Equity Equivalent Investments

The Organization has outstanding amounts due under equity equivalent subordinated promissory note agreements for the years ended June 30, 2011 and 2010 as follows:

	2011	2010
JPMorgan Chase (formerly Washington Mutual Bank), 3.5% interest only, payable quarterly. Initial seven year term; unsecured; subordinated and initially matures in April 2012 with annual maturity terms thereafter.	**$ 2,000,000**	$ 2,000,000
Wells Fargo (formerly Wachovia Bank), 3% interest only, payable quarterly. Initial ten year term; unsecured; subordinated and initially 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 initially matures in July 2012 with annual maturity terms thereafter.	**500,000**	500,000
	3,750,000	3,750,000
Less current portion	**(2,750,000)**	(750,000)
	$ 1,000,000	$ 3,000,000

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

Note 8. Temporarily Restricted Net Assets

Temporarily restricted net assets for the years ended June 30, 2011 and 2010 are as follows:

		2011		2010
Contributions due in future periods	**$**	**32,332**	$	10,000
Green building initiative		**18,000**		42,000
Preservation initiative		**-**		48,429
	$	**50,332**	$	100,429

Contributions due in future periods, presented above at their present value, consists of three and one grants at June 30, 2011 and 2010. The Home Depot Foundation provided a grant to incentivize green affordable housing building at June 30, 2011 and 2010. The JPMorgan Chase Foundation provided a grant for use towards affordable housing preservation work at June 30, 2010.

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 five new loan commitments at June 30, 2011 for $2,048,928 and three new loan commitments at June 30, 2010 for $1,754,928. In addition, unfunded borrowers' lines of credit approximated $2,714,000 and $2,414,000 (see Note 4) at June 30, 2011 and 2010, 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 $72,000 and $66,000 for the years ended June 30, 2011 and 2010, respectively, which is included in occupancy and office and administrative in the accompanying statements of activity. Commitments for future rentals, by year and in the aggregate, to be paid as of June 30, 2011 are as follows:

Year Ending June 30,	Amount
2012	$ 57,032
2013	48,145
2014	44,762
	$ 149,939

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, 2011 and 2010 of $101,080 and $72,112, respectively.

Note 12. Fair Value Measurements

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

The fair values of assets carried at fair value measured on a nonrecurring basis are as follows at June 30, 2011 and 2010:

	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**

	2010			
	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	$ -	$ -	$ 2,425,339	$ 341,239

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. 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 July 2011, the Loan Fund refinanced a line of credit in the amount of $750,000 with an outstanding balance of $500,000, bearing interest of 3%. The line of credit was originally due in June 2011 and was refinanced with a maturity date of July 2014. This balance has been classified in the long-term portion of notes payable, lines of credit and bonds payable as of June 30, 2011.

In July 2011, the Loan Fund received a Financial Assistance award from the U.S. Department of the Treasury's CDFI Fund of $1,500,000 towards its lending programs.

In July 2011, the Loan Fund obtained a line of credit for $200,000 from Wells Fargo Bank to provide working capital liquidity. The unsecured line of credit bears interest at the prime interest rate plus 1%. Interest payments are due monthly, and the line matures July 8, 2012. As of October 26, 2011, no amounts are outstanding on this line of credit.

In July 2011, the Loan Fund received a $100,000 grant from the JPMorgan Chase Foundation for affordable housing preservation work.

Florida Community Loan Fund, Inc.

Combining Statement of Financial Position
June 30, 2011

	Operating Fund	Loan Fund	Preservation Fund	Total All Funds
Assets				
Current Assets:				
Cash and cash equivalents	$ 1,087,808	$ 5,907,857	$ 6,997,728	$ 13,993,393
Certificates of deposit	-	2,072,779	-	2,072,779
Other receivables	-	-	-	-
Pledges receivable	8,500	-	-	8,500
Loans receivable	-	2,964,330	-	2,964,330
Allowance for loan losses	-	(182,829)	-	(182,829)
Loans receivable, net	-	2,781,501	-	2,781,501
Other current assets	79,582	141,906	24,253	245,741
Total current assets	1,175,890	10,904,043	7,021,981	19,101,914
Pledges Receivable, net of current portion	23,832	-	-	23,832
Loans receivable	-	9,431,191	-	9,431,191
Allowance for loan losses	-	(919,068)	-	(919,068)
Loans receivable, net	-	8,512,123	-	8,512,123
Furniture and Equipment, net of accumulated depreciation	56,491	-	-	56,491
Total assets	$ 1,256,213	$ 19,416,166	$ 7,021,981	$ 27,694,360
Liabilities and Net Assets				
Current Liabilities:				
Accounts payable and accrued liabilities	$ 238,215	$ 66,666	$ -	$ 304,881
Notes payable, bonds payable and lines of credit, current portion	-	1,450,229	-	1,450,229
Other liabilities – equity equivalent investments, current portion	-	2,750,000	-	2,750,000
Total current liabilities	238,215	4,266,895	-	4,505,110
Notes Payable, Bonds Payable, and Lines of Credit, net of current portion	-	8,562,518	2,000,000	10,562,518
Other Liabilities – Equity Equivalent Investments, net of current portion	-	1,000,000	-	1,000,000
Total liabilities	238,215	13,829,413	2,000,000	16,067,628
Net Assets:				
Unrestricted				
Designated by the Board for loans	-	4,573,300	5,177,490	9,750,790
Undesignated	985,666	995,453	(155,509)	1,825,610
Temporarily restricted	32,332	18,000	-	50,332
Total net assets	1,017,998	5,586,753	5,021,981	11,626,732
Total liabilities and net assets	$ 1,256,213	$ 19,416,166	$ 7,021,981	$ 27,694,360

Florida Community Loan Fund, Inc.

Combining Statement of Activities
Year Ended June 30, 2011

	Operating Fund	Loan Fund	Preservation Fund	Total All Funds
Revenues:				
Grant and contributions	$ 393,832	$ 375,000	$ 375,000	$ 1,143,832
Interest on bank deposits	972	41,012	-	41,984
Interest on loans receivable	-	696,983	-	696,983
Fees and other	2,456,951	9,446	-	2,466,397
Total revenues	2,851,755	1,122,441	375,000	4,349,196
Expenses:				
Payroll and related costs	1,123,381	-	-	1,123,381
Interest expense	-	356,276	138,750	495,026
Provision for loan losses	-	170,754	-	170,754
Professional fees	133,372	20,316	-	153,688
Office and administrative	119,496	-	-	119,496
Other	-	66,751	14,578	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	1,510,102	614,097	153,328	2,277,527
Change in net assets	1,341,653	508,344	221,672	2,071,669
Transfer net assets	(726,000)	726,000	-	-
Net assets:				
Beginning	402,345	4,352,409	4,800,309	9,555,063
Ending	$ 1,017,998	$ 5,586,753	$ 5,021,981	$ 11,626,732

Florida Community Loan Fund, Inc.

Combining Statement of Cash Flows
Year Ended June 30, 2011

	Operating Fund	Loan Fund	Preservation Fund	Total All Funds
Cash Flows From Operating Activities				
Change in net assets	$ 1,341,653	$ 508,344	$ 221,672	$ 2,071,669
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation	18,865	-	-	18,865
Loss on other real estate owned	-	48,509	-	48,509
Provision for loan losses	-	170,754	-	170,754
Interest income reinvested in certificate of deposit	-	(21,782)	-	(21,782)
Transfer net assets	(726,000)	726,000	-	-
Changes in operating assets and liabilities:				-
Pledges receivable	(22,332)	-	-	(22,332)
Other receivables	100,000	-	-	100,000
Other current assets	(55,147)	3,505	12,128	(39,514)
Accounts payable and accrued liabilities	134,569	(1,099)	-	133,470
Net cash provided by operating activities	791,608	1,434,231	233,800	2,459,639
Cash Flows From Investing Activities				
Loan funds disbursed	-	(1,208,640)	-	(1,208,640)
Repayment of loans disbursed	-	1,156,135	-	1,156,135
Proceeds from sale of other real estate owned	-	235,491	-	235,491
Purchase of furniture and equipment	(4,634)	-	-	(4,634)
Net cash (used in) provided by investing activities	(4,634)	182,986	-	178,352
Cash Flows From Financing Activities				
Principal payments on notes payable	-	(442,072)	(1,500,000)	(1,942,072)
Net cash provided by financing activities	-	(442,072)	(1,500,000)	(1,942,072)
Net increase (decrease) in cash and cash equivalents	786,974	1,175,145	(1,266,200)	695,919
Cash and cash equivalents:				
Beginning	300,834	4,732,712	8,263,928	13,297,474
Ending	$ 1,087,808	$ 5,907,857	$ 6,997,728	$ 13,993,393
Supplemental Cash Flow Information				
Cash paid for interest	$ -	$ 357,375	$ 138,750	$ 496,125
Supplemental Disclosure of Noncash Investment and Financing Activities				
Notes receivable transferred to other real estate owned	$ -	$ 338,000	$ -	$ 338,000

Florida Community Loan Fund, Inc.

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Grantor/Pass-Through/Program Title	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	101FA008944	21.020	8/19/2010-6/30/2014	$ 750,000
Total federal awards				$ 750,000

See Note to Schedule of Expenditures of Federal Awards.

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity 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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of the basic financial statements.

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, 2011, and have issued our report thereon dated October 26, 2011. 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.

<u>Internal Control over Financial Reporting</u>

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 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 & Pullen, LLP

Orlando, Florida
October 26, 2011

Independent Auditor's Report on Compliance with Requirements that Could have a Direct and Material Effect on Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133

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 that could have a direct and material effect on Florida Community Loan Fund, Inc.'s major federal programs for the year ended June 30, 2011. Florida Community Loan Fund, Inc.'s major federal programs 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 programs 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 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 programs for the year ended June 30, 2011.

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 programs. 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 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, 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 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 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 & Pullen, LLP

Orlando, Florida
October 26, 2011

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

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

Identification of major programs:

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

Dollar threshold used to distinguish between type A and type B programs:		$	300,000	
Auditee qualified as low-risk auditee?	______	Yes	X	No

(Continued)

II - Financial Statement Findings

No matters were reported.

III - Findings and Questioned Costs for Federal Awards

No matters were reported.

IV - Other Issues

1. No Summary Schedule of Prior Audit Findings is presented because there were no prior audit findings.

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