

**ST. PAUL'S COMMUNITY
DEVELOPMENT CORPORATION**

**FINANCIAL REPORT
DECEMBER 31, 2008**

FEDERAL IDENTIFICATION NUMBER 22-3075855

ST. PAUL'S COMMUNITY DEVELOPMENT CORPORATION

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INDEPENDENT AUDITORS' REPORT

Board of Directors
St. Paul's Community
Development Corporation
Paterson, New Jersey

We have audited the accompanying statements of financial position of St. Paul's Community Development Corporation (the "Organization") as of December 31, 2008 and 2007, and the related statements of activities, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 16, 2009 on our consideration of the Organization'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 audits.

Our audit was performed for the purpose of forming an opinion on the financial statements of the Organization taken as a whole. The accompanying schedules of expenditures of federal awards and state financial assistance are 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 the State of New Jersey, Department of the Treasury, Circular Letter 04-04-OMB, and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Wiss & Company

WISS & COMPANY, LLP

Livingston, New Jersey
July 16, 2009

ST. PAUL'S COMMUNITY DEVELOPMENT CORPORATION

STATEMENTS OF FINANCIAL POSITION

	December 31,	
ASSETS	2008	2007
CURRENT ASSETS:		
Cash	\$ 44,356	\$ 45,362
Grants receivable	163,823	139,611
Contributions receivable	9,548	11,007
Program revenues receivable	9,205	17,339
Prepaid expenses	-	500
Total Current Assets	226,932	213,819
PRE-DEVELOPMENT COSTS - WLI PROJECT	179,476	181,551
INVESTMENT - 180 CARROLL STREET COOPERATIVE I, INC.	250	250
PROPERTY AND EQUIPMENT, NET	149,270	171,208
	\$ 555,928	\$ 566,828
LIABILITIES AND NET DEFICIT		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 23,378	\$ 70,327
Accounts payable - St. Paul's Lind Homes	44,363	44,363
Due to St. Paul's Episcopal Church	112,101	96,277
Refundable advances	30,606	40,805
Accrued vacation payable	14,982	10,843
Loan payable -WLI Project	175,000	175,000
Loans payable - current maturities	56,853	47,656
Total Current Liabilities	457,283	485,271
LOANS PAYABLE - NET OF CURRENT MATURITIES	285,311	347,231
	742,594	832,502
NET DEFICIT:		
Unrestricted net (deficit) assets:		
Operations deficit	(342,616)	(443,562)
Property and equipment	149,270	171,208
Total unrestricted net deficit	(193,346)	(272,354)
Permanently restricted net assets	6,680	6,680
	(186,666)	(265,674)
	\$ 555,928	\$ 566,828

See accompanying notes to financial statements.

ST. PAUL'S COMMUNITY DEVELOPMENT CORPORATION
STATEMENTS OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2008

(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2007)

	Unrestricted					
	Operations	Property and Equipment	Total	Permanently Restricted	2008 Total	2007 Total
SUPPORT AND REVENUE:						
Support:						
Grants and contracts	\$ 1,294,699	\$ -	\$ 1,294,699	\$ -	\$ 1,294,699	\$ 1,262,143
Contributions	<u>132,882</u>	<u>-</u>	<u>132,882</u>	<u>-</u>	<u>132,882</u>	<u>134,654</u>
Total support	<u>1,427,581</u>	<u>-</u>	<u>1,427,581</u>	<u>-</u>	<u>1,427,581</u>	<u>1,396,797</u>
Revenues:						
Special events	34,788	-	34,788	-	34,788	39,523
Program service revenues	800	-	800	-	800	57,200
Interest income	53	-	53	-	53	117
Shelter nights	45,629	-	45,629	-	45,629	46,796
Other income	<u>2,102</u>	<u>-</u>	<u>2,102</u>	<u>-</u>	<u>2,102</u>	<u>39,936</u>
Total revenues	<u>83,372</u>	<u>-</u>	<u>83,372</u>	<u>-</u>	<u>83,372</u>	<u>183,572</u>
Total Support and Revenues	<u>1,510,953</u>	<u>-</u>	<u>1,510,953</u>	<u>-</u>	<u>1,510,953</u>	<u>1,580,369</u>
EXPENSES:						
Program services	1,204,439	21,092	1,225,531	-	1,225,531	1,436,798
Support services	<u>205,568</u>	<u>846</u>	<u>206,414</u>	<u>-</u>	<u>206,414</u>	<u>434,332</u>
Total expenses	<u>1,410,007</u>	<u>21,938</u>	<u>1,431,945</u>	<u>-</u>	<u>1,431,945</u>	<u>1,871,130</u>
CHANGE IN NET ASSETS	100,946	(21,938)	79,008	-	79,008	(290,761)
NET (DEFICIT) ASSETS, BEGINNING OF YEAR	<u>(443,562)</u>	<u>171,208</u>	<u>(272,354)</u>	<u>6,680</u>	<u>(265,674)</u>	<u>25,087</u>
NET (DEFICIT) ASSETS, END OF YEAR	<u>\$ (342,616)</u>	<u>\$ 149,270</u>	<u>\$ (193,346)</u>	<u>\$ 6,680</u>	<u>\$ (186,666)</u>	<u>\$ (265,674)</u>

See accompanying notes to financial statements.

ST. PAUL'S COMMUNITY DEVELOPMENT CORPORATION
STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 79,008	\$ (290,761)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	21,938	110,466
Changes in operating assets and liabilities:		
Grants receivable	(24,212)	152,754
Contributions receivable	1,459	6,493
Program revenues receivable	8,134	(13,338)
Prepaid expenses	500	(500)
Accounts payable and accrued expenses	(46,949)	(63,014)
Accounts payable - St. Paul's Lind Homes	-	(85,000)
Due to St. Paul's Episcopal Church	15,824	40,459
Refundable advances	(10,199)	(4,222)
Accrued vacation payable	4,139	(936)
Net cash flows from operating activities	49,642	(147,599)
 CASH FLOWS FROM INVESTING ACTIVITY -		
Pre-development costs - WLI Project	2,075	(2,545)
 CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from loan - St. Paul's Episcopal Church	-	140,000
Payment of loans	(52,723)	(41,238)
Net cash flows from financing activities	(52,723)	98,762
 NET CHANGE IN CASH	(1,006)	(51,382)
 CASH, BEGINNING OF YEAR	45,362	96,744
 CASH, END OF YEAR	\$ 44,356	\$ 45,362
 SUPPLEMENTAL CASH FLOW INFORMATION -		
Interest paid	\$ 30,326	\$ 22,135

See accompanying notes to financial statements.

ST. PAUL'S COMMUNITY DEVELOPMENT CORPORATION
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR DECEMBER 31, 2008
(WITH SUMMARIZED COMPARATIVE TOTALS FOR
THE YEAR ENDED DECEMBER 31, 2007)

	Program Services									Support Services			2008 Total Expenses	2007 Total Expenses	
	Food Pantry	Emergency Men's Shelter	Transitional Housing	Adult Education	AMERI- CORPS	Housing Develop- ment	Partnership for Healthy Living	Next Step Program	Outreach Programs	Total Program Expenses	Management and General	Fund Development			Total Support Services
Salaries	\$ 42,167	\$ 113,842	\$ -	\$ 254,259	\$ 37,579	\$ 11,798	\$ 9,026	\$ -	\$ 66,724	\$ 535,395	\$ 105,936	\$ 1,500	\$ 107,436	\$ 642,831	\$ 912,876
Payroll taxes and employee benefits	14,304	45,347	-	72,430	56,289	166	5,826	-	19,920	214,281	13,932	982	14,914	229,195	269,979
Telephone	1,558	2,745	-	4,420	869	755	719	-	2,687	13,753	971	1,750	2,721	16,474	19,918
Food	13,105	-	-	-	-	-	-	-	-	13,105	-	-	-	13,105	7,347
Occupancy	7,361	20,804	-	22,628	4,373	6,230	4,118	-	6,295	71,809	5,904	8,081	13,985	85,794	79,820
Supplies and equipment	3,249	13,607	-	21,469	1,918	683	717	-	2,013	43,656	4,213	2,630	6,843	50,499	38,166
Professional fees	-	-	-	-	-	-	-	-	-	-	18,000	2,003	20,003	20,003	21,445
Insurance	2,743	4,937	-	9,689	1,371	1,646	1,371	-	2,194	23,951	2,271	3,215	5,486	29,437	50,662
Postage and printing	3,044	4,796	-	8,001	1,479	1,690	1,206	-	3,809	24,025	3,322	5,054	8,376	32,401	33,128
Travel	1,636	795	-	741	1,708	15	149	-	7,615	12,659	10	58	68	12,727	9,075
Interest	2,961	4,777	-	8,710	1,508	1,816	1,552	-	3,030	24,354	3,580	2,392	5,972	30,326	22,135
Direct fundraising expenses	-	-	-	-	-	-	-	-	-	-	-	11,968	11,968	11,968	11,423
Program expenses	319	4,948	-	8,276	4,695	1,015	347	-	319	19,918	-	231	231	20,150	96,695
Other	114	437	-	3,014	1,214	973	89	-	513	6,354	6,266	1,299	7,565	13,919	21,791
Stipends	-	-	-	-	201,179	-	-	-	-	201,179	-	-	-	201,179	166,204
Total expenses before depreciation	92,561	217,035	-	413,637	314,182	26,787	25,120	-	115,119	1,204,439	164,405	41,163	205,568	1,410,007	1,760,664
Depreciation	423	18,213	-	1,185	212	254	212	-	593	21,092	506	340	846	21,938	110,466
Total expenses - 2008	<u>\$ 92,984</u>	<u>\$ 235,248</u>	<u>\$ -</u>	<u>\$ 414,822</u>	<u>\$ 314,394</u>	<u>\$ 27,041</u>	<u>\$ 25,332</u>	<u>\$ -</u>	<u>\$ 115,712</u>	<u>\$ 1,225,531</u>	<u>\$ 164,911</u>	<u>\$ 41,503</u>	<u>\$ 206,414</u>	<u>\$ 1,431,945</u>	
Total expenses - 2007	<u>\$ 73,140</u>	<u>\$ 353,714</u>	<u>\$ 8,424</u>	<u>\$ 384,505</u>	<u>\$ 271,738</u>	<u>\$ 152,272</u>	<u>\$ 83,870</u>	<u>\$ 31,650</u>	<u>\$ 77,485</u>	<u>\$ 1,436,798</u>	<u>\$ 314,703</u>	<u>\$ 119,629</u>	<u>\$ 434,332</u>		<u>\$ 1,871,130</u>

See accompanying notes to financial statements.

ST. PAUL'S COMMUNITY DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 1 - Nature of the Organization and Summary of Significant Accounting Policies:

Nature of the Organization - St. Paul's Community Development Corporation (the "Organization") was incorporated on November 1, 1990 as a not-for-profit organization to alleviate the conditions of hunger, poverty, illiteracy and unemployment in the City of Paterson, New Jersey by providing emergency services to all in need and by designing long-term approaches to achieving social and economic improvement at the grassroots level. The general programs are: Food Pantry, Emergency Men's Shelter, Adult Education, Affordable Housing Development, Partnerships for Healthy Living, Outreach Programs, and AMERICORPS. St. Paul's Community Development Corporation maintains one office providing program and administrative services in Paterson, New Jersey.

Estimates and Uncertainties - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results, as determined at a later date, could differ from these estimates.

Basis of Presentation - Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements for Not-for-Profit Organizations, establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into net asset categories according to externally (donor) imposed restrictions. The Organization had accounting transactions in two of the net asset categories required by SFAS No. 117. The unrestricted net assets category represents net assets that are not subject to donor-imposed stipulations, and the temporarily restricted net assets category represents net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.

Support and Revenues:

Unrestricted: All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished in the reporting period in which the support is recognized. Special events, program service revenue, interest income, shelter nights and other revenue are recognized when earned.

Temporarily Restricted: Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support that increases that net asset class. 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. There were no temporarily restricted assets as of December 31, 2008 and 2007.

ST. PAUL'S COMMUNITY DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

Support and Revenues-continued:

Permanently Restricted: Amounts received that are to be held in perpetuity are reported as permanently restricted support. Permanently restricted net assets represent endowment funds received for the Tracey Lind Endowment Fund. Tracey Lind was the former Rector of St. Paul's Episcopal Church and the President of the Board of Directors for St. Paul's Community Development Corporation.

Refundable Advances - The Organization records restricted grant/contract support as a refundable advance until it is expended for the purpose of the grant/contract, at which time it becomes unconditional and is recognized as support.

Property and Equipment - Property and equipment acquired by the Organization are stated at cost and are considered to be owned by the Organization. Depreciation of all such items is computed on a straight-line basis over the estimated useful lives of the assets generally as follows:

Building	40 years
Equipment	5 years
Vehicles	3 years
Leasehold improvements	Life of lease

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes - The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and, therefore, has made no provision for federal or state income taxes in the accompanying financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a)(1) of the Internal Revenue Code.

Contributions Receivable - Contributions receivable, all due within one year, represent unconditional transfers of cash to the Organization in a voluntary nonreciprocal transfer by an entity without directly receiving any value in exchange. No provision is made for uncollectible amounts since management expects to collect the entire contributions receivable.

Credit Risk - The Organization maintains its cash in bank deposit accounts in financial institutions, which are insured by Federal Deposit Insurance Corporation up to \$250,000 each. At times, such balances may exceed federally insured limits (FDIC). The Organization believes it is not exposed to any significant credit risk on cash.

Comparative Information - The statement of activities and the statement of functional expenses include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2007 from which the summarized information was derived.

ST. PAUL'S COMMUNITY DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

Donated Materials and Services - The Organization received donated food, clothing, furniture, and toys from various donors. Volunteers, including the Rector of St. Paul's Episcopal Church, have contributed their time to the Organization. The value of the volunteer services, food, clothing, furniture, and toys could not be reasonably determined and therefore no value for donated items has been included in the accompanying financial statements.

Recent Accounting Pronouncements - In June 2006, the FASB released FASB Interpretation (FIN 48), *Accounting for Uncertainty in Income Taxes*. FIN 48 interprets the guidance in FASB Statement of Financial Accounting Standards (SFAS) No. 109, *Accounting for Income Taxes*. When FIN 48 is implemented, reporting entities utilize different recognition thresholds and measurement requirements when compared to prior technical literature. On December 30, 2008, the FASB Staff issued FASB Staff Position (FSP FIN 48-3), *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*. As deferred by the guidance in FSP FIN 48-3, the Organization is not required to implement the provisions of FIN 48 until fiscal years beginning after December 15, 2008. As such, the Organization has not implemented those provisions in the 2008 financial statements.

Since the provisions of FIN 48 have not been implemented in accounting for uncertain tax positions, the Organization continues to utilize its prior policy of accounting for these positions, following the guidance in SFAS No. 5, *Accounting for Contingencies*. Using that guidance, as of December 31, 2008, the Organization has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

ST. PAUL'S COMMUNITY DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 2 - Summary of Grants/Contracts Support:

For the year ended December 31, 2008, the Organization was funded through the following grants and contracts:

Funding Source	Recognized Support
State of New Jersey - Department of State (AMERICORPS)	\$ 221,426
Emergency Food and Shelter National Board	45,481
County of Passaic (CEAS)	59,403
County of Passaic Human Services Department	469,243
City of Paterson - Department of Community Development	11,886
City of Paterson - Department of Human Services	9,873
Broadway Cares/Equity Fights AIDS	5,000
Church and Dwight Company	7,000
M-A-C AIDS Fund	50,000
Lee & Cynthia Vance Foundation	8,000
Dollar General Literacy Foundation	6,000
The Copper Beech Foundation, Inc.	125,000
Hudson City Savings Bank	15,000
The John F. Kidde Fund #2	3,000
George Ohl Jr. Trust	10,000
United Way	11,250
The Lillian P. Schenck Charitable Foundation	8,000
State of New Jersey - Department of State	116,489
State of New Jersey - Department of Community Affairs	70,000
Bank of America	7,500
Bonner Foundation	5,000
PNC Bank	15,000
Hoffman La Roche	3,000
Taub Foundation	6,000
Others	6,148
	\$ 1,294,699

Approximately 72% of the Organization's total grants/contract support was provided by the State of New Jersey and the County of Passaic.

ST. PAUL'S COMMUNITY DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 3 - Grants Receivable:

Grants receivable is comprised of the following:

	December 31,	
	2008	2007
County of Passaic	\$ 65,162	\$ 53,901
State of New Jersey	96,861	76,710
City of Paterson	1,800	9,000
	\$ 163,823	\$ 139,611

Note 4 - Investment - 180 Carroll Street Cooperative I, Inc.:

The Organization in conjunction with Episcopal Community Development, Inc. developed the 180 Carroll Street Co-Op. The land and building were contributed to the Organization and recorded at fair market value at the time of the contribution and were rehabilitated to provide seven co-ops for low-income residents. The Organization received one share (14.286%) in 180 Carroll Street Cooperative I, Inc. for \$250. In consideration for the \$250 paid, the Organization leases apartment 1C at 180 Carroll Street from 180 Carroll Street Cooperative I, Inc. for the term January 1, 1998 to December 31, 2008. The rent payable each year equals the proportion of the Organization's cash requirements based on the number of shares outstanding. The apartment is sublet to an individual whose rent payment covers the cash requirements due. On May 18, 1999, the Organization sold the land and building at the 180 Carroll Street to the 180 Carroll Street Cooperative I, Inc.

Note 5 - Property and Equipment:

Property and equipment are comprised as follows:

	December 31,	
	2008	2007
Land	\$ 27,920	\$ 27,920
Buildings	169,330	169,330
Vehicles	24,590	24,590
Leasehold improvements - shelter	867,568	867,568
	1,089,408	1,089,408
Less: Accumulated depreciation and amortization	940,138	918,200
	\$ 149,270	\$ 171,208

Depreciation and amortization expense totaled \$21,938 and \$110,466 for the years ended December 31, 2008 and 2007, respectively.

ST. PAUL'S COMMUNITY DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 6 - Refundable Advances:

The Organization records restricted grant/contract support as refundable advances until they are expended for the purpose of the grant/contract. Refundable advances were comprised of the following:

	December 31,	
	2008	2007
State of New Jersey -Department of State (AMERICORPS)	\$ 5,606	\$ 15,805
JP Morgan Chase	25,000	25,000
	\$ 30,606	\$ 40,805

Note 7 - Loans Payable:

Loan from NJ Community Loan Fund

a) On October 21, 2003, the Organization entered into an agreement with the New Jersey Community Loan Fund for a permanent loan of \$285,000. The term is for 5 years with monthly payments of principal and interest at 7% based on a ten year amortization schedule. The proceeds were used to refinance the outstanding principal balance and any accrued interest on the existing loans with PNC bank and Wachovia bank. The loan is guaranteed by the Rector, Wardens, and Vestry of St. Paul's Episcopal Church.

On February 1, 2008, the New Jersey Community Loan Fund modified the loan agreement and the outstanding loan balance of \$188,722 as of this date was extended. The new repayment term for the balance was effective from March 1, 2008 to January 1, 2014 with an interest rate of 7.94% per annum. The outstanding loan balance at December 31, 2008 was \$164,112, of which \$27,801 is classified as the current portion of the loan balance.

Line of Credit-NJ Community Loan Fund

b) In November 2004, the Organization and the New Jersey Community Loan Fund converted its line of credit into a term loan for \$100,000. The term is five years with monthly payments of interest and principal due November 1, 2009 at 9.00%. The loan is guaranteed by the Rector, Wardens, and Vestry of St. Paul's Episcopal Church. The balance at December 31, 2008 was \$24,052.

Loan from St. Paul's Episcopal Church

c) In April 2006, St. Paul's Episcopal Church (the "Church") loaned the Organization \$60,000. In 2006, \$45,433 of this amount was paid leaving a balance due of \$14,567. No interest was being charged. On September 12, 2007, the Church loaned an additional \$140,000 to the Organization. The loan was at 7% interest per annum beginning November 1, 2007. The loan was due on June 30, 2009. On June 5, 2009, the maturity date of the outstanding loan balance was extended until June 30, 2010. As of December 31, 2008, \$5,000 of the outstanding loan is classified as current and \$149,000 as long-term.

ST. PAUL'S COMMUNITY DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 7 - Loans Payable-continued:

Loans payable mature as follows:

<u>Year Ending December 31,</u>		
2009	\$	56,853
2010		179,090
2011		32,568
2012		35,250
2013		38,153
2014		<u>250</u>
	\$	<u>342,164</u>

Note 8 - Loan Payable - WLI Project:

The Organization purchased land at 447-449 Van Houten Street, Paterson, New Jersey on June 30, 2006 to house the WLI Project - Women Living Independently Project. As of December 31, 2008 predevelopment costs of \$179,476 have been incurred. The land was purchased for \$158,616 and a loan of \$175,000 was obtained from the Corporation for Supportive Housing (CSH). The maturity date was March 31, 2009. The Organization paid \$135,000 to CSH on June 16, 2009 and the remaining balance of \$40,000 (through verbal agreement) will be paid off when the Organization obtains funding from the Federal Home Loan Bank and HMFA which is currently in process.

Note 9 - Related Party Transactions:

The Organization is the outreach and advocacy arm of St. Paul's Episcopal Church. Monthly expenses incurred by St. Paul's Episcopal Church on behalf of the Organization are allocated on predetermined percentages. These expenses include utilities, maintenance, property and liability insurance and other operating expense. The Rector of St. Paul's Episcopal Church is also the President of the Board of Directors of the Organization and the Rector contributed time to the Organization for fundraising, program development, organizational leadership, and oversight. As of December 31, 2008 and 2007, the organization owed St. Paul's Episcopal Church \$112,101 and \$96,277, respectively.

In addition, the Organization leases space in the basement hall of St. Paul's Episcopal Church which is used as a homeless shelter with associated services and offices. The term of the lease is for a period of 10 years commencing on March 1, 1998 to February 28, 2008 at an annual rental of one dollar per year. The lease has not been renewed and is on a month to month basis.

Note 10 - Special Events:

The Organization had one special event (Annual Dinner/Auction) for the years ended December 31, and the results of that special event are as follows:

	<u>2008</u>	<u>2007</u>
Gross revenues	\$ 34,788	\$ 39,523
Gross expenses	<u>11,968</u>	<u>11,423</u>
	<u>\$ 22,820</u>	<u>\$ 28,100</u>



**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***

Board of Directors
St. Paul's Community Development Corporation
Paterson, New Jersey

We have audited the financial statements of St. Paul's Community Development Corporation (the "Organization") as of and for the year ended December 31, 2008, and have issued our report thereon dated July 16, 2009. 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 of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered St. Paul's Community Development Corporation'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 St. Paul's Community Development Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the St. Paul's Community Development Corporation's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be 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 St. Paul's Community Development Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 that are required to be reported under *Government Auditing Standards*.

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

Wiss & Company

WISS & COMPANY, LLP

Livingston, New Jersey
July 16, 2009



REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND THE STATE OF NEW JERSEY DEPARTMENT OF TREASURY CIRCULAR LETTER 04-04-OMB

Board of Directors
St. Paul's Community Development Corporation
Paterson, New Jersey

Compliance

We have audited the compliance of St. Paul's Community Development Corporation with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement and State of New Jersey Department of Treasury Circular Letter 04-04-OMB that are applicable to each of its major federal and state programs for the year ended December 31, 2008. St. Paul's Community Development Corporation's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of current year findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs are the responsibility of St. Paul's Community Development Corporation's management. Our responsibility is to express an opinion on St. Paul's Community Development Corporation'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*; and State of New Jersey Department of Treasury Circular Letter 04-04-OMB. Those standards, OMB Circular A-133, and the State of New Jersey Department of Treasury Circular Letter 04-04-OMB 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 or state program occurred. An audit includes examining, on a test basis, evidence about St. Paul's Community Development Corporation'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 St. Paul's Community Development Corporation's compliance with those requirements.

In our opinion, St. Paul's Community Development Corporation complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the year ended December 31, 2008.

Internal Control Over Compliance

The management of St. Paul's Community Development Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered St. Paul's Community Development Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal and state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance in accordance with OMB Circular A-133. Accordingly, we do not express an opinion on the effectiveness of St. Paul's Community Development Corporation's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal or state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal or state program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be 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 audit committee, management of St. Paul's Community Development Corporation and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.



WISS & COMPANY, LLP

Livingston, New Jersey
July 16, 2009

**ST. PAUL'S COMMUNITY DEVELOPMENT CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2008**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity's Identifying Number	Federal Expenditures
United States Corporation for National and Community Services/Passed through the State of New Jersey/Department of State - AMERICORPS	94.006	N/A	\$ 221,426
United States Department of Homeland Security/ Passed through the United Way of Passaic County - Emergency Food and Shelter Program	97.024	N/A	45,481
United States Department of Health and Human Services/Passed through the County of Passaic, Department of Human Services - Workfirst New Jersey	93.558	N/A	469,243
United States Department of Health and Human Services/Passed through the SONJ Department of State - Office Of Faith Based Initiatives	93.558	N/A	<u>114,406</u>
Total			<u>\$ 850,556</u>

N/A = Not available

See accompanying notes to schedules of expenditures of federal awards and state financial assistance.

ST. PAUL'S COMMUNITY DEVELOPMENT CORPORATION
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2008

<u>State Grantor/Program Title</u>	<u>Grant Number</u>	<u>Grant Amount</u>	<u>Grant Period</u>	<u>Current Year Expenditures</u>
State of New Jersey, Department of State, New Jersey Office of Faith Based Initiatives	070FBI112ADS	25,000	02/01/07-01/31/08	\$ 2,083
				<u>2,083</u>
State of New Jersey, Department of Community Affairs	2008-02110-1457-01	70,000	07/01/07-06/30/08	35,000
- Housing Advocacy Grant	2009-02110-0390-00	80,000	07/01/08-06/30/09	35,000
				<u>70,000</u>
Total Expenditures of State Financial Assistance				<u>\$ 72,083</u>

See accompanying notes to schedules of expenditures of federal awards and state financial assistance.

ST. PAUL'S COMMUNITY DEVELOPMENT CORPORATION

**NOTES TO SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**

YEAR ENDED DECEMBER 31, 2008

1. General

The accompanying schedules of expenditures of federal awards and state financial assistance present the activities of all federal and state programs of St. Paul's Community Development Corporation. All federal awards and state financial assistance received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies, are included on the schedules of expenditures of federal awards and state financial assistance.

2. Basis of Accounting

The amounts reported as expenditures in the accompanying schedules of expenditures of federal awards and state financial assistance generally were obtained from the appropriate federal or state reports for the applicable program and period. These reports are periodically reconciled to the general ledger, which is the source of the financial statements.

3. Relationship to Federal and State Financial Reports

The information reported in the accompanying schedule of expenditures of federal awards and state financial assistance is presented in accordance with the requirements of OMB Circular A-133 and *Audits of States, Local Governments, and Non-Profit Organizations* and the State of New Jersey, Department of Treasury Circular 04-04-OMB.

**ST. PAUL'S COMMUNITY DEVELOPMENT CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2008**

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified		
Internal control over financial reporting:			
Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No	
Significant deficiency (ies) identified that are not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None reported	
Non-compliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No	

Federal Awards

Internal Control over major programs:	Unqualified		
Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No	
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None Reported	
Type of auditors' report issued on compliance for major programs:	Unqualified		
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	<u> </u> Yes	<u> X </u> No	

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>	<u>Amount</u>
United States, Department of Health and Human Services		
-Workfirst New Jersey	93.558	\$ 469,243
-Office of Faith Based Initiatives	93.558	\$ 114,406

<u>Name of State Program</u>	<u>Grant Number</u>	<u>Amount</u>
NO MAJOR STATE PROGRAMS		

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee: X Yes No

**ST. PAUL'S COMMUNITY DEVELOPMENT CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
YEAR ENDED DECEMBER 31, 2008**

Section II. Financial Statements Findings and Questioned Costs

NONE

**ST. PAUL'S COMMUNITY DEVELOPMENT CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
YEAR ENDED DECEMBER 31, 2008**

Section III. Federal and State Award Findings and Questioned Costs

NONE

ST. PAUL'S COMMUNITY DEVELOPMENT CORPORATION

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AS PREPARED BY MANAGEMENT**

YEAR ENDED DECEMBER 31, 2008

FINANCIAL STATEMENTS FINDING:

Condition: As reflected in the accompanying statements of activities as of December 31, 2007, the Organization has a change in net assets deficit of \$265,674 and had incurred net operating deficits of \$443,562 and \$263,267 in 2007 and 2006, respectively.

Criteria: Internal control is defined as a process, effected by an Organization's Board of Directors, management, and other personnel designed to provide reasonable assurance regarding the achievement of organizational objectives. It consists of five interrelated components including:

- Control environment
- Risk assessment
- Control activities
- Information and communication
- Monitoring

The Board and management of an organization must identify and assess risks to minimize the possibility that significant losses may arise from various events and activities. This includes monitoring the results of program operations to avoid the occurrence of net asset deficits.

Status: The financial outlook of the Organization in 2008 has improved. The Organization has significantly lowered its total expenditures for the year. Total operations for 2008 resulted to an operating surplus of \$100,946 which decreased its net deficit from operations in 2007 of \$443,562 to \$342,616 in 2008.