

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

**FINANCIAL REPORT
DECEMBER 31, 2011**

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, 2011 and 2010, 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. The prior year summarized comparative information has been derived from the Organization's 2010 financial statements and in our report dated May 31, 2011, we expressed an unqualified opinion on those financial statements.

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, 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 May 21, 2012 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 audits were 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



WISS & COMPANY, LLP

Livingston, New Jersey
May 21, 2012

ST. PAUL'S COMMUNITY DEVELOPMENT CORPORATION

STATEMENTS OF FINANCIAL POSITION

	December 31,	
ASSETS	2011	2010
CURRENT ASSETS:		
Cash	\$ 163,381	\$ 63,809
Grants receivable	189,145	180,536
Contributions receivable	15,516	21,982
Program service revenue receivable	702	-
Total Current Assets	368,744	266,327
 INVESTMENT - 180 CARROLL STREET COOPERATIVE I, INC.	-	250
 PROPERTY, NET	607,811	564,757
 OTHER ASSETS:		
Security deposits	6,901	7,750
Escrow	10,465	10,465
	17,366	18,215
	\$ 993,921	\$ 849,549
LIABILITIES AND NET ASSETS (DEFICIENCY)		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 97,457	\$ 57,640
Accounts payable - St. Paul's Lind Homes	44,363	44,363
Due to St. Paul's Episcopal Church	31,809	47,865
Refundable advances	97,574	10,151
Accrued vacation payable	17,623	19,685
Line of credit	25,000	-
Loans payable - current maturities	61,165	58,483
Loan payable - WLI Project	18,985	11,973
Total Current Liabilities	393,976	250,160
 LONG TERM BOILER OBLIGATION	6,978	-
LOANS PAYABLE - NET OF CURRENT MATURITIES	165,099	237,263
LOANS PAYABLE - WLI PROJECT	257,293	264,305
	823,346	751,728
 COMMITMENT		
NET ASSETS (DEFICIENCY):		
Unrestricted net assets (deficiency):		
Operations (deficit)	(167,638)	(197,338)
Property	331,533	288,479
Total unrestricted net assets (deficiency)	163,895	91,141
Permanently restricted net assets	6,680	6,680
	170,575	97,821
	\$ 993,921	\$ 849,549

See accompanying notes to financial statements.

ST. PAUL'S COMMUNITY DEVELOPMENT CORPORATION

STATEMENTS OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2011

(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2010)

	Unrestricted		Permanently Restricted	2011 Total	2010 Total	
	Operations	Property and Equipment				Total
SUPPORT AND REVENUE:						
Support:						
Grants and contracts	\$2,086,743	\$ -	\$2,086,743	\$ -	\$2,086,743	1,770,578
Contributions	71,239	-	71,239	-	71,239	79,902
Total support	<u>2,157,982</u>	<u>-</u>	<u>2,157,982</u>	<u>-</u>	<u>2,157,982</u>	<u>1,850,480</u>
Revenues:						
Special event	35,121	-	35,121	-	35,121	45,145
Program service revenue	141,414	-	141,414	-	141,414	98,442
Interest income	8	-	8	-	8	13
Shelter nights	11,428	-	11,428	-	11,428	43,968
Other income	209	-	209	-	209	-
Total revenues	<u>188,180</u>	<u>-</u>	<u>188,180</u>	<u>-</u>	<u>188,180</u>	<u>187,568</u>
Total Support and Revenues	<u>2,346,162</u>	<u>-</u>	<u>2,346,162</u>	<u>-</u>	<u>2,346,162</u>	<u>2,038,048</u>
EXPENSES:						
Program services	2,074,721	14,699	2,089,420	-	2,089,420	1,611,914
Support services	180,371	3,617	183,988	-	183,988	198,592
Total expenses	<u>2,255,092</u>	<u>18,316</u>	<u>2,273,408</u>	<u>-</u>	<u>2,273,408</u>	<u>1,810,506</u>
CHANGE IN NET ASSETS	91,070	(18,316)	72,754	-	72,754	227,542
CAPITAL ADDITIONS	(61,370)	61,370	-	-	-	-
NET ASSETS (DEFICIT), BEGINNING OF YEAR	<u>(197,338)</u>	<u>288,479</u>	<u>91,141</u>	<u>6,680</u>	<u>97,821</u>	<u>(129,721)</u>
NET ASSETS (DEFICIT), END OF YEAR	<u>\$ (167,638)</u>	<u>\$ 331,533</u>	<u>\$ 163,895</u>	<u>\$ 6,680</u>	<u>\$ 170,575</u>	<u>\$ 97,821</u>

See accompanying notes to financial statements.

ST. PAUL'S COMMUNITY DEVELOPMENT CORPORATION

STATEMENTS OF CASH FLOWS

	<u>Year Ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 72,754	\$ 227,542
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	18,316	7,592
Changes in operating assets and liabilities:		
Grants receivable	(8,609)	17,516
Contributions receivable	6,466	3,010
Program revenues receivable	(702)	8,447
Prepaid expenses and other assets	-	2,460
Security deposits	849	(7,750)
Escrow	-	(10,465)
Accounts payable and accrued expenses	39,817	8,361
Long term boiler obligation	6,978	-
Due to St. Paul's Episcopal Church	(16,056)	22,465
Refundable advances	87,423	(91,481)
Refundable advances - WLI Project	-	(160,250)
Accrued vacation payable	(2,062)	5,146
Net cash flows from operating activities	<u>205,174</u>	<u>32,593</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Pre-development costs - WLI Project	-	350,466
Sale of investment	250	-
Capital additions	<u>(61,370)</u>	<u>(418,312)</u>
Net cash flows from investing activities	<u>(61,120)</u>	<u>(67,846)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of loans	(144,482)	(133,368)
Borrowings of loans	<u>100,000</u>	<u>115,843</u>
Net cash flows from financing activities	<u>(44,482)</u>	<u>(17,525)</u>
NET CHANGE IN CASH	99,572	(52,778)
CASH, BEGINNING OF YEAR	<u>63,809</u>	<u>116,587</u>
CASH, END OF YEAR	<u>\$ 163,381</u>	<u>\$ 63,809</u>
SUPPLEMENTAL CASH FLOW INFORMATION -		
Interest paid	<u>\$ 25,594</u>	<u>\$ 23,547</u>

See accompanying notes to financial statements.

ST. PAUL'S COMMUNITY DEVELOPMENT CORPORATION

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEAR DECEMBER 31, 2011

(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2010)

	Program Services										Support Services			2011 Total Expenses	2010 Total Expenses	
	Food Pantry	Emergency Men's Shelter	Adult Education	Americorps	Housing Develop- ment	Partnership for Healthy Living	Outreach Programs	Youthbuild	Paterson Public Schools	WLI Program	Total Program Expenses	Management and General	Fund Development			Total Support Services
Salaries	\$ 46,821	\$ 121,247	\$ 194,704	\$ 37,945	\$ 9,111	\$ -	\$ 55,564	\$ 284,326	\$ 23,069	\$ -	\$ 772,787	\$ 89,416	\$ 5,918	\$ 95,334	\$ 868,121	\$ 712,954
Payroll taxes and benefits	16,166	29,035	46,483	49,852	532	-	17,928	79,004	1,564	-	240,564	34,246	1,480	35,726	276,290	268,757
Telephone	1,476	1,928	3,590	477	452	181	1,889	8,030	-	-	18,023	902	477	1,379	19,402	15,356
Food	14,336	-	-	-	-	-	-	47	-	-	14,383	-	-	-	14,383	9,527
Occupancy	33,932	52,600	51,819	3,904	2,072	1,731	6,906	89,641	-	-	242,605	5,849	2,097	7,946	250,551	185,485
Supplies and equipment	8,917	25,652	39,170	1,545	435	82	3,304	111,210	-	-	190,315	1,366	1,062	2,428	192,743	63,647
Professional fees	500	1,500	9,692	2,500	-	-	1,500	5,000	-	-	20,692	5,000	-	5,000	25,692	34,500
Insurance	2,652	7,844	5,985	861	-	-	3,651	8,698	98	-	29,789	3,580	-	3,580	33,369	29,746
Postage and printing	2,793	3,631	9,366	2,251	720	962	3,683	8,748	-	-	32,154	1,821	3,437	5,258	37,412	33,462
Travel	2,551	46	2,350	514	62	-	11,127	37,435	151	-	54,236	373	-	373	54,609	25,729
Interest	1,987	2,803	5,554	1,323	1,357	642	1,960	82	-	5,361	21,069	3,429	1,096	4,525	25,594	27,656
Direct fundraising expenses	-	-	-	-	-	-	-	-	-	-	-	-	13,654	13,654	13,654	31,897
Program expenses	-	5,662	15,037	11,343	2,709	-	2,579	23,741	21,127	5,483	87,681	-	-	-	87,681	45,440
Other	147	507	993	1,073	332	-	259	18,774	70	-	22,155	4,236	932	5,168	27,323	12,998
Stipends	-	-	-	248,795	-	-	-	79,473	-	-	328,268	-	-	-	328,268	305,760
Total expenses before depreciation	132,278	252,455	384,743	362,383	17,782	3,598	110,350	754,209	46,079	10,844	2,074,721	150,218	30,153	180,371	2,255,092	1,802,914
Depreciation	-	7,981	-	-	-	-	-	-	-	6,718	14,699	3,617	-	3,617	18,316	7,592
TOTAL EXPENSES - 2011	\$ 132,278	\$ 260,436	\$ 384,743	\$ 362,383	\$ 17,782	\$ 3,598	\$ 110,350	\$ 754,209	\$ 46,079	\$ 17,562	\$ 2,089,420	\$ 153,835	\$ 30,153	\$ 183,988	\$ 2,273,408	
TOTAL EXPENSES - 2010	\$ 100,324	\$ 240,998	\$ 419,985	\$ 455,627	\$ 74,459	\$ 20,352	\$ 117,594	\$ 182,575	\$ -	\$ -	\$ 1,611,914	\$ 138,740	\$ 59,852	\$ 198,592		\$ 1,810,506

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, Partnership for Healthy Living, Outreach Programs, Youthbuild, Paterson Public Schools, WLI Project and AMERICORPS. The Organization maintains one office providing program and administrative services in Paterson, New Jersey and one in Passaic, New Jersey providing program services.

Basis of Presentation - The Organization has adopted FASB ASC 958-205, "Financial Statements for Not-for-Profit Organizations." Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

The Organization has adopted FASB ASC 958-605, "Accounting for Contributions Received and Contributions Made." Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

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.

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 event, program service revenue, interest income, shelter nights and other income 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, 2011 and 2010.

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 the Organization.

ST. PAUL'S COMMUNITY DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

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

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 - Property acquired by the Organization is stated at cost and is 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 and improvements	40 years
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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. 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. Other significant tax positions include its determination of whether any amounts are subject to unrelated business income tax (UBIT). Management has determined that the Organization had no activities subject to UBIT in the years ended December 31, 2011 or 2010. All significant tax positions have been considered by management and it has been determined that it is more likely than not that all tax positions would be sustained upon examination by taxing authorities. The Organization is required to file form 990 (Return of Organization Exempt from Income Tax), which is subject to examination by the Internal Revenue Service (IRS) up to three years from the extended due date of the tax return. The forms 990 for 2008 through 2010 are open to examination by the IRS as of December 31, 2011.

Grants and Contributions Receivable - Grants and 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, 2010 from which the summarized information was derived.

ST. PAUL'S COMMUNITY DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

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

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.

Long-Lived Assets - The Organization evaluates all long-lived assets for impairment. Long-lived assets are evaluated for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the carrying amount is not fully recoverable, an impairment loss is recognized to reduce the carrying amount to fair value, and is charged to expense in the period of impairment. At December 31, 2011 and 2010 management has determined that these assets are not impaired.

Subsequent Events - Management has reviewed and evaluated all events and transactions from December 31, 2011 through May 21, 2012 the date that the financial statements were available to be issued for possible disclosure and recognition in the financial statements and no disclosures have come to the attention of management.

ST. PAUL'S COMMUNITY DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 2 - Summary of Grants/Contracts Support:

For the year ended December 31, 2011, the Organization was funded through the following grants and contracts:

Funding Source	Recognized Support
State of NJ - Department of State (AMERICORPS)	\$ 238,144
Emergency Food and Shelter National Board	37,415
State of New Jersey - Department of State	120,601
State of New Jersey - Department of Community Affairs	79,000
County of Passaic (CEAS)	59,544
County of Passaic Human Services Department	460,939
State of New Jersey Department of Labor and Workforce Development	8,765
City of Paterson - Department of Human Services	16,847
Paterson Public Schools	39,405
Youthbuild Newark	775,765
NJ Administrative Office of the Courts	23,718
Columbia Bank Foundation	10,000
Episcopal Response to AIDS	3,500
General Mills Foundation	10,000
George Ohl Trust	10,000
Hudson City Savings Bank	5,000
The Copper Beech Foundation, Inc.	125,000
The Lillian P. Schenck Charitable Foundation	9,000
TD Charitable Foundation	10,000
Broadway Cares	10,000
Church and Dwight Company	6,500
PNC Bank Foundation	20,000
Alexander and Suzanne Rhea Foundation	3,000
Others	4,600
	\$ 2,086,743

Approximately 83% of the Organization's total grants/contract support was provided by the State of New Jersey, Youthbuild Newark 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:

	<u>December 31,</u>	
	<u>2011</u>	<u>2010</u>
County of Passaic	\$ 88,631	\$ 49,236
State of New Jersey	33,104	123,956
Youthbuild Newark	62,410	-
City of Paterson	<u>5,000</u>	<u>7,344</u>
	<u>\$ 189,145</u>	<u>\$ 180,536</u>

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 leased apartment 1C at 180 Carroll Street from 180 Carroll Street Cooperative I, Inc. for the term January 1, 1998 to December 31, 2008, and subsequently on a month to month basis. 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. During the year, the organization sold its share to the Cooperative for \$1.

Note 5 - Property:

Property is comprised of the following:

	<u>December 31,</u>	
	<u>2011</u>	<u>2010</u>
Land	\$ 186,536	\$ 186,536
Buildings and improvements	<u>497,800</u>	<u>438,025</u>
	684,336	624,561
Less: Accumulted depreciation and amortization	<u>76,525</u>	<u>59,804</u>
	<u>\$ 607,811</u>	<u>\$ 564,757</u>

Depreciation and amortization expense totaled \$18,316 and \$7,592 for the years ended December 31, 2011 and 2010, respectively.

ST. PAUL'S COMMUNITY DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 6 - Refundable Advances:

Refundable advances were comprised of the following:

	December 31,	
	2011	2010
State of New Jersey - Department of State (AMERICORPS)	\$ 23,331	\$ 5,401
Well of Hope	-	4,750
State of New Jersey - Department of State Office of Faith Based Initiatives	18,648	-
Paterson Public Schools	45,595	-
Columbia Bank Foundation	10,000	-
	\$ 97,574	\$ 10,151

Note 7 - Loans Payable:

New Jersey Community Capital

a) On October 21, 2003, the Organization entered into an agreement with New Jersey Community Capital for a permanent loan of \$285,000. The term was 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 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, New Jersey Community Capital modified the loan agreement and the outstanding loan balance of \$188,722 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, 2011 was \$72,810, of which \$35,250 is classified as the current portion of the loan balance.

St. Paul's Episcopal Church

b) On December 31, 2009, the Organization issued a note amounting to \$149,000 to St. Paul's Episcopal Church (the "Church"). This loan represents the balance of various loans made by the Church to the Organization. The loan bears interest at 7% per annum and requires principal payments of \$5,000 every April, July, and October of each year until the loan is repaid in full. As of December 31, 2011, this loan had a balance of \$115,000 of which \$15,000 is classified as current.

c) On December 31, 2009, the Organization issued a note amounting to \$76,404 to the Church. This loan represents the balance of 2008 cost sharing payments due to the church from the Organization. The loan bears interest at 7% per annum and requires annual principal payments of \$10,915 beginning September 2010. As of December 31, 2011, this loan had a balance of \$38,454 of which \$10,915 is classified as current.

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>		
2012	\$	61,165
2013		63,475
2014		25,915
2015		20,709
2016		15,000
Thereafter		<u>40,000</u>
		226,264
Less: Current		<u>61,165</u>
	\$	<u><u>165,099</u></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. The land was purchased for \$158,616 and a loan of \$175,000 was obtained from the Corporation for Supportive Housing (CSH). The loan matured on March 31, 2010 and no extension was granted for the loan. CSH did not treat the loan delinquent as long as it is paid within the year. The loan was paid in full as of June 2, 2010.

In February 2007, the Organization entered into a financing agreement with the New Jersey Housing and Mortgage Finance Agency for a construction and permanent loan of \$276,278. The loan had an interest rate of 0% during the construction period, and 2% per annum during the mortgage term of 30 years. The loan requires monthly principal and interest payments of \$1,021 until its maturity on March 31, 2040. As of December 31, 2010, the Organization had completed its work on the building.

The New Jersey Housing and Mortgage Finance Agency is holding escrow funds of \$10,465 for taxes, working capital and insurance.

Loans payable mature as follows:

<u>Year Ending December 31,</u>		
2012	\$	18,985
2013		7,175
2014		7,319
2015		7,467
2016		7,616
Thereafter		<u>227,716</u>
		276,278
Less: Current		<u>18,985</u>
	\$	<u><u>257,293</u></u>

ST. PAUL'S COMMUNITY DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 9 - Commitment:

Lease - The Organization entered into a new lease for space in Passaic, New Jersey expiring in May 2013 at a monthly rate of \$6,901 for the first year and \$7,107 for the second year. Future minimum annual rental payments are as follows:

<u>Year Ending December 31,</u>	
2012	\$ 84,457
2013	<u>28,428</u>
	<u>\$ 112,885</u>

Rent expense for the year ended December 31, 2011 was \$146,944 and is included in occupancy expense.

Line of Credit – The Organization has a \$100,000 line of credit available from a bank. Borrowings under the line bear interest at the Bank's prime rate plus 1% (3.25% plus 1% at December 31, 2011). As of December 31, 2011, \$25,000 was outstanding on the line.

Note 10 - 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, 2011 and 2010, the Organization owed St. Paul's Episcopal Church \$31,809 and \$47,865, respectively.

In addition, the Organization leases space on a month to month basis in the basement hall of St. Paul's Episcopal Church which is used as a homeless shelter and pantry with associated services and offices. The amount of rent for the shelter and pantry is \$4,652 per month.

Note 11 - Special Event:

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

	<u>2011</u>	<u>2010</u>
Gross revenues	\$ 35,121	\$ 45,145
Gross expenses	<u>13,654</u>	<u>31,897</u>
	<u>\$ 21,467</u>	<u>\$ 13,248</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 as of and for the year ended December 31, 2011, and have issued our report thereon dated May 21, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States 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 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 St. Paul's Community Development Corporation'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 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
May 21, 2012



**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. St. Paul's Community Development Corporation's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. St. Paul's Community Development Corporation had no major state programs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal 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; 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 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 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 could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

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 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 program to determine the 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 St. Paul's Community Development Corporation's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the St. Paul's Community Development Corporation'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 audit committee, management and federal 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
May 21, 2012

ST. PAUL'S COMMUNITY DEVELOPMENT CORPORATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2011

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	\$ 238,144
United States Department of Homeland Security/ Passed through the United Way of Passaic County - Emergency Food and Shelter Program	97.024	N/A	37,415
United State Department of Labor/ Passed through the City of Newark - Youthbuild Passaic	17.274	N/A	775,765
United States Department of Education Office of Innovation and Improvement/ Pass through Paterson Public Schools - Fund for the Improvement of Education	84.215	N/A	39,405
United States Department of Housing and Urban Development Office of Community Planning and Development/ Pass through Department of Community Affairs, Division of Housing and Community Resources - Emergency Shelter Grants Program	14.231	N/A	79,000
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	460,939
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>89,427</u>
Total			<u><u>\$ 1,720,095</u></u>

N/A = Not available

See accompanying notes to schedule of expenditures of federal awards.

ST. PAUL'S COMMUNITY DEVELOPMENT CORPORATION

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

YEAR ENDED DECEMBER 31, 2011

<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	11OFBI106ADS	\$ 20,000	05/1/11-04/30/12	\$ 15,000
	10OFBI106ADS	20,000	05/1/10-04/30/11	<u>5,000</u>
				<u>\$ 20,000</u>
State of New Jersey, Department of State, New Jersey Office of Faith Based Initiatives	12OFBI1012ASO	\$ 95,000	07/1/11-06/30/12	\$ 7,534
	11OFBI1012ASO	75,265	10/1/10-06/30/11	<u>3,639</u>
				<u>\$ 11,173</u>
State of New Jersey, Passaic County Human Services Department Social Service Grant	G-01-41-811-011-213	59,544	01/1/11-12/31/11	<u>59,544</u>
State of New Jersey Department of Labor and Workforce Development - WorkPAYS2	N/A	N/A	01/11-07/11	<u>8,765</u>
Total Expenditures of State Financial Assistance				<u><u>\$ 99,482</u></u>

N/A- Not available

ST. PAUL'S COMMUNITY DEVELOPMENT CORPORATION

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

YEAR ENDED DECEMBER 31, 2011

1. General

The accompanying schedules of expenditures of federal awards and state financial assistance present the activities of all federal awards and state financial assistance 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 awards and 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. Other

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

ST. PAUL'S COMMUNITY DEVELOPMENT CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2011

Section I. Summary of Auditors' Results

Financial Statements

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

Federal Awards

Internal Control over major programs:	Unqualified		
Material weakness(es) identified?	_____ Yes	_____ <u>X</u> _____	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____ 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)?	_____ Yes	_____ <u>X</u> _____	No

Identification of major programs:

<u>Name of Federal Programs</u>	<u>CFDA Number</u>	<u>Amount</u>
United State Department of Labor/ Passed through the City of Newark		
- Youthbuild Passaic	17.274	<u>\$ 775,765</u>
United States Department of Health and Human Services		
- Workfirst New Jersey	93.558	\$ 460,939
- Office Of Faith Based Initiatives	93.558	<u>89,427</u>
		<u>\$ 550,366</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
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Auditee qualified as low-risk auditee:	_____ <u>X</u> _____	Yes	_____ _____	No
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ST. PAUL'S COMMUNITY DEVELOPMENT CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

YEAR ENDED DECEMBER 31, 2011

Section II. Financial Statements Findings and Questioned Costs

NONE

Section III. Federal Award Findings and Questioned Costs

NONE

ST. PAUL'S COMMUNITY DEVELOPMENT COPORATION

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

YEAR ENDED DECEMBER 31, 2011

There were no audit findings noted in prior year.