

*Consolidated
Financial Statements
Years Ended
June 30, 2010 and 2009*

REDC Community Capital Group, Inc.



Certified Public Accountants
Specialized Services
Business Solutions

REDC Community Capital Group, Inc.

Contents

	Page
<i>Report of Independent Auditors</i>	1
<i>Consolidated Financial Statements</i>	
<i>Consolidated Statements of Financial Position</i>	2
<i>Consolidated Statements of Activities</i>	3
<i>Consolidated Schedules of Expenses</i>	4 - 5
<i>Consolidated Statements of Cash Flows</i>	6
<i>Notes to Consolidated Financial Statements</i>	7 - 12
<i>Supplementary Schedules</i>	
<i>Consolidating Statement of Financial Position</i>	13
<i>Consolidating Statement of Activities</i>	14 - 15
<i>Consolidating Schedule of Expenses</i>	16 - 18
<i>Compliance Section</i>	
<i>Report of Independent Auditors 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</i>	19 - 20
<i>Report of Independent Auditors on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133</i>	21 - 22
<i>Schedule of Expenditures of Federal Awards</i>	23
<i>Notes to the Schedule of Expenditures of Federal Awards</i>	24
<i>Schedule of Findings and Questioned Costs</i>	25

Report of Independent Auditors



Board of Directors
REDC Community Capital Group, Inc.

Certified Public Accountants
Specialized Services
Business Solutions

We have audited the accompanying consolidated statements of financial position of *REDC Community Capital Group, Inc.* as of June 30, 2010 and 2009, and the related consolidated statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the management of *REDC Community Capital Group, Inc.* 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 the 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of *REDC Community Capital Group, Inc.* as of June 30, 2010 and 2009, and the consolidated changes in their net assets and their consolidated 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 September 27, 2010 on our consideration of *REDC Community Capital Group, Inc.*'s internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, 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 important for assessing the results of our audit.

Our audits of the financial statements were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information contained on pages 13 - 18 is presented for purpose of additional analysis of the consolidated information rather than to present the financial position, result of operations, and cash flows of the individual organizations. 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 consolidated 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 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated 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 consolidated financial statements as a whole.

Richmond, Virginia
September 27, 2010

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REDC Community Capital Group, Inc.
Consolidated Statements of Financial Position

June 30, 2010 and 2009

(Next Page)

REDC Community Capital Group, Inc.

Consolidated Statements of Financial Position

June 30,	2010	2009
Assets		
Current assets		
Cash	\$ 472,731	\$ 101,958
Cash - loan loss reserve	155,369	147,182
	<hr/>	<hr/>
Accounts and grants receivable	628,100	249,140
Notes receivable - current portion	177,512	227,800
Prepaid expense	582,390	538,097
Accrued interest receivable	4,802	4,813
	37,239	57,294
Total current assets	<hr/>	<hr/>
	1,430,043	1,077,144
Security deposit	9,691	9,691
Community development investments	459,562	470,812
Notes receivable - less current portion - net of allowance for doubtful accounts of \$127,653 and \$130,923, respectively	4,396,092	4,567,889
Property and equipment - net	<hr/>	<hr/>
	99,681	138,619
	<hr/>	<hr/>
	\$ 6,395,069	\$ 6,264,155

	2010	2009
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 21,654	\$ 40,700
Accrued expenses:		
Interest	22,980	28,253
Other	21,185	27,078
Line of credit	-	500,000
Current portion of notes payable	2,816,296	574,900
Total current liabilities	<u>2,882,115</u>	<u>1,170,931</u>
Notes payable - less current portion	1,614,236	3,685,499
Subordinated debt	<u>200,000</u>	<u>200,000</u>
Total liabilities	<u>4,696,351</u>	<u>5,056,430</u>
Net assets		
Unrestricted	846,234	356,357
Temporarily restricted	852,484	851,368
Total net assets	<u>1,698,718</u>	<u>1,207,725</u>
	<u>\$ 6,395,069</u>	<u>\$ 6,264,155</u>

The accompanying notes are an integral part of these consolidated financial statements.

REDC Community Capital Group, Inc.

Consolidated Statements of Activities

Years Ended June 30,	2010	2009
Revenue and support		
Grant funds	\$ 1,633,687	\$ 314,833
Loan program income:		
Interest income	408,371	404,335
Loan fees	27,178	13,887
Loan administrator fee	15,000	37,500
SBA 504 loan program income	47,324	42,778
Rental income - community development investment	18,398	42,500
Tuition fee income	4,850	5,470
Contributions - other	-	2,750
Gain on sale of community development investment	-	24,531
Interest income	934	1,958
Other income	11,749	7,168
Total revenue and support	2,167,491	897,710
Expenses (see schedules)		
Program expenses	1,534,171	1,304,087
Administrative and general	118,606	98,238
Fundraising expenses	23,721	19,644
Total expenses	1,676,498	1,421,969
Change in net assets		
Unrestricted	489,873	(496,518)
Temporarily restricted	1,120	(27,741)
	490,993	(524,259)
Net assets - beginning of year	1,207,725	1,731,984
Net assets - end of year	\$ 1,698,718	\$ 1,207,725

The accompanying notes are an integral part of these consolidated financial statements.

REDC Community Capital Group, Inc.

Consolidated Schedules of Expenses

Years Ended June 30,	2010	2009
Program		
Salaries	\$ 577,474	\$ 509,927
Loan loss reserve	214,573	139,228
Interest expense	177,899	203,160
Occupancy	123,571	95,932
Fringe benefits	65,031	88,199
Loan administration expenses	60,302	64,383
Business development	46,768	15,681
Payroll taxes and expenses	41,972	38,000
Depreciation	40,842	30,080
Communications and public relations	40,673	16,421
Professional fees and services	31,058	28,996
Property management	24,606	14,616
Office supplies and equipment	23,306	12,109
Staff training and education	17,203	12,010
Technical assistance	13,062	18,188
Business taxes	8,525	226
Maintenance expense	7,017	2,930
Miscellaneous	6,022	4,980
Bank fees	5,058	4,310
Insurance	5,034	4,023
Leashold improvement interest expense	3,568	-
Board meeting expenses	607	688
Total program	1,534,171	1,304,087
Administrative and general		
Salaries	65,622	57,945
Occupancy	14,042	10,901
Fringe benefits	7,390	10,023
Business development	5,315	1,782
Payroll taxes and expenses	4,770	4,318
Depreciation	4,641	3,418
Communications and public relations	4,622	1,866
Professional fees and services	3,529	3,295
Office supplies and equipment	2,648	1,376
Staff training and education	1,955	1,365
Business taxes	969	25
Maintenance expense	797	333
Miscellaneous	685	566
Bank fees	575	490
Insurance	572	457
Leashold improvement interest expense	405	-
Board meeting expenses	69	78
Total administrative and general	118,606	98,238

The accompanying notes are an integral part of these consolidated financial statements.

REDC Community Capital Group, Inc.

Consolidated Schedules of Expenses (Continued)

Years Ended June 30,	2010	2009
Fundraising		
Salaries	13,124	11,589
Occupancy	2,808	2,180
Fringe benefits	1,478	2,005
Business development	1,063	356
Payroll taxes and expenses	954	864
Depreciation	928	684
Communications and public relations	924	373
Professional fees and services	706	659
Office supplies and equipment	530	67
Staff training and education	391	273
Business taxes	194	-
Insurance	159	275
Miscellaneous	138	114
Bank fees	115	98
Insurance	114	91
Leashold improvement interest expense	81	-
Board meeting expenses	14	16
Total fundraising	23,721	19,644
Total expenses	\$ 1,676,498	\$ 1,421,969

The accompanying notes are an integral part of these consolidated financial statements.

REDC Community Capital Group, Inc.**Consolidated Statements of Cash Flows**

Years Ended June 30,	2010	2009
Cash flows from operating activities		
Change in net assets	\$ 490,993	\$ (524,259)
Adjustments to reconcile to net cash from operating activities:		
Depreciation and amortization	46,411	34,182
Gain on sale of community development investment	-	(24,531)
Disposal of equipment	4,659	-
Loan loss reserve	214,573	139,228
Change in:		
Grant receivable	163,094	(101,716)
Prepaid expense	11	2,135
Accrued interest receivable	20,055	(29,873)
Accounts payable	(19,046)	26,165
Accrued expenses	(123,972)	120,314
Other assets	-	(4,142)
Net cash from operating activities	<u>796,778</u>	<u>(362,497)</u>
Cash flows from investing activities		
Purchase of property and equipment	(882)	(2,272)
Purchase of community development investments	-	(230,723)
Proceeds from sale of community development investment	-	25,000
Payments from issuance of notes receivable	(1,408,754)	(877,041)
Principal payments received on notes receivable	1,321,685	642,165
Net cash from investing activities	<u>(87,951)</u>	<u>(442,871)</u>
Cash flows from financing activities		
Proceeds from notes payable	750,000	452,389
Proceeds from line of credit	-	250,000
Payments on line of credit	(500,000)	-
Principal payments on notes payable	(579,867)	(370,384)
Net cash from financing activities	<u>(329,867)</u>	<u>332,005</u>
Net change in cash	378,960	(473,363)
Cash - beginning of year	<u>249,140</u>	<u>722,503</u>
Cash - end of year	<u>\$ 628,100</u>	<u>\$ 249,140</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 158,973	\$ 198,382
Supplemental disclosure of noncash investing activities		
Property and equipment financed with debt	\$ -	\$ 110,330
Sale of community development investments financed with notes receivable	\$ -	\$ 375,000

The accompanying notes are an integral part of these consolidated financial statements.

REDC Community Capital Group, Inc.

Notes to Consolidated Financial Statements

June 30, 2010 and 2009

1. Organization and Nature of Activities

REDC Community Capital Group, Inc. (REDC), formally known as Richmond Economic Development Corporation and Subsidiary, is a non-stock, non-profit, tax-exempt organization established in 1995, dedicated to providing community and economic development, within the City of Richmond. REDC provides training and financing to small businesses and provides loan administration and servicing for the City of Richmond's Neighborhood in Blooms (NIB) program.

Richmond Economic Development Corporation Holdings, LLC (REDC Holdings) is a wholly owned subsidiary of REDC. REDC Holdings was formed in July 2002 to raise equity capital to support lending activities to small businesses in Richmond.

2. Summary of Significant Accounting Policies

Consolidation

The consolidated financial statements include the accounts of REDC and REDC Holdings, its wholly owned subsidiary (collectively the "Corporation"). All significant intercompany balances and transactions have been eliminated.

Basis of Presentation

The Corporation 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. The financial statements report amounts separately by class of assets as follows:

Unrestricted amounts are those currently available at the discretion of the Board of Directors for use in operations and those resources invested in property or equipment.

Temporarily restricted amounts are those which are stipulated by donors or grantors for specific program purposes. When a donor 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. Restricted revenue whose restrictions are met in the same year is reflected as unrestricted revenue.

Permanently restricted amounts are restricted to investments in perpetuity, the income from which is expendable in accordance with the conditions of each specific donation. The Corporation has no permanently restricted net assets.

Property and Equipment

Property and equipment are recorded at cost or fair market value at date of donation for donated assets, and depreciated by the straight-line method over the estimated useful lives of the related assets as follows:

Buildings	40 years
Furniture and fixtures	7 years
Office equipment	3 - 5 years
Leasehold improvements	3 years

Income Taxes

The Corporation is a non-profit organization as defined by Internal Revenue Code Section 501(c)(3) and is not subject to federal or state income taxes.

Credit Risk

Financial instruments which potentially subject the Corporation to concentration of credit risk consist principally of temporary cash investments and notes receivable. The Corporation had \$121,089 in cash and cash equivalents in excess of federally insured limits at June 30, 2010 and no cash and cash equivalents in excess of federally insured limits at June 30, 2009. The Corporation attempts to mitigate credit risk with regard to notes receivable by obtaining a security interest and other collateral.

Notes Receivable

Notes receivable are carried at their estimated net realizable value by the application of an allowance for doubtful accounts.

Advertising/Business Development Costs

Business development costs incurred by the Corporation are expensed as incurred.

Reclassifications

Certain amounts from the prior year financial statements have been reclassified for comparative purposes to conform with the current year presentation.

Estimates

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 the disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Subsequent Events

In preparing these financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through September 27, 2010, the date the financial statements were available to be issued.

3. Community Development Investments

The Corporation acquired property through foreclosures on non-performing loans. The Corporation had entered into an agreement for one of the properties that allows individuals to rent the property until a future date at which time the individuals will have the opportunity to purchase the property at fair market value. This agreement expired during the year and these properties are being held as investments until a future buyer is found.

Investment in real estate consists of the following at June 30:

	<u>2010</u>	<u>2009</u>
Buildings	\$ 355,510	\$ 355,510
Land	126,287	126,287
	<u>481,797</u>	<u>481,797</u>
Less – accumulated depreciation	<u>(22,235)</u>	<u>(10,985)</u>
	<u>\$ 459,562</u>	<u>\$ 470,812</u>

4. Property and Equipment

Major classes of property and equipment consist of the following at June 30:

	<u>2010</u>	<u>2009</u>
Furniture and fixtures	\$ 78,685	\$ 82,463
Office equipment	81,840	81,840
Leasehold improvements	104,453	104,453
	<u>264,978</u>	<u>268,756</u>
Less – accumulated depreciation	<u>(165,297)</u>	<u>(130,137)</u>
	<u>\$ 99,681</u>	<u>\$ 138,619</u>

5. Grant Funds

The Corporation received grant funding from the following sources during the years ended June 30:

	<u>2010</u>	<u>2009</u>
City of Richmond		
General appropriations	\$ 83,500	\$ 100,000
U.S. Department of the Treasury CDFI Fund	1,000,000	-
U.S. Small Business Administration	528,857	155,730
Cameron Foundation	-	50,000
Other	21,330	9,103
	<u>\$ 1,633,687</u>	<u>\$ 314,833</u>

6. Accounts and Grants Receivable

Accounts and grants receivable consist of the following at June 30:

	<u>2010</u>	<u>2009</u>
U.S. Small Business Administration	\$ 172,569	\$ 155,730
Cameron Foundation	-	50,000
Other	4,943	22,070
	<u>\$ 177,512</u>	<u>\$ 227,800</u>

7. Notes Receivable

Notes receivable at June 30, 2010, consist of 124 term loans in amounts ranging from \$5,000 to \$375,000; with interest from 4% to 11% and repayment terms from 24 to 120 months. The U. S. Small Business Administration, the City of Richmond and local banks participated in funding these loans (see Note 8). Collateral for these notes consists of a security interest in business personal property and/or real property, personal guarantees and the assignment of certain life insurance policies.

The estimated maturities of notes receivable at face values for future years ending June 30 follows:

	<u>REDC Programs</u>	<u>NIB Programs</u>	<u>Total</u>
2011	\$ 479,633	\$ 102,757	\$ 582,390
2012	463,379	104,925	568,304
2013	465,922	98,214	564,136
2014	402,934	86,769	489,703
2015	339,632	68,569	408,201
Thereafter	2,219,343	274,058	2,493,401
	<u>4,370,843</u>	<u>735,292</u>	<u>5,106,135</u>
Less - allowance for doubtful accounts	(109,271)	(18,382)	(127,653)
	<u>\$ 4,261,572</u>	<u>\$ 716,910</u>	<u>\$ 4,978,482</u>

8. Notes Payable

Notes payable consist of the following at June 30:

	<u>2010</u>	<u>2009</u>
Note payable to the U.S. Small Business Administration, payable \$8,242 monthly, including interest at 3.625%, due June 2012, collateralized by notes receivable.	\$ 77,478	\$ 164,754
Note payable to the U.S. Small Business Administration, payable \$2,731 monthly, including interest at 3.125%, due June 2012, collateralized by notes receivable.	51,918	81,897
Note payable to the U.S. Small Business Administration, payable \$8,702 monthly, interest at 1.875%, due May 2014.	396,946	488,047

	<u>2010</u>	<u>2009</u>
Note payable to the U.S. Small Business Administration, partial draw on \$750,000 note, payable \$7,482 monthly beginning 12 months after issuance, including interest based on a 2% buy down, or 1.375% annum, due February 2018.	645,805	723,593
Note payable to the U.S. Small Business Administration, payable \$6,896 monthly, interest at 1.875%, June 2019.	750,000	-
Note payable to Opportunity Finance Network, due and payable on February 28, 2011. The aggregate amount of the loan calls for \$600,000 to be made in two closings. The first closing was February 3, 2006 with interest at 4%. The second closing was in May 2008 with interest at 4%.	600,000	600,000
Note payable to The Domestic and Foreign Missionary Society of the Protestant Episcopal Church, payable on or before February 26, 2010, interest at 4%.	-	100,000
Note payable to SunTrust, payable \$10,606 monthly, including interest at 5%, due December 2010, collateralized by notes receivable.	880,835	961,222
Note payable to SunTrust, payable \$12,993 monthly, including interest at 5%, due December 2010, collateralized by notes receivable.	975,442	1,079,023
Note payable to Commonwealth Medical Park I, LLC, payable \$1,222 monthly including interest at 7%, due June 2014.	52,108	61,863
	<u>4,430,532</u>	<u>4,260,399</u>
Less - current portion	<u>(2,816,296)</u>	<u>(574,900)</u>
	<u>\$ 1,614,236</u>	<u>\$ 3,685,499</u>

Estimated maturities of the above long-term debt for succeeding years ending June 30 are as follows:

2011	\$ 2,816,296
2012	284,444
2013	469,444
2014	269,791
2015	161,550
2016 - 2019	<u>429,007</u>
	<u>\$ 4,430,532</u>

The Corporation has two lines of credit that expired and were paid off during 2010. These lines each had outstanding balances of \$250,000 at June 30, 2009.

9. Retirement Plans

The Corporation had a non-ERISA 403(b) tax-deferred retirement plan covering substantially all employees. The Corporation froze this plan during 2004. In 2005, the Corporation implemented a defined contribution 401(k) savings plan, which covers substantially all full-time employees. The Corporation matches 100% of the first 3% of the employees' deferrals and is eligible to make discretionary contributions to the plan. Total retirement plan expense was \$14,886 and \$49,149 at June 30, 2010 and 2009 respectively.

10. Subordinated Debt

At June 30, 2010 and 2009, the Corporation had \$200,000 of subordinated debt from Capital One Financial Corporation. The loan bears interest at 4%, payable quarterly, with principal due at maturity in April 2013. It is the intent of both the Corporation and Capital One Financial Corporation that this financing be treated as an equity equivalent investment for credit evaluation purposes.

11. Office Rental

The Corporation leases office space under two operating leases, both expiring in 2014. Future minimum lease payments for years ending June 30 are as follows:

2011	\$	132,185
2012		132,185
2013		132,185
2014		132,185
2015		41,077
	\$	<u>569,817</u>

12. Loan Administration and Development Programs

The Corporation is licensed to lend money state-wide under the Small Business Administration (SBA) 504 Development loan program. The Corporation provides underwriting services for the loans under the 504 program. REDC receives a loan processing fee of 1.5% of the net proceeds of the debenture issued. REDC also receives a servicing fee in the amount of 1% annually on the unpaid balance of the 504 loans. Loan balances under these programs consist of the following at June 30:

	<u>2010</u>	<u>2009</u>
504 Development loan program	\$ 5,285,000	\$ 3,020,422

13. Related Party Transactions

The Corporation has an outstanding loan due from their attorney. The outstanding balance on the note was \$154,800 and \$192,150 at June 30, 2010 and June 30, 2009, respectively. The Corporation also has outstanding loans due from board members. The outstanding balance on these notes was \$65,703 and \$93,738 at June 30, 2010 and June 30, 2009, respectively.

14. Contingency

The Corporation's current liabilities exceed current assets by \$1,452,072 due to the scheduled maturity of debt of approximately \$1.8 million. The Corporation is awaiting final commitments from banks for their participation in a \$3,000,000 loan pool that will be used to refinance the maturing debt and provide funding for additional program lending. There are no formal commitments in place at the time of issuance of these consolidated financial statements. The ability of the Corporation to continue as a going concern is dependent upon obtaining these funds. The consolidated financial statements do not include any adjustments that might be necessary if the corporation is unable to obtain financing.

* * * * *

Supplementary Schedules

Richmond Economic Development Corporation and Subsidiary

Consolidating Statement of Financial Position

June 30, 2010, with Comparative Totals for 2009

(Next Page)

Richmond Economic Development Corporation and Subsidiary

Consolidating Statement of Financial Position

June 30, 2010, with Comparative Totals for 2009

Assets	REDC			Total	
	REDC Programs	NIB Program	Eliminations	2010	2009
Current assets					
Cash	\$ 389,168	\$ 83,563	\$ -	\$ 472,731	\$ 101,958
Cash - restricted (loan loss reserve)	155,369	-	-	155,369	147,182
	544,537	83,563	-	628,100	249,140
Accounts and grants receivable	177,512	9,103	(9,103)	177,512	227,800
Current portion of notes receivable	479,633	102,757	-	582,390	538,097
Prepaid expense	4,802	-	-	4,802	4,813
Accrued interest receivable	33,911	3,328	-	37,239	57,294
Total current assets	1,240,395	198,751	(9,103)	1,430,043	1,077,144
Security deposit	9,691	-	-	9,691	9,691
Community development investments	413,130	46,432	-	459,562	470,812
Notes receivable - less current portion - net of allowance for doubtful accounts of \$127,653 and \$130,923 respectively	3,781,939	614,153	-	4,396,092	4,567,889
Property and equipment - net	99,681	-	-	99,681	138,619
	\$ 5,544,836	\$ 859,336	\$ (9,103)	\$ 6,395,069	\$ 6,264,155

Liabilities and Net Assets	REDC			Total	
	REDC	NIB	Eliminations	2010	2009
	Programs	Program			
Current liabilities					
Accounts payable	\$ 14,803	\$ 6,851	\$ -	\$ 21,654	\$ 40,700
Accrued expenses:					
Interest	22,980	-	-	22,980	28,253
Other	30,288	-	(9,103)	21,185	27,078
Line of credit	-	-	-	-	500,000
Current portion of notes payable	2,816,296	-	-	2,816,296	574,900
Total current liabilities	2,884,367	6,851	(9,103)	2,882,115	1,170,931
Notes payable - less current portion	1,614,236	-	-	1,614,236	3,685,499
Subordinated debt	200,000	-	-	200,000	200,000
Total liabilities	4,698,603	6,851	(9,103)	4,696,351	5,056,430
Net assets					
Unrestricted	846,230	-	-	846,230	356,357
Temporarily restricted	-	852,488	-	852,488	851,368
Total net assets	846,230	852,488	-	1,698,718	1,207,725
	\$ 5,544,833	\$ 859,339	\$ (9,103)	\$ 6,395,069	\$ 6,264,155

See report of independent auditors.

Richmond Economic Development Corporation and Subsidiary

Consolidating Statement of Activities

Year Ended June 30, 2010, with Comparative Totals for 2009

(Next Page)

Richmond Economic Development Corporation and Subsidiary

Consolidating Statement of Activities

Year Ended June 30, 2010, with Comparative Totals for 2009

	REDC			Total	
	REDC Programs	NIB Program	Eliminations	2010	2009
Revenue and support					
Grant funds	\$ 1,633,687	\$ -	\$ -	\$ 1,633,687	\$ 314,833
Loan program income					
Interest	379,273	29,098	-	408,371	404,335
Loan fees	25,328	1,850	-	27,178	13,887
Loan administrator fee	15,000		-	15,000	37,500
SBA 504 loan program income	47,324	-	-	47,324	42,778
Rental income - community development investment	16,565	1,833	-	18,398	42,500
Tuition fee income	4,850	-	-	4,850	5,470
Contributions - other	-	-	-	-	2,750
Gain on sale of community development investment	-	-	-	-	24,531
Interest income	934	-	-	934	1,958
Other income	11,749	-	-	11,749	7,168
Total revenue and support	2,134,710	32,781	-	2,167,491	897,710
Expenses (see schedules)					
Program expenses	1,502,699	31,472	-	1,534,171	1,304,087
Administrative and general	118,447	159	-	118,606	98,238
Fundraising expenses	23,691	30	-	23,721	19,644
Total expenses	1,644,837	31,661	-	1,676,498	1,421,969

See report of independent auditors.

Richmond Economic Development Corporation and Subsidiary

Consolidating Statement of Activities (Continued)

Year Ended June 30, 2010, with Comparative Totals for 2009

	REDC			Total	
	REDC Programs	NIB Program	Eliminations	2010	2009
Change in net assets					
Unrestricted	489,873	-	-	489,873	(496,518)
Temporarily restricted	-	1,120	-	1,120	(27,744)
	489,873	1,120	-	490,993	(524,259)
Net assets - beginning of year	356,357	851,368	-	1,207,725	1,731,984
Net assets - end of year	\$ 846,230	\$ 852,488	\$ -	\$ 1,698,718	\$ 1,207,725

See report of independent auditors.

Richmond Economic Development Corporation and Subsidiary

Consolidating Schedule of Expenses

Year Ended June 30, 2010, with Comparative Totals for 2009

	REDC		Total	
	REDC Programs	NIB Program	2010	2009
Program				
Salaries	\$ 577,474	\$ -	\$ 577,474	\$ 509,927
Loan loss reserve	213,105	1,468	214,573	139,228
Interest expense	177,899	-	177,899	203,160
Occupancy	123,571	-	123,571	95,932
Fringe benefits	65,031	-	65,031	88,199
Loan administration expenses	31,729	28,573	60,302	64,383
Business development	46,768	-	46,768	15,681
Payroll taxes and expenses	41,972	-	41,972	38,000
Depreciation	39,526	1,316	40,842	30,080
Communications and public relations	40,673	-	40,673	16,421
Professional fees and services	31,058	-	31,058	28,996
Property management	24,606	-	24,606	14,616
Office supplies and equipment	23,306	-	23,306	12,109
Staff training and education	17,203	-	17,203	12,010
Technical assistance	13,062	-	13,062	18,188
Business taxes	8,525	-	8,525	226
Maintenance expense	7,017	-	7,017	2,930
Miscellaneous	6,022	-	6,022	4,980
Bank fees	4,944	114	5,058	4,310
Insurance	5,034	-	5,034	4,023
Leashold improvement interest expense	3,568	-	3,568	-
Board meeting expenses	607	-	607	688
Total program	1,502,699	31,472	1,534,171	1,304,087

See report of independent auditors.

Richmond Economic Development Corporation and Subsidiary

Consolidating Schedule of Expenses (Continued)

Year Ended June 30, 2010, with Comparative Totals for 2009

	REDC		Total	
	REDC Programs	NIB Program	2010	2009
Administrative and general				
Salaries	65,622	-	65,622	57,945
Occupancy	14,042	-	14,042	10,901
Fringe benefits	7,390	-	7,390	10,023
Business development	5,315	-	5,315	1,782
Payroll taxes and expenses	4,770	-	4,770	4,318
Depreciation	4,495	146	4,641	3,418
Communications and public relations	4,622	-	4,622	1,866
Professional fees and services	3,529	-	3,529	3,295
Office supplies and equipment	2,648	-	2,648	1,376
Staff training and education	1,955	-	1,955	1,365
Business taxes	969	-	969	25
Maintenance expense	797	-	797	333
Miscellaneous	685	-	685	566
Bank fees	562	13	575	490
Insurance	572	-	572	457
Leashold improvement interest expense	405	-	405	-
Board meeting expenses	69	-	69	78
Total administrative and general	118,447	159	118,606	98,238

See report of independent auditors.

Richmond Economic Development Corporation and Subsidiary

Consolidating Schedule of Expenses (Continued)

Year Ended June 30, 2010, with Comparative Totals for 2009

	REDC		Total	
	REDC Programs	NIB Program	2010	2009
Fundraising				
Salaries	13,124	-	13,124	11,589
Occupancy	2,808	-	2,808	2,180
Fringe benefits	1,478	-	1,478	2,005
Payroll taxes and expenses	954	-	954	864
Depreciation	898	30	928	684
Professional fees and services	706	-	706	659
Communications and public relations	924	-	924	373
Business development	1,063	-	1,063	356
Office supplies and equipment	530	-	530	67
Maintenance expense	159	-	159	275
Leashold improvement interest expense	81	-	81	-
Staff training and education	391	-	391	273
Miscellaneous	138	-	138	114
Bank fees	115	-	115	98
Insurance	114	-	114	91
Business taxes	194	-	194	-
Board meeting expenses	14	-	14	16
Total fundraising	23,691	30	23,721	19,644
Total expenses	\$ 1,644,837	\$ 31,661	\$ 1,676,498	\$ 1,421,969

See report of independent auditors.

Compliance Section



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***Report of Independent Auditors 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
Richmond Economic Development Corporation

We have audited the financial statements of ***REDC Community Capital Group, Inc.*** as of and for the year ended June 30, 2010, and have issued our report thereon September 27, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered ***REDC Community Capital Group, Inc.***'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the ***REDC Community Capital Group, Inc.***'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the ***REDC Community Capital Group, 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether ***REDC Community Capital Group, 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 management, Board of Directors, pass-through, and federal awarding agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

Goodman & Company LLP

Richmond, Virginia
September 27, 2010



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***Report of Independent Auditors on Compliance
With Requirements That Could Have a Direct and
Material Effect on Each Major Program and on Internal
Control Over Compliance in Accordance With OMB Circular A-133***

Board of Directors
Richmond Economic Development Corporation

Compliance

We have audited ***REDC Community Capital Group, Inc.***'s compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of ***REDC Community Capital Group, Inc.***'s major federal programs for the year ended June 30, 2010. ***REDC Community Capital Group, 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 ***REDC Community Capital Group, Inc.***'s management. Our responsibility is to express an opinion on ***REDC Community Capital Group, 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. 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 ***REDC Community Capital Group, 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 of ***REDC Community Capital Group, Inc.***'s compliance with those requirements.

In our opinion, ***REDC Community Capital Group, Inc.***, 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 June 30, 2010.

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Internal Control Over Compliance

The management of ***REDC Community Capital Group, Inc.*** is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered ***REDC Community Capital Group, Inc.***'s internal control over compliance with the 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, 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 ***REDC Community Capital Group, 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 management, Board of Directors, pass-through, and federal awarding agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

Goodman & Company LLP

Richmond, Virginia
September 27, 2010

Richmond Economic Development Corporation and Subsidiary

Schedule of Expenditures of Federal Awards

and

Schedule of Findings and Questioned Costs

June 30, 2010

REDC Community Capital Group, Inc.

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2010

Federal Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Expenditures
Small Business Administration		
Microloan Enterprise Development Loan Program	59.046	\$ 1,922,183
ARRA - Microloan Enterprise Development Loan Program	59.046	<u>487,840</u>
Total Small Business Administration		<u>2,410,023</u>
Department of the Treasury		
Community Development Financial Institutions Fund Assistance	21.020	<u>1,000,000</u>
		<u>\$ 3,410,023</u>

See report of independent auditors.

Richmond Economic Development Corporation and Subsidiary

Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2010

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of *REDC Community Capital Group, 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 the preparation of, the basic financial statements.

2. Loans Outstanding

The Company had the following loan balances outstanding at June 30, 2010. Loans made during the year, in addition to prior loans made with continuing compliance requirements are included with grant expenditures in the federal expenditures amount presented in the schedule.

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Outstanding</u>
Microloan Program	59.046	\$ 1,922,183

See report of independent auditors.

Richmond Economic Development Corporation and Subsidiary

Schedule of Findings and Questioned Costs

Year Ended June 30, 2010

1 Summary of Auditors' Results

- a. An unqualified opinion was issued on the financial statements.
- b. There were no reportable conditions noted in internal control to disclose.
- c. The audit did not disclose any material noncompliance.
- d. There were no reportable conditions in internal control over major programs to disclose.
- e. An unqualified opinion was issued on compliance for major programs.
- f. The audit did not disclose any audit findings required to be reported.
- g. The major programs were the Small Business Administration Microloan Enterprise Development Loan Program and the Community Development Financial Institutions Fund Assistance program.
- h. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i. The auditee does not qualify as a low-risk auditee.

2 Findings Related to the Financial Statements Which Are Required to be Reported in Accordance with GAGAS

- a. None

3 Findings and Questioned Costs for Federal Awards

- a. None

4 Resolution of Prior Year Findings

- a. There were no prior year findings.

See report of independent auditors.