

WASHINGTON AREA COMMUNITY INVESTMENT FUND, INC.

FINANCIAL STATEMENTS

For the Years Ended December 31, 2005 and 2004



Walker & Company, LLP
Assurance. Business and Advisory Services

WASHINGTON AREA COMMUNITY INVESTMENT FUND, INC.

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Washington Area Community Investment Fund, Inc.

We have audited the accompanying statements of financial position of Washington Area Community Investment Fund, Inc. (WACIF) as of December 31, 2005 and 2004, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of WACIF'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Washington Area Community Investment Fund, Inc. as of December 31, 2005 and 2004 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.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary schedule of functional expenses is presented for the purpose of additional analysis and is not a required part of the basic financial statements of Washington Area Community Investment Fund, Inc. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Walker & Company, LLP

August 18, 2006

WASHINGTON AREA COMMUNITY INVESTMENT FUND, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2005 and 2004

	2005	2004
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,168,427	\$ 1,408,618
Restricted cash	16,941	36,777
Certificates of deposit	753,534	746,252
Pledges, grants and other receivables	178,645	153,227
Accrued interest receivable	87,340	69,350
Notes receivable, net of reserve of \$165,000 for 2005 and 2004	1,418,640	1,239,541
Prepaid expenses and other assets	6,549	3,845
Total Current Assets	3,630,076	3,657,610
Notes receivable, net of current portion	639,901	544,888
Property and equipment, net of accumulated depreciation of \$72,360 and \$64,210	19,581	9,954
TOTAL ASSETS	\$ 4,289,558	\$ 4,212,452
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued interest	\$ 17,618	\$ 11,530
Deferred compensation	5,503	5,503
Participation loan		143,668
Lines-of-credit	1,194,761	593,765
Recoverable grant, net		147,000
Notes payable	854,096	728,476
Total Current Liabilities	2,071,978	1,629,942
Long-term Liabilities		
Borrowers escrow	16,941	36,777
Notes payable, net of current portion	1,939,692	2,282,852
TOTAL LIABILITIES	4,028,611	3,949,571
Net Assets		
Unrestricted	78,520	80,454
Temporarily restricted	182,427	182,427
Total Net Assets	260,947	262,881
TOTAL LIABILITIES AND NET ASSETS	\$ 4,289,558	\$ 4,212,452

See notes to financial statements and independent auditor's report.

WASHINGTON AREA COMMUNITY INVESTMENT FUND, INC.
STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2005 and 2004

	2005			2004		
	Unrestricted	Temporarily		Unrestricted	Temporarily	
		Restricted	Total		Restricted	Total
SUPPORT AND REVENUE						
Foundation grants	\$ 81,745	\$	\$ 81,745	\$ 32,020	\$	\$ 32,020
Government grants	132,471		132,471	87,962		87,962
Interest income	170,300		170,300	179,983		179,983
Contributions	124,301		124,301	118,618		118,618
Management fees	157,948		157,948	139,950		139,950
Donated services	37,694		37,694	28,929		28,929
Loan fees	39,211		39,211	30,425		30,425
Miscellaneous income	16,311		16,311	848		848
Net assets released from restrictions			-	108,000	(108,000)	-
Total Support and Revenue	<u>759,981</u>	<u>-</u>	<u>759,981</u>	<u>726,735</u>	<u>(108,000)</u>	<u>618,735</u>
EXPENSES						
Program services	386,892		386,892	392,470		392,470
Supporting services:						
Management and general	298,155		298,155	132,074		132,074
Fundraising	76,868		76,868	68,689		68,689
Total Supporting Services	<u>375,023</u>	<u>-</u>	<u>375,023</u>	<u>200,763</u>	<u>-</u>	<u>200,763</u>
Total Expenses	<u>761,915</u>	<u>-</u>	<u>761,915</u>	<u>593,233</u>	<u>-</u>	<u>593,233</u>
CHANGE IN NET ASSETS	(1,934)		(1,934)	133,502	(108,000)	25,502
Net Assets, Beginning of Year	<u>80,454</u>	<u>182,427</u>	<u>262,881</u>	<u>(53,048)</u>	<u>290,427</u>	<u>237,379</u>
Net Assets, End of Year	<u>\$ 78,520</u>	<u>\$ 182,427</u>	<u>\$ 260,947</u>	<u>\$ 80,454</u>	<u>\$ 182,427</u>	<u>\$ 262,881</u>

See notes to financial statements and independent auditor's report.

WASHINGTON AREA COMMUNITY INVESTMENT FUND, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2005 and 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,934)	\$ 25,502
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	8,150	12,514
Non-cash contribution	(84,000)	
(Increase) decrease in assets:		
Restricted cash	19,836	
Pledges, grants and other receivables	(25,418)	93,867
Accrued interest receivable	(17,990)	(48,563)
Prepaid expenses and other assets	(2,704)	(1,880)
Increase (decrease) in liabilities:		
Accounts payable and accrued interest	6,088	(10,110)
Net cash provided by (used in) operating activities	(97,972)	71,330
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(17,777)	
Purchases of certificates of deposit	(7,282)	(3,695)
Issuance of notes receivable	(1,728,626)	(1,706,288)
Collections on notes receivable	1,375,514	782,969
Net cash used in investing activities	(378,171)	(927,014)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment on borrowers escrow	(19,836)	
Proceeds from interest in participation loan		97,185
Repayment of participation loan	(143,668)	
Repayment of recoverable grant		(50,000)
Repayment of notes payable and lines-of-credit	(312,236)	(429,434)
Proceeds from notes payable and lines-of-credit	711,692	761,123
Net cash provided by financing activities	235,952	378,874
NET DECREASE IN CASH AND CASH EQUIVALENTS	(240,191)	(476,810)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,408,618	1,885,428
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,168,427	\$ 1,408,618
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	\$ 105,223	\$ 101,247
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Repayment of long-term liability through contribution	\$ 84,000	\$ -

See notes to financial statements and independent auditor's report.

WASHINGTON AREA COMMUNITY INVESTMENT FUND, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2005 and 2004

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Washington Area Community Investment Fund, Inc. (WACIF) is a non-stock, not-for-profit corporation organized under the laws of the Commonwealth of Virginia. Its primary purpose is to promote community economic development and provide access to affordable housing for low-income and disadvantaged households in the Washington metropolitan area. WACIF provides low-interest loans and affordable financing to community-based development groups involved in the preservation, construction and rehabilitation of affordable housing, and provides technical assistance and access to capital under its Business Community Empowerment Opportunity program (B-CEO) to small businesses in its target market.

WACIF's activities are primarily funded by securing social investment and permanent capital from individuals, corporations, financial institutions, and not-for-profit organizations.

A summary of significant accounting policies utilized in the preparation of the financial statements is as follows:

Basis of Accounting

WACIF prepares its financial statements on the accrual basis of accounting. Therefore, support and revenue are recognized when committed or earned and expenses are recorded when the related obligations are incurred.

Basis of Presentation

The financial statement presentation of WACIF follows the recommendation of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, WACIF reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted, based upon the existence or absence of donor-imposed restrictions.

WACIF does not have permanently restricted net assets.

Cash Equivalents

WACIF considers all certificates of deposit with an initial maturity of three months or less and money market funds to be cash equivalents.

WASHINGTON AREA COMMUNITY INVESTMENT FUND, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2005 and 2004

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are recorded at cost. Depreciation is computed utilizing the straight-line method over estimated useful lives of 3 to 7 years, and totaled \$8,150 and \$12,514 for the years ended December 31, 2005 and 2004, respectively.

Contributions and Grants

Contributions and grants are recorded when pledged or awarded and are classified as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Temporarily restricted contributions and grants whose restrictions are fulfilled in the same period received are recorded as unrestricted support in the Statements of Activities. When a donor or grantor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

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

Reclassification

Certain amounts in 2004 have been reclassified to conform to the 2005 presentation.

NOTE 2. INCOME TAXES

Washington Area Community Investment Fund, Inc. received a determination letter from the Internal Revenue Service which states that it is a tax-exempt organization. Consequently, WACIF is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and applicable income tax regulations of the District of Columbia and is classified as other than a private foundation within the meaning of Section 509(a) of the IRC. No provision for income taxes has been made in the accompanying financial statements.

WASHINGTON AREA COMMUNITY INVESTMENT FUND, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2005 and 2004

NOTE 3. NOTES RECEIVABLE

Notes receivable represent various loans made to community-based development groups and other organizations at interest rates ranging from 5% to 10%. The loans are collateralized by deeds of trust on the respective properties financed by WACIF. The notes mature on various dates through 2010. The fair value of noncurrent receivables is based on anticipated cash flows and approximates carrying value.

As of December 31, 2005 and 2004, WACIF's commitments to note holders amounted to \$1,734,100 and \$869,271, respectively.

NOTE 4. PARTICIPATION LOAN

On June 17, 2003, Unitarian Universalist Affordable Housing Corporation (UUAHC) entered into a participation agreement with WACIF to purchase a participation interest in a loan issued by WACIF to a note holder. UUAHC's interest in the loan is 54.857%; however, UUAHC funded both its and WACIF's interest in the loan. As of December 31, 2004 amounts due to UUAHC totaled \$143,668. The total amount was repaid in 2005.

NOTE 5. LINES-OF-CREDIT

WACIF holds a \$100,000 revolving line-of-credit from City First Bank with an interest rate of 3.48% at December 31, 2004, collateralized by a certificate of deposit. The outstanding balances on this line at December 31, 2005 and 2004 were \$94,761 and \$93,765, respectively.

In July 2004, WACIF obtained a \$100,000 revolving line-of-credit from the National Capital Bank which matured in July 2005 with the option to renew annually. This loan requires interest to be paid quarterly at a rate of 2%. As of December 31, 2005 the balance on this line was \$100,000. There were no draws against this line at December 31, 2004.

In December 2004, WACIF obtained a \$1,000,000 revolving line-of-credit from City First Bank. This line-of-credit matured in December 2005 but was extended for another year through December 2006. Draws from this line are to be used to provide short-term working capital to eligible borrowers. An interest rate of 2% per annum, through July 30, 2005, was applied on the first \$750,000 advanced, after which, interest on the balance of the first \$750,000 advanced was fixed at the then current federal funds rate, as published in the Wall Street Journal. The interest on the remaining \$250,000 is 4%. As of December 31, 2005 and 2004, the amount drawn against this line was \$1,000,000 and \$500,000, respectively.