

**INTERSECT FUND CORPORATION**

FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION

JULY 31, 2012 AND 2011

# **INTERSECT FUND CORPORATION**

**JULY 31, 2012 AND 2011**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Intersect Fund Corporation  
New Brunswick, New Jersey

We have audited the accompanying statements of financial position of Intersect Fund Corporation (the "Organization") as of July 31, 2012 and 2011, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Intersect Fund Corporation as of July 31, 2012 and 2011, 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.

Member of



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In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2013 on our consideration of Intersect Fund Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Intersect Fund Corporation taken as a whole. The accompanying schedule of expenditures of federal and state 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 Government, and Non-Profit Organizations and *New Jersey Office of Management and Budget Circular Letter 04-04*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Sobel & Co, LLC". The signature is written in a cursive, flowing style.

Certified Public Accountants

Livingston, New Jersey  
February 21, 2013

**INTERSECT FUND CORPORATION**  
**STATEMENTS OF FINANCIAL POSITION**

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<b>ASSETS</b>	<b>July 31,</b>	
	<b>2012</b>	<b>2011</b>
<b>CURRENT ASSETS:</b>		
Cash	\$ 334,672	\$ 163,343
Grants and contributions receivable	78,223	24,851
Loans receivable, net	152,123	49,062
Prepaid expenses	-	2,136
Total Current Assets	565,018	239,392
Property and Equipment, Net	35,370	29,399
Security Deposits	1,328	1,328
	\$ 601,716	\$ 270,119
 <b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 8,966	\$ 2,503
Accrued payroll and taxes payables	5,187	9,875
Deferred revenue	25,780	-
Escrow deposits	49,400	18,451
Total Current Liabilities	89,333	30,829
Notes Payable	142,000	42,000
Total Liabilities	231,333	72,829
<b>NET ASSETS:</b>		
Unrestricted	295,443	132,290
Temporarily restricted	74,940	65,000
Total Net Assets	370,383	197,290
	\$ 601,716	\$ 270,119

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

**INTERSECT FUND CORPORATION**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**

	Year Ended July 31, 2012			Year Ended July 31, 2011		
	Temporarily		Total	Temporarily		Total
	Unrestricted	Restricted		Unrestricted	Restricted	
<b>PUBLIC SUPPORT, REVENUE AND OTHER:</b>						
Client fees	\$ 32,232	\$ -	\$ 32,232	\$ 17,788	\$ -	\$ 17,788
Grants and fees from governmental agencies	187,320	-	187,320	42,442	-	42,442
Contributions and grants	329,843	20,000	349,843	188,506	40,000	228,506
Donated goods and services	19,340	-	19,340	11,540	-	11,540
Interest income	19,245	-	19,245	6,380	-	6,380
Expense restrictions	10,060	(10,060)	-	-	-	-
Total Public Support, Revenue and Other	598,040	9,940	607,980	266,656	40,000	306,656
<b>EXPENSES:</b>						
Program services	341,047	-	341,047	172,267	-	172,267
Fundraising	42,947	-	42,947	33,596	-	33,596
Management and general	50,893	-	50,893	30,630	-	30,630
Total Expenses	434,887	-	434,887	236,493	-	236,493
<b>CHANGES IN NET ASSETS</b>						
Net Assets, Beginning of year	163,153	9,940	173,093	30,163	40,000	70,163
	132,290	65,000	197,290	102,127	25,000	127,127
Net Assets, End of year	\$ 295,443	\$ 74,940	\$ 370,383	\$ 132,290	\$ 65,000	\$ 197,290

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

**INTERSECT FUND CORPORATION**  
**STATEMENTS OF FUNCTIONAL EXPENSES**

	Year Ended July 31, 2012				Year Ended July 31, 2011			
	Program Services	Management and General	Fund-Raising	Total Expenses	Program Services	Management and General	Fund-Raising	Total Expenses
Salaries	\$ 157,377	\$ 17,523	\$ 20,925	\$ 195,825	\$ 78,313	\$ 14,339	\$ 17,648	\$ 110,300
Payroll taxes and fringe benefits	24,903	2,773	3,311	30,987	10,372	1,900	2,337	14,609
Design services expense	87	324	-	411	701	1,857	-	2,558
Rent	18,523	2,062	2,463	23,048	10,454	1,914	2,356	14,724
Telephone and internet	4,364	486	580	5,430	2,443	447	551	3,441
Professional fees	28,611	13,750	2,525	44,886	3,490	1,000	3,278	7,768
Special events	16,195	-	-	16,195	11,904	-	-	11,904
Printing and postage	117	1,399	-	1,516	4,010	1,313	1,590	6,913
Marketing	30,853	1,304	-	32,157	5,696	1,067	24	6,787
Insurance	4,573	509	608	5,690	2,315	424	522	3,261
Travel and transportations	11,517	4,527	6,612	22,656	2,428	685	1,882	4,995
Grants paid	-	-	-	-	12,700	-	-	12,700
Office expenses	7,975	888	1,060	9,923	8,830	1,525	1,876	12,231
Credit reporting	6,805	-	-	6,805	3,092	-	-	3,092
Bank charges	1,909	776	-	2,685	-	668	-	668
Conferences and membership	5,256	1,047	3,270	9,573	1,653	247	-	1,900
Interest expense	550	-	-	550	66	-	-	66
Provisions for loan loss reserves	4,609	-	-	4,609	4,642	-	-	4,642
Depreciation	11,981	1,334	1,593	14,908	6,797	1,244	1,532	9,573
Hosted services	4,842	2,191	-	7,033	2,361	2,000	-	4,361
	<u>\$ 341,047</u>	<u>\$ 50,893</u>	<u>\$ 42,947</u>	<u>\$ 434,887</u>	<u>\$ 172,267</u>	<u>\$ 30,630</u>	<u>\$ 33,596</u>	<u>\$ 236,493</u>

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

**INTERSECT FUND CORPORATION**  
**STATEMENTS OF CASH FLOWS**

	<b>Year Ended July 31,</b>	
	<b>2012</b>	<b>2011</b>
<b>CASH FLOWS PROVIDED BY (USED FOR) :</b>		
<u>OPERATING ACTIVITIES:</u>		
Changes in net assets	\$ 173,093	\$ 70,163
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	14,908	9,573
Provisions for loss reserves	4,609	4,642
Changes in certain assets and liabilities:		
Grants and contributions receivable	(53,372)	25,649
Loans receivable	(107,670)	(46,419)
Prepaid expenses	2,136	(2,136)
Security deposits	-	(574)
Accounts payable and accrued expenses	6,463	(8,599)
Accrued payroll and taxes payables	(4,688)	6,397
Deferred revenue	25,780	-
Escrow deposits	30,949	17,251
Net Cash Provided by Operating Activities	<u>92,208</u>	<u>75,947</u>
<u>INVESTING ACTIVITIES:</u>		
Purchases of property and equipment	(20,879)	(23,798)
<u>FINANCING ACTIVITIES:</u>		
Proceeds from notes payable	100,000	42,000
<b>NET INCREASE IN CASH</b>	<b>171,329</b>	<b>94,149</b>
<b>CASH</b>		
Beginning of year	<u>163,343</u>	<u>69,194</u>
End of year	<u>\$ 334,672</u>	<u>\$ 163,343</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:</b>		
Cash paid during the year for interest	<u>\$ 550</u>	<u>\$ 66</u>

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



**INTERSECT FUND CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JULY 31, 2012 AND 2011**

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**NOTE 1 - NATURE OF ORGANIZATION:**

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Intersect Fund Corporation (the “Organization”) is a New Jersey not-for-profit corporation, which was incorporated in 2008. The Organization’s mission is to empower entrepreneurs to build strong businesses so they can generate income, build assets, and spark dramatic social change in their communities. The activities of the Organization include providing small loans to entrepreneurs starting a new business or expanding an existing business, as well as providing training and coaching to loan recipients and loan candidates.

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

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***Basis of Accounting:***

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America under the *FASB Accounting Standards Codification*.

***Financial Statement Presentation:***

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets

Unrestricted net assets are net assets that are not subject to donor-imposed stipulations. Unrestricted net assets are those currently available for use by the Organization.

Temporarily Restricted Net Assets

Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets

Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

The Organization does not currently have any permanently restricted net assets.

**INTERSECT FUND CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JULY 31, 2012 AND 2011**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

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***Fair Value:***

Fair value measurements are defined as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. There are three defined hierarchical levels based on the quality of inputs used that directly relate to the amount of subjectivity associated with the determination of fair value.

The fair value hierarchy defines the three levels as follows:

- Level 1:** Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2:** Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.
- Level 3:** Valuations based on unobservable inputs are used when little or no market is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

In determining fair value, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value. The fair value of the Organization's assets and liabilities as of and for the year ended July 31, 2012 were measured using Level 1 inputs.

***Revenue Recognition:***

Contributions and Grants

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions. Contributions with restrictions that are met in the same reporting period as they are received are reported as unrestricted support.

Grants and Fees from Governmental Agencies

Funds received from various federal and state agencies represent grants awarded to the Organization to provide program services. Revenue with respect to these awards is recognized to the extent of expenses incurred under the award terms. Upon completion or expiration of a grant, unexpended funds are not available to the Organization and must be returned to the awarding agency.

**INTERSECT FUND CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JULY 31, 2012 AND 2011**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

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***Revenue Recognition: (Continued)***

Client Fees

Funds received from clients for participation in vending events and educational courses run by the Organization are recognized upon delivery of the service. Also included are interest and fees related to loans receivable made to clients of the Organization, which are recognized upon loan origination and monthly servicing.

Donated Goods and Services

Amounts are reported in the financial statements for voluntary donations of services when those services create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills and which would be typically purchased if not provided by donation. Donated goods and services are recorded as contributions at their estimated fair value at the date of donation. The Organization used the market value of similar goods and services to estimate the fair value of the donated goods and services.

***Grants and Contributions Receivable:***

Grants and contributions receivable are stated at the amount management expects to collect from outstanding balances. The Organization charges uncollectible accounts receivable to operations when determined to be uncollectible. At July 31, 2012 and 2011, an allowance was not deemed necessary based on management's evaluation and review of historical write offs.

***Loans Receivable:***

Loans are stated at unpaid principal balances, less an allowance for loan losses and net deferred loan fees. The allowance for loan losses is maintained at a level that, in management's judgment, is adequate to absorb credit losses inherent in the loan portfolio. The amount of the allowance is based on management's evaluation of the collectability of the loan portfolio, including the nature of the portfolio, credit concentrations, trends in historical loss experience, specific impaired loans, economic conditions and other risks inherent in the portfolio. Allowances for impaired loans are generally determined based on collateral values or the present value of estimated cash flows. The allowance is increased by a provision for loan losses, which is charged to expense, and reduced by charge-offs, net of recoveries.

***Property and Equipment:***

Fixed assets are recorded at cost on the date of acquisition, or at the fair value of the asset based on values of comparable assets, at the date of gift, for donated assets. Property and equipment are depreciated using the straight-line method over their estimated useful lives of 3 years. In the absence of donor-imposed restrictions on the use of the asset, gifts of long-lived assets are reported as unrestricted support. Maintenance, repairs and minor renewals are charged to operations as incurred; significant renewals or maintenance and repairs that are greater than \$1,000 are capitalized if they increase the useful life of the asset.

**INTERSECT FUND CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JULY 31, 2012 AND 2011**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

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***Functional Allocation of Expenses:***

Program services, management and general and fundraising expenses have been recorded in the statements of activities and change in net assets and on the statements of functional expenses based on both a direct costing method for those expenses directly attributable to a particular program or on an allocation basis based on the salary percentage of each program to total salaries for joint costs attributable to all functions. The Organization's management allocated general and administrative expenses based upon management's best estimates.

***Income Taxes:***

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Organization follows accounting standards that provide clarification on accounting for uncertainty in income taxes recognized in the Organization's financial statements. The guidance prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and also provides guidance on de-recognition, classification, interest and penalties, and disclosure. No interest and penalties were recorded during the fiscal years ended July 31, 2012 and 2011. The tax years subject to audit by federal and state jurisdictions are the years ended July 31, 2009 and forward. At July 31, 2012 and 2011, there are no significant income tax uncertainties that are expected to have a material impact on the Organization's financial statements.

***Use of Estimates:***

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Subsequent Events:***

The Organization has evaluated events subsequent to the statement of financial position date as of July 31, 2012 through February 21, 2013, the date that the financial statements were available to be issued. The Organization is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

**INTERSECT FUND CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JULY 31, 2012 AND 2011**

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**NOTE 3 - PROPERTY AND EQUIPMENT:**

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Property and equipment are as follows:

	<b>July 31,</b>	
	<b>2012</b>	<b>2011</b>
Furniture and fixtures	\$ 3,397	\$ 3,397
Equipment	5,922	5,922
Computer software and hardware	59,716	38,837
	<u>69,035</u>	<u>48,156</u>
Less: Accumulated depreciation	33,665	18,757
Property and Equipment, Net	<u>\$35,370</u>	<u>\$ 29,399</u>

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**NOTE 4 - LOANS RECEIVABLE:**

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The Organization has disbursed loans to entrepreneurs ranging from \$200 to \$15,000. The loans are for a term of thirty six months or less and bear interest ranging from approximately 8% to 15% per annum. The carrying amount of loans receivable is reduced by an allowance for credit losses that reflects management's best estimate of the amounts that will not be collected.

	<b>July 31,</b>	
	<b>2012</b>	<b>2011</b>
Loans receivable	\$ 162,183	\$ 54,513
Less: Allowance for loan losses	10,060	5,451
Loans Receivable, Net	<u>\$ 152,123</u>	<u>\$ 49,062</u>

**INTERSECT FUND CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JULY 31, 2012 AND 2011**

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**NOTE 5 - NON-CASH DONATIONS:**

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During the years ended July 31, 2012 and 2011, the Organization received non-cash donations of goods and services that have been reflected in the accompanying financial statements.

The amount of non-cash donations of goods and services for the years ended July 2012 and 2011 was \$19,340 and \$11,540, respectively. The amount for the year ended July 31, 2012 and 2011 represents in-kind contributions of fixed assets.

The Organization also regularly receives services from volunteers who are not acting in a professional capacity; such volunteer services do not meet the criteria for financial statement recognition and are not included in the financial statements.

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**NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS:**

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Temporarily restricted net assets are available for the following purposes:

	<b>July 31,</b>	
	<b>2012</b>	<b>2011</b>
Loan Pool	\$ 39,940	\$ 30,000
Technology and Software development	35,000	35,000
	<u>\$ 74,940</u>	<u>\$ 65,000</u>

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**NOTE 7 - NOTES PAYABLE:**

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At July 31, 2011, the Organization has unsecured interest bearing notes payable due to three individuals (one was a board member, one related to the Executive Director, and the other not related to the Organization) in the original amount of \$42,000, due at various dates within fiscal year 2013 provided that the Organization has sufficient cash flows. The notes bear various interest rates ranging from -0% to 1.5% payable quarterly until their respective maturity dates. Imputed interest has not been calculated since, in the opinion of the Organization's management, it is not material to these financial statements.

On March 30, 2012, the Organization entered into a \$100,000 note payable with a banking institution. The note bears an interest rate of 3% and has a maturity date of March 30, 2014. As of July 31, 2012, the Organization has expensed \$1,000 of interest on the note.

**INTERSECT FUND CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JULY 31, 2012 AND 2011**

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**NOTE 8 - COMMITMENTS AND CONTINGENCIES:**

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The Organization entered into a lease for rental office space through March 31, 2012, with a minimum rent of \$829 per month. On March 31, 2011, the lease was extended through February 28, 2014 and additional space was added due to organizational growth. The extension calls for an increase in base rent to \$1,328 starting April 1, 2011.

Also, the Organization leased additional space from an unrelated party under an operating month-to-month lease. The Organization is charged a base rent of \$500 a month for this space.

At July 31, 2012, future minimum payments on these leases are as follows:

<b><u>Year Ending July 31,</u></b>	
2013	\$ 15,930
2014	9,293
Total	<u>\$ 25,223</u>

Rent expense amounted to \$23,048 and \$14,724 for years ended July 31, 2012 and 2011, respectively.

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**NOTE 9 - CONCENTRATIONS OF RISK:**

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The Organization maintains cash balances at various financial institutions which, at times, may be in excess of federally insured limits.

INTERSECT FUND CORPORATION  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
 YEAR ENDED JULY 31, 2012

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Grant Period	Grant ID Number	Program Award Amount	Current Year Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
Passed through Community Development Agencies:					
Block Grants:					
New Brunswick	14.218	5/1/11 - 4/30/12	52-200-56-851-631	\$ 60,000	\$ 45,000
U.S. TREASURY DEPARTMENT					
Community Development Financial Institutions Fund					
Technical Assistance Award	21.020	9/30/09 - 9/29/12	111TA010261	99,840	74,060
Total Federal Awards				159,840	119,060
NEW JERSEY DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT					
Passed through Rutgers University:					
Entrepreneurial Training for the Unemployed program	N/A	5/1/11 - 6/30/12	ETPU-FY11002	248,437	68,260
Total Federal and State Awards				\$ 408,277	\$ 187,320

See independent auditors' report.



**INTERSECT FUND CORPORATION**  
NOTE TO THE SCHEDULE OF  
EXPENDITURES OF FEDERAL AND STATE AWARDS  
JULY 31, 2012 AND 2011

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**NOTE 1 - BASIS OF PRESENTATION:**

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The accompanying schedule of state financial assistance includes the state grant activity of the Organization and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB Circular Letter 04-04. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

## INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors  
Intersect Fund Corporation  
New Brunswick, New Jersey

We have audited the financial statements of Intersect Fund Corporation (the "Organization") as of and for the year ended July 31, 2012, and have issued our report thereon dated February 21, 2013. 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

Management of the Organization is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Organization'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 Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Organization'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 and was not designed to identify all deficiencies in the 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 the Organization'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.

This report is intended solely for the information of the board of trustees, management and the relevant governmental agencies and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Sobel & Co, LLC". The signature is written in a cursive, flowing style.

Certified Public Accountants

Livingston, New Jersey  
February 21, 2013

