Lincoln Park Bancorp
Form 10QSB
May 12, 2005

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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FORM 10-QSB

(Mark One)

| X | QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 |
|---|---|

For the quarterly period ended March 31, 2005

OR

| | TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 |
|---|---|

For the transition period from ________________ to ________________

Commission File Number 000-51078

LINCOLN PARK BANCORP

(Exact name of registrant as specified in its charter)

| FEDERAL | 61-1479859 |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification Number) |

| 31 Boonton Turnpike, Lincoln Park, New Jersey | 07035 |
|---|---|
| (Address of principal executive offices) | (Zip Code) |

Registrant's telephone number, including area code (973) 694-0330

Indicate by check X whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes __X__ No _____

The number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date, May 12, 2005:

$.01 par value common stock - 1,851,500 shares outstanding

LINCOLN PARK BANCORP AND SUBSIDIARY

INDEX



LINCOLN PARK BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(Unaudited)

March 31, Dec

| ASSETS | 2005 | |
|---|---|---|
| Cash and amounts due from depository institutions | $ 1,198,204 | $ |
| Interest-bearing deposits in other banks | 1,223,005 | |
| Total cash and cash equivalents | 2,421,209 | |
| Term deposits | 576,948 | |
| Securities available for sale | 3,574,207 | |
| Securities held to maturity, estimated fair value of $18,920,000 and $16,887,000, respectively | 19,337,171 | 1 |
| Loans receivable, net of allowance for loan losses of $183,000 and $156,000, respectively | 58,580,763 | 5 |
| Premises and equipment | 921,019 | |
| Federal Home Loan Bank of New York stock, at cost | 839,900 | |
| Interest receivable | 470,529 | |
| Other assets | 71,747 | |
| Total assets | $ 86,793,493 | $ 8 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Liabilities: | | |
| Deposits | $ 56,440,816 | $ 5 |
| Advances from Federal Home Loan Bank of New York | 16,797,689 | 1 |
| Advance payments by borrowers for taxes and insurance | 371,086 | |
| Other liabilities | 257,427 | |
| Total liabilities | 73,867,018 | 7 |
| STOCKHOLDERS' EQUITY | | |
| Preferred stock; no par value; 1,000,000 shares authorized; none issued or outstanding | - | |
| Common stock; $.01 par value; 5,000,000 shares authorized; 1,851,500 issued and outstanding | 18,515 | |
| Additional paid in capital | 7,775,039 | |
| Retained earnings - substantially restricted | 5,529,283 | |
| Unearned ESOP shares | (380,740) | |
| Accumulated other comprehensive income - unrealized (loss) gain on securities available for sale | (15,622) | |
| Total Stockholders' equity | 12,926,475 | 1 |
| Total liabilities and stockholders' equity | $ 86,793,493 | $ 8 |

See notes to consolidated financial statements.

LINCOLN PARK BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

| | 200 |
|---|---|
| Interest income: | |
| Loans | $ 764 |
| Securities | 257 |
| Other interest-earning assets | 11 |
| Total interest income | 1,033 |
| Interest expense: | |
| Deposits | 232 |
| Advances and other borrowed money | 135 |
| Total interest expense | 368 |
| Net interest income | 665 |
| Provision for loan losses | 27 |
| Net interest income after provision for loan losses | 638 |
| Non-interest income: | |
| Fees and service charges | 14 |
| (Loss) gains on calls of securities held to maturity | (7 |
| Miscellaneous | 8 |
| Total non-interest income | 15 |
| Non-interest expenses: | |
| Salaries and employee benefits | 194 |
| Net occupancy expense of premises | 35 |
| Equipment | 51 |
| Advertising | 12 |
| Federal insurance premium | 2 |
| Miscellaneous | 162 |
| Total non-interest expenses | 458 |
| Income before income taxes | 195 |
| Income taxes | 76 |

| | |
|---|---|
| Net income | $ 119 |
| Net income per common share: | |
| Basic/diluted | $ |
| Weighted average number of common shares and common stock equivalents outstanding: | |
| Basic/diluted | 1,817 |

See notes to consolidated financial statements.



LINCOLN PARK BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

| | Three |
|---|---|
| | 2005 |
| Net income | $ 119,760 |
| Other comprehensive (loss) income, net of income taxes: | |
| Gross unrealized holding (loss) gain on securities available for sale | (28,274) |
| Deferred income taxes | 11,302 |
| Other comprehensive (loss) income | (16,972) |
| Comprehensive income | $ 102,788 |

See notes to consolidated financial statements.



LINCOLN PARK BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

| | Three |
|---|---|
| | 2005 |
| Cash flows from operating activities: | |
| Net income | $ 119,760 |
| Adjustments to reconcile net income to net cash provided by operating activities: | |
| Depreciation of premises and equipment | 16,034 |
| Amortization and accretion, net | 16,884 |
| Loss (gain) on calls of term deposits and securities held to maturity | 7,239 |
| (Recovery of) provision for loan losses | 27,000 |
| (Increase) in interest receivable | (73,496) |
| Decrease in other assets | 9,942 |
| Increase in accrued interest payable | 2,665 |
| Increase in other liabilities | 109,705 |
| ESOP shares committed to be released | 4,341 |
| Net cash provided by operating activities | 240,074 |
| Cash flows from investing activities: | |
| Purchases of term deposits | (495,000) |
| Proceeds from maturities and calls of term deposits | - |
| Proceeds from maturities and calls of securities available for sale | 700,000 |
| Principal repayments on securities available for sale | 11,335 |
| Purchases of securities held to maturity | (3,460,000) |
| Proceeds from maturities and calls of securities held to maturity | 1,085,000 |
| Principal repayments on securities held to maturity | 73,105 |
| Net change in loans receivable | (1,468,246) |
| Additions to premises and equipment | (17,122) |
| Purchase of Federal Home Loan Bank of New York stock | (87,700) |
| Redemption of Federal Home Loan Bank of New York stock | 55,000 |
| Net cash (used in) investing activities | (3,603,628) |
| Cash flows from financing activities: | |
| Net (decrease) in deposits | (775,316) |
| Proceeds from advances from Federal Home Loan Bank of New York | 1,900,000 |
| Repayments of advances from Federal Home Loan Bank of New York | (1,245,509) |
| Net increase in payments by borrowers for taxes and insurance | 15,325 |
| Net change in Paid in Capital | (8,025) |
| Net cash (used in) provided by financing activities | (113,525) |
| Net (decrease) increase in cash and cash equivalents | (3,477,079) |
| Cash and cash equivalents - beginning | 5,898,288 |
| Cash and cash equivalents - ending | $ 2,421,209 |
| Supplemental information: | |
| Cash paid during the period for: | |
| Interest on deposits and borrowings | $ 365,699 |
| Income taxes | $ 1,000 |

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See notes to consolidated financial statements.



LINCOLN PARK BANCORP AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Lincoln Park Bancorp (the "Company") and its wholly owned subsidiary, Lincoln Park Savings Bank (the "Bank"). The Company's business is conducted principally through the Bank. All significant intercompany accounts and transactions have been eliminated in consolidation.

2. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements were prepared in accordance with instructions for Form 10-QSB and regulation S-X and do not include information or footnotes necessary for a complete presentation of financial condition, results of operations, and cash flows in conformity with U.S. generally accepted accounting principles. However, in the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the consolidated financial statements have been included. The results of operations for the three months ended March 31, 2005, are not necessarily indicative of the results which may be expected for the entire fiscal year.

3. NET INCOME PER COMMON SHARE

Basic net income per common share is based on the weighted average number of common shares actually outstanding. Diluted net income per share is calculated by adjusting the weighted average number of shares of common stock outstanding to include the effect of contracts or securities exercisable or which could be converted into common stock, if dilutive, using the treasury stock method.

4. CRITICAL ACCOUNTING POLICIES

We consider accounting policies involving significant judgments and assumptions by management that have, or could have, a material impact on the carrying value of certain assets or on income to be critical accounting policies. Material estimates that are particularly susceptible to significant changes relate to the determination of the allowance for loan losses. Determining the amount of the allowance for loan losses necessarily involves a high degree of judgment. Management reviews the level of the allowance on a quarterly basis, at a minimum, and establishes the provision for loan losses based on the composition of the loan portfolio, delinquency levels, loss experience, economic conditions, and other factors related to the collectibility of the loan portfolio. Since there has been no material shift in loan portfolio, the level of the allowance for loan losses has changed primarily due to changes in the size of the loan portfolio and the level of nonperforming loans. We have allocated the allowance among categories of loan types as well as classification status at each period-end date. Assumptions and allocation percentages based on loan types and classification status have been consistently applied. Management regularly evaluates various risk factors related to the loan portfolio, such as type of loan, underlying collateral and payment status, and the corresponding allowance allocation percentages.

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LINCOLN PARK BANCORP AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. CRITICAL ACCOUNTING POLICIES (CONT'D)

Although we believe that we use the best information available to establish the allowance for loan losses, future additions to the allowance may be necessary based on estimates that are susceptible to change as a result of changes in economic conditions and other factors. In addition, the regulatory authorities, as an integral part of their examinations process, periodically reviews our allowance for loan losses. Such agencies may require us to recognize adjustments to the allowance based on its judgments about information available to it at the time of their examinations.

5. NEW ACCOUNTING PRONOUNCEMENTS

In December 2004, the Financial Accounting Standards Board (FASB) issued Statement No. 123(R), "Share-Based Payment." Statement No. 123(R) revised Statement No. 123, "Accounting for Stock-Based Compensation," and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees," and its related implementation guidance. Statement No. 123(R) will require compensation costs related to share-based payment transactions to be recognized in the financial statements (with limited exceptions). The amount of compensation cost will be measured based on the grant-date fair value of the equity or liability instruments issued. Compensation cost will be recognized over the period that an employee provides service in exchange for the award.

On April 14, 2005, the Securities and Exchange Commission ("SEC") adopted a new rule that amends the compliance dates for Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" ("SFAS No. 123R"). Under the new rule, the Company is required to adopt SFAS No. 123R in the first annual period beginning after (June 15, 2005 for non SB issuers, first annual period beginning after December 15, 2005 for SB issuers). The Company has not yet determined the method of adoption or the effect of adopting SFAS No. 123R, and it has not determined whether the adoption will result in amounts that would be similar to the current pro forma disclosures under SFAS No. 123.

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LINCOLN PARK BANCORP AND SUBSIDIARY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

ITEM 2.

FORWARD-LOOKING STATEMENT

This Form 10-QSB may include certain forward-looking statements based on current management expectations. The actual results of the Company could differ materially from those management expectations. Factors that could cause future results to vary from current management expectations include, but are not limited to, general economic conditions, legislative and regulatory changes, monetary and fiscal policies of the federal government, changes in tax policies, rates and regulations of federal, state and local tax authorities, changes in interest rates, deposit flows, the cost of funds, demand for loan products, demand for financial services, competition, changes in the quality or composition of loan and investment portfolios of the Bank, changes in accounting principles, policies or guidelines, and other economic, competitive, governmental and technological factors affecting the Company's operations, markets, products, services and prices.

COMPARISON OF FINANCIAL CONDITION AT MARCH 31, 2005 AND DECEMBER 31, 2004

Our total assets increased by $94,000, or 0.1%, to $86.8 million at March 31, 2005, from $86.7 million at December 31, 2004. During the three months ended March 31, 2005, the level of cash and cash equivalents decreased by $3.5 million, or 59.0%, to $2.4 million at March 31, 2005 from $5.9 million at December 31, 2004. Term deposits increased $496,000 or 612.3% to $577,000 at March 31, 2005 when compared with $81,000 at December 31, 2004. The decrease in cash and cash equivalents and the increase in term deposits during this three month period resulted from deployment of funds raised from the initial public stock offering that was completed on December 16, 2004.

Securities available for sale decreased $742,000 or 17.2% to $3.6 million at March 31, 2005 when compared with $4.3 million at December 31, 2004. The decrease in securities available for sale during the 2005 period resulted primarily from maturities of $700,000, unrealized loss of $16,000 and repayments of $11,000. Securities held to maturity increased $2.3 million or 13.5% to $19.3 million at March 31, 2005 when compared with $17.0 million at December 31, 2004. During the three months ended March 31, 2005, purchases of securities held to maturity amounted to $3.5 million which was sufficient to offset maturities and repayments of $1.1 million.

Loans receivable amounted to $58.6 million and $57.2 million at March 31, 2005 and December 31, 2004, respectively, representing an increase of $1.4 million or 2.5%. Our increase in loans resulted primarily from increased one-to four family mortgage loan originations as borrowers continued to take advantage of low market interest rates.

Total deposits decreased $775,000, or 1.4% to $56.4 million at March 31, 2005 from $57.2 million at December 31, 2004. Advances from Federal Home Loan Bank of New York ("FHLB") increased $655,000 or 4.1% to $16.8 million at March 31, 2005 when compared with $16.1 million at December 31, 2004. The proceeds from new advances were used to fund deposit outflow.

Stockholders' equity totaled $12.9 million and $12.8 million at March 31, 2005 and December 31, 2004, respectively, reflecting net income of $120,000 for the three months ended March 31, 2005 and offset by other comprehensive loss, net of income taxes, of $17,000.

LINCOLN PARK BANCORP AND SUBSIDIARY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

COMPARISON OF OPERATING RESULTS FOR THE THREE MONTHS ENDED MARCH 31, 2005 AND 2004

GENERAL. Net income decreased $21,000, or 14.9%, to $120,000 for the three months ended March 31, 2005, from $141,000 for the three months ended March 31, 2004. The decrease in net income reflects increases in provision for loan losses and non-interest expenses along with a decrease in non-interest income, sufficient to offset an increase in net interest income and a decrease in income taxes.

INTEREST INCOME. Interest income increased $142,000, or 15.9%, to $1.0 million for the three months ended March 31, 2005, from $892,000 for the three months ended March 31, 2004. The increase in interest income is due to increases of $101,000 in interest income from loans, $37,000 in interest on securities, and $3,000 in interest income from other interest earning assets.

Interest income from loans increased by $101,000, or 15.2%, to $765,000 for the three months ended March 31, 2005, from $664,000 for the three months ended March 31, 2004. The increase was due to a $9.1 million or 18.7% increase in the average balance of loans to $57.9 million during the quarter ended March 31, 2005 from $48.8 million during the same quarter in 2004, sufficient to offset a decrease in the average yield to 5.28% from 5.44%. Interest income from securities, including available for sale and held to maturity, increased by $37,000, or 16.8%, to $257,000 for the three months ended March 31, 2005, from $220,000 for the three months ended March 31, 2004. The increase in interest income from securities was due to an increase of $3.8 million or 19.2% in the average balance of securities to $23.6 million during the quarter ended March 31, 2005 from $19.8 million during the same quarter in 2004 and a decrease in the average yield to 4.36% in 2005 from 4.44% in 2004. Interest income from other interest-earning assets increased $3,000, or 37.5% to $11,000 for the three months ended March 31, 2005, from $8,000 for the three months ended March 31, 2004. The increase in interest income from other interest-earning assets was due to an increase in the average yield to 1.74% in 2005 from 1.30% in 2004, and an increase in the average balance to $2.8 million in 2005 from $2.5 million in 2004.

INTEREST EXPENSE. Total interest expense increased $58,000, or 18.7%, to $368,000 for the three months ended March 31, 2005, from $310,000 for the three months ended March 31, 2004. The interest expense on interest-bearing deposits increased by $9,000 or 4.0% to $233,000 in 2005 when compared with $224,000 in the comparable 2004 period. The increase in interest expense on deposits resulted from an increase in the average cost of interest-bearing deposits to 1.67% from 1.62%, reflecting the increasing market interest rates during the period between the comparable quarters and an increase in the average balance of interest-bearing deposits to $55.6 million in 2005 from $55.4 million in 2004. The interest expense on borrowed money increased $49,000 or 57.0% to $135,000 in 2005 from $86,000 in comparable 2004 period. The increase resulted from an increase of $5.0 million in the average balance of borrowed money to $16.8 million in 2005 from $11.8 million in 2004 and an increase of 30 basis points in the cost of borrowed money to 3.21% in 2005 from 2.91% in 2004.

NET INTEREST INCOME. Net interest income increased $84,000, or 14.4%, to $666,000 for the three months ended March 31, 2005 from $582,000 for the three months ended March 31, 2004. Our interest rate spread decreased to 2.88% for the quarter ended March 31, 2005 from 3.17% for the quarter ended March 31, 2004, reflecting an increase of eighteen basis points in the cost of our interest bearing liabilities. Despite the decline in net interest spread, net interest income increased due to increases in both total and net interest-earning assets. Our net interest margin decreased to 3.16% in 2005 from 3.27% in 2004.



LINCOLN PARK BANCORP AND SUBSIDIARY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

COMPARISON OF OPERATING RESULTS FOR THE THREE MONTHS ENDED MARCH 31, 2005 AND 2004 (CONT'D.)

PROVISION FOR LOAN LOSSES. We establish provisions for loan losses, which are charged to operations, at a level necessary to absorb known and inherent losses that are both probable and reasonably estimable at the date of the financial statements. In evaluating the level of the allowance for loan losses, management considers historical loss experience, the types of loans and the amount of loans in the loan portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available or as future events change. Based on our evaluation of these factors, management recorded a provision for loan losses of $27,000 for the three months ended March 31, 2005 and a recovery of $16,000 for the three months ended March 31, 2004.

The allowance for loan losses was $183,000, or 0.31% of gross loans outstanding at March 31, 2005, as compared with $110,000, or 0.22% of gross loans outstanding at March 31, 2004. The level of the allowance is based on estimates, and the ultimate losses may vary from the estimates.

NON-INTEREST INCOME. Non-interest income decreased $13,000, or 44.8%, to $16,000 for the three months ended March 31, 2005, as compared to $29,000 for the three months ended March 31, 2004. The primary reason for the decrease in non-interest income was a loss of $7,000 during the March 31, 2005 quarter on the call of an investment security that was purchased at a premium, compared to a gain of $2,000 during the March 31, 2004 quarter on the call of an investment security that was purchased at a discount.

NON-INTEREST EXPENSES. Non-interest expenses were $459,000 and $392,000 for the three months ended March 31, 2005 and 2004, respectively, representing an increase of $67,000 or 17.1%. The increase in non-interest expenses is primarily due to increases in other expenses of $58,000 primarily due to additional legal, accounting, printing and other expenses associated with being a public company.

INCOME TAX EXPENSE. The provision for income taxes decreased to $76,000 for the three months ended March 31, 2005 from $94,000 for the three months ended March 31, 2004. The decrease in the provision for income taxes is primarily due to a decrease in income before income taxes of $39,000 to $196,000 for the three months ended March 31, 2005, as compared to $235,000 for the three months ended March 31, 2004.

MANAGEMENT OF MARKET RISK

GENERAL. The majority of our assets and liabilities are monetary in nature. Consequently, our most significant form of market risk is interest rate risk. Our assets, consisting primarily of mortgage loans, have longer maturities than our liabilities, consisting primarily of deposits. As a result, a principal part of our business strategy is to manage interest rate risk and reduce the exposure of our net interest income to changes in market interest rates. Our full board of directors is responsible for evaluating the interest rate risk inherent in our assets and liabilities, for determining the level of risk that is appropriate, given our business strategy, operating environment, capital, liquidity and performance objectives, and for managing this risk consistent with the guidelines approved by the board of directors. Senior management monitors the level of interest rate risk and reports to the board of directors on a regular basis with respect to our asset/liability policies and interest rate risk position.





MANAGEMENT OF MARKET RISK (CONT'D.)

We have emphasized the origination of fixed-rate mortgage loans for retention in our portfolio in order to maximize our net interest income. We accept increased exposure to interest rate fluctuations as a result of our investment in such loans. In a period of rising interest rates, our net interest rate spread and net interest income may be negatively affected. However, this negative impact is expected to be mitigated somewhat by the net proceeds from the stock offering completed in December 2004 which will support the future growth of our interest-earning assets. In addition, we have sought to manage and mitigate our exposure to interest rate risks in the following ways:

- We maintain moderate levels of short-term liquid assets. At March 31, 2005, our short-term liquid assets totaled $3.3 million;

- We originate for portfolio adjustable-rate mortgage loans and adjustable home equity lines of credit. At March 31, 2005, our adjustable-rate mortgage loans totaled $9.7 million and our adjustable home equity lines of credit totaled $6.2 million;

- We attempt to increase the maturity of our liabilities as market conditions allow. In particular, in 2004, we have emphasized intermediate- to long-term FHLB advances as a source of funds. At March 31, 2005, we had $13.1 million of FHLB advances with terms to maturity of between three and ten years; and

- We invest in securities with step-up rate features providing for increased interest rates prior to maturity according to a pre-determined schedule and formula. However, these step-up rates may not keep pace with rising interest rates in the event of a rapidly rising rate environment. In addition, these investments may be called at the option of the issuer.

NET PORTFOLIO VALUE. The Company utilizes an outside vendor to prepare the computation of accounts by which the net present value of the Company's cash flow from assets, liabilities and off balance sheet items (the company's net portfolio value or "NPV") would change in the event of a range of assumed changes in market interest rates. The vendor provides the Company with an interest rate sensitivity report of net portfolio value by utilizing a simulation model that uses a discounted cash flow analysis and an option-based pricing approach to measuring the interest rate sensitivity of net portfolio value. The model estimates the economic value of each type of assets, liability and off-balance sheet contract under the assumption that the yield curve increases or decreases instantaneously by 200 basis points. A basis point equals one-hundredth of one percent, and 100 basis points equals one percent. An increase in interest rates from 3% to 5% would mean, for example, a 200 basis point increase in the change of interest rates.

The most recent NPV analysis prepared for the Company was as of December 31, 2004. That analysis was included in the Company's 2004 Annual Report to stockholders.





MANAGEMENT OF MARKET RISK (CONT'D.)

Certain shortcomings are inherent in the methodology used in the vendor's interest rate risk measurement. Modeling changes in net portfolio value require making certain assumptions that may or may not reflect the manner in which actual yields and costs respond to changes in market interest rates. In this regards, the net portfolio value estimate assumes that the composition of our interest-sensitive assets and liabilities existing at the beginning of a period remains constant over the period being measured and assumes that a particular change in interest rates is reflected uniformly across the yield curve regardless of the duration or re-pricing of specific assets and liabilities. Accordingly, although the net portfolio value estimate provides an indication of our interest rate risk exposure at a particular point in time, such measurements are not intended to and do not provide a precise forecast of the effect of changes in market interest rates on its net interest income and will differ from actual results.

LIQUIDITY AND CAPITAL RESOURCES

The Bank is required to maintain levels of liquid assets sufficient to ensure the Bank's safe and sound operation. Liquidity is the ability to meet current and future financial obligations of a short-term nature. The Bank adjusts its liquidity levels in order to meet funding needs for deposit outflows, payment of real estate taxes from escrow accounts on mortgage loans, repayment of borrowings, when applicable, and loan funding commitments. The Bank also adjusts its liquidity level as appropriate to meet its asset/liability objectives.

The Bank's primary sources of funds are deposits, amortization and prepayments of loans and mortgage-backed securities principal, FHLB advances, maturities of investment securities and funds provided from operations. While scheduled loan and mortgage-backed securities amortization and maturing investment securities are a relatively predictable source of funds, deposit flow and loan and mortgage-backed securities prepayments are greatly influenced by market interest rates, economic conditions and competition.

The Bank's liquidity, represented by cash and cash equivalents, is a product of its operating, investing and financing activities.

The primary sources of investing activity are lending and the purchase of Agency and mortgage-backed securities. Net loans amounted to $58.6 million and $57.2 million at March 31, 2005 and December 31, 2004, respectively. Securities available for sale totaled $3.6 million and $4.3 million at March 31, 2005 and December 31, 2004, respectively. Securities held to maturity totaled $19.3 million and $17.0 million at March 31, 2005 and December 31, 2004, respectively. In addition to funding new loan production and securities purchases through operating and financing activities, such activities were funded by principal repayments on existing loans and mortgage-backed securities.

Liquidity management is both a daily and long-term function of business management. Excess liquidity is generally invested in short-term investments, such as federal funds and interest-bearing deposits. If the Bank requires funds beyond its ability to generate them internally, borrowing agreements exist with the FHLB which provide an additional source of funds. At March 31, 2005, advances from the FHLB amounted to $16.8 million.

The Bank anticipates that it will have sufficient funds available to meet its current loan commitments. At March 31, 2005, the Bank has outstanding commitments to originate loans of $1.9 million. Certificates of deposit scheduled to mature in one year or less at March 31, 2005, totaled $16.5 million. Management believes that, based upon its experience and the Bank's deposit flow history, a significant portion of such deposits will remain with the Bank.



LINCOLN PARK BANCORP AND SUBSIDIARY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

LIQUIDITY AND CAPITAL RESOURCES (CONT'D.)

The following table sets forth the Bank's capital position at March 31, 2005, as compared to the minimum regulatory capital requirements:

| | Actual | | Minimum Capital Requirements | |
|---|---|---|---|---|
| | Amount | Ratio | Amount | Ratio |
| Total Capital (to risk-weighted assets) | $ 9,260 | 20.41% | $ 3,630 | 8.00% |
| Tier 1 Capital (to risk-weighted assets) | 9,077 | 20.01% | 1,815 | 4.00% |
| Core (Tier 1) Capital | | | | |

| | | | | |
|---|---|---|---|---|
| (to average total assets) | 9,077 | 10.70% | 3,392 | 4.00% |
| Tangible Capital<br>(to adjusted average assets) | 9,077 | 10.70% | 1,272 | 1.50% |



LINCOLN PARK BANCORP AND SUBSIDIARY
CONTROLS AND PROCEDURES

ITEM 3.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer has concluded that, as of the end of the period covered by this report, our disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934, is recorded, processed, summarized and reported within the applicable time periods specified by the SEC's rules and forms. There has been no change in the Bank's internal control over financial reporting during the Bank's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Bank's internal control over financial reporting.



LINCOLN PARK BANCORP

PART II

ITEM 1. LEGAL PROCEEDINGS

Neither the Company nor the Bank is involved in any pending legal proceedings other than routine legal proceedings occurring in the ordinary course of business, which involve amounts in the aggregate believed by management to be immaterial to the financial condition of the Company and the Bank.

ITEM 2. CHANGES IN SECURITIES

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The annual meeting of stockholders of the registrant was held on April 21, 2005. At the meeting the stockholders elected Stanford Stoller to a three-year term as a director of the Company. Also at the meeting, Beard Miller Company LLP, as successor to Radics & Co., LLC, was ratified as the Company's independent auditors. The results of the voting for each matter considered was as follows:

a) The election as director to serve for a term of three years until a successor has been elected and qualified.

| | For | Withheld |
|---|---|---|
| Stanford Stoller | 1,714,542 | 13,800 |

b) The appointment of Beard Miller Company LLP, as successor to Radics & Co., LLC, as auditors of the Company for the fiscal year ending December 31, 2005.

| For | Withheld | Abstain |
|---|---|---|
| 1,709,342 | 18,500 | 500 |

In addition, the following directors, in addition to those elected, continue to serve as directors after the annual meeting of stockholders:

William H. Weisbrod
David G. Baker
John F. Feeney
Edith M. Perrotti

ITEM 5. OTHER INFORMATION

None



LINCOLN PARK BANCORP

PART II

ITEM 6. EXHIBITS

The following Exhibits are filed as part of this report.

- 11.0 Computation of earnings per share.
- 31.1 Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LINCOLN PARK BANCORP

Date: May 12, 2005

By /s/ Donald S. Hom

Donald S. Hom
President and Chief Executive Officer
(Principal Executive and Financial Officer)

Date: May 12, 2005

By: /s/ Nandini Mallya

Nandini Mallya
Vice President and Treasurer
(Principal Accounting Officer)