Lincoln Park Bancorp
Form 10QSB
November 13, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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 September 30, 2006

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 [_]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [_] No [X]

The number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 1,851,500 shares of common stock, par value $.01 per share as of November 9, 2006.

Transitional Small Business Disclosure Format. Yes [_] No [X]

LINCOLN PARK BANCORP AND SUBSIDIARY

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ITEM 1. FINANCIAL INFORMATION

LINCOLN PARK BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(Unaudited)

	September 30, 2006	December 31, 2005
ASSETS		
Cash and amounts due from depository institutions	$ 1,307,809	$ 1,627,946
Interest-bearing deposits in other banks	688,506	688,232
Total cash and cash equivalents	1,996,315	2,316,178
Term deposits	584,446	580,629
Securities available for sale	2,563,710	3,002,336
Securities held to maturity, estimated fair value of $18,489,000 and $18,659,000 respectively	18,905,132	18,817,087
Loans receivable, net of allowance for loan losses 2006 $161,000; and 2005 $158,500, respectively	69,032,914	66,383,298
Premises and equipment	868,439	883,848
Federal Home Loan Bank of New York stock, at cost	1,302,200	1,264,500
Interest receivable	508,431	448,172
Other assets	63,536	262,209
Total assets	$95,825,123	$93,958,257
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits	$56,075,450	$54,366,814
Advances from Federal Home Loan Bank of New York	25,995,594	25,533,730
Advance payments by borrowers for taxes and insurance	372,752	364,785
Other liabilities	88,212	305,390
Total liabilities	82,532,008	80,570,719
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	18,515
Additional paid in capital	7,468,439	7,776,418
Retained earnings - substantially restricted	6,174,042	5,982,726
Unearned ESOP shares	(351,700)	(366,220)
Accumulated other comprehensive loss - unrealized loss on securities available for sale	(16,181)	(23,901)
Total stockholders' equity	13,293,115	13,387,538
Total liabilities and stockholders' equity	$95,825,123	$93,958,257

See notes to consolidated financial statements.

LINCOLN PARK BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	Three Months Ended September 30,		
	2006	2005	
Interest income:			
Loans	$ 976,562	$ 853,258	$2,
Securities	268,009	257,243	
Other interest-earning assets	13,648	11,667	
Total interest income	1,258,219	1,122,168	3,
Interest expense:			
Deposits	380,586	269,129	1,
Advances and other borrowed money	295,162	179,554	
Total interest expense	675,748	448,683	1,
Net interest income	582,471	673,485	1,
(Recovery of) provision for loan losses	(1,000)	(22,444)	
Net interest income after (recovery of) provision for loan losses	583,471	695,929	1,
Non-interest income:			
Fees and service charges	23,630	19,960	
(Loss) gains on calls of securities held to maturity	-	-	
Gains on calls of securities available for sale	-	-	
Miscellaneous	6,738	6,311	
Total non-interest income	30,368	26,271	
Non-interest expenses:			
Salaries and employee benefits	222,102	198,524	
Net occupancy expense of premises	28,679	30,598	
Equipment	66,565	55,374	
Advertising	12,849	11,305	
Legal Expense	28,546	10,393	
Audit and Accounting	29,618	27,904	
Federal insurance premium	1,713	1,894	
Miscellaneous	143,715	116,223	
Total non-interest expenses	533,787	452,215	1,
Income before income taxes	80,051	269,985	
Income taxes	26,663	104,893	
Net income	$ 53,388	$ 165,092	$
Net income per common share:			
Basic	$ 0.03	$ 0.09	$
Weighted average number of common shares and common stock equivalents outstanding:			
Basic	1,783,985	1,818,638	1,
Net income per common share:			
Diluted	$ 0.03	$ 0.09	$

Weighted average number of common shares and common stock equivalents outstanding:			
Diluted	1,786,067	1,818,638	1,

See notes to consolidated financial statements.

LINCOLN PARK BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	Three Months Ended September 30,		Nine Months Ende September 30,	
	2006	2005	2006	2005
Net income	$ 53,388	$165,092	$234,430	$448,7
Other comprehensive income (loss), net of income taxes:				
Gross unrealized holding (loss) gain on securities available for sale	47,216	(16,684)	12,884	(12,3
Deferred income taxes	(18,903)	6,649	(5,164)	4,9
Other comprehensive income (loss)	28,313	(10,035)	7,720	(7,4
Comprehensive income	$ 81,701	$155,057	$242,150	$441,3

See notes to consolidated financial statements.

LINCOLN PARK BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Nine Months En September 30	
	2006	
Cash flows from operating activities:		
Net income	$ 234,430	$

Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of premises and equipment	50,611	
Amortization and accretion, net	24,973	
Loss (gain) on calls of term deposits and securities held to maturity	(500)	
Gain on calls of term deposits and securities available for sale	(9,612)	
Provision(recovery of) provisions for loan losses	2,616	
(Increase) in interest receivable	(60,259)	
Decrease in other assets	198,673	
Increase in accrued interest payable	27,549	
Increase (decrease) in other liabilities	(241,668)	
ESOP shares committed to be released	12,288	
Restricted stock earned	47,799	
Net cash provided by operating activities	286,900	
Cash flows from investing activities:		
Purchases of term deposits	-	
Purchases of securities available for sale	(86,867)	
Proceeds from maturities and calls of securities available for sale	500,000	1
Principal repayments on securities available for sale	23,421	
Proceeds from sales of securities available for sale	24,298	
Purchases of securities held to maturity	(1,000,000)	(3
Proceeds from maturities and calls of securities held to maturity	710,500	1
Principal repayments on securities held to maturity	201,729	
Net (increase) in loans receivable	(2,680,526)	(6
Additions to premises and equipment	(35,202)	
Purchase of Federal Home Loan Bank of New York stock	(367,050)	
Redemption of Federal Home Loan Bank of New York stock	329,350	
Net cash (used in) investing activities	(2,380,347)	(7
Cash flows from financing activities:		
Net increase (decrease) in deposits	1,700,413	(1
Proceeds from advances from Federal Home Loan Bank of New York	68,750,000	18
Repayments of advances from Federal Home Loan Bank of New York	(68,288,136)	(12
Net increase in payments by borrowers for taxes and insurance	7,967	
Net change in paid in capital	-	
Purchase of restricted stock	(355,778)	
Dividends paid	(40,882)	
Net cash provided by financing activities	1,773,584	3
Net (decrease) increase in cash and cash equivalents	(319,863)	(3
Cash and cash equivalents - beginning	2,316,178	5
Cash and cash equivalents - ending	$ 1,996,315	$ 2
Supplemental information:		
Cash paid during the period for:		
Interest on deposits and borrowings	$ 1,835,323	$ 1
Income taxes	$ 389,797	$

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"), and the Bank's wholly owned subsidiary LPS Investment Company. LPS Investment Company was recently formed as an operating subsidiary of the Bank for the purpose of investing in stocks, bonds, mortgages, and other securities, limited to the types of securities in which the Bank is authorized to invest. The Company's business is conducted principally through the Bank. All significant intercompany accounts and transactions have been eliminated in consolidation.

2. RECENT ACCOUNTING PRONOUNCEMENTS

FAS 157

In September 2006, the FASB issued FASB Statement No. 157, FAIR VALUE MEASUREMENTS, which defines fair value, establishes a framework for measuring fair value under GAAP, and expands disclosures about fair value measurements. FASB Statement No. 157 applies to other accounting pronouncements that require or permit fair value measurements. The new guidance is effective for financial statements issued for fiscal years beginning after November 15, 2007, and for interim periods within those fiscal years. We are currently evaluating the potential impact, if any, of the adoption of FASB Statement No. 157 on our consolidated financial position, results of operations and cash flows.

SAB 108

On September 13, 2006, the Securities and Exchange Commission "SEC" issued Staff Accounting Bulletin No. 108 ("SAB 108"). SAB 108 provides interpretive guidance on how the effects of the carryover or reversal of prior year misstatements should be considered in quantifying a potential current year misstatement. Prior to SAB 108, companies might evaluate the materiality of financial-statement misstatements using either the income statement or balance sheet approach, with the income statement approach focusing on new misstatements added in the current year, and the balance sheet approach focusing on the cumulative amount of misstatement present in a company's balance sheet. Misstatements that would be material under one approach could be viewed as immaterial under another approach, and not be corrected. SAB 108 now requires that companies view financial statement misstatements as material if they are material according to either the income statement or balance sheet approach. The Company has analyzed SAB 108 and determined that upon adoption it will have no impact on the reported consolidated results of operations or financial condition.

3. 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 and nine months ended September 30, 2006, are not necessarily indicative of the results which may be expected for the entire fiscal year.

4. NET INCOME PER COMMON SHARE

Basic and diluted net income per share were computed by dividing net income by the weighted average number of shares of common stock outstanding, adjusted for unearned shares of the ESOP, restricted stock and stock options.

5. 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 the 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.

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 examination 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.

6. STOCK COMPENSATION PLANS

The Company has two stock-related compensation plans, including stock option and restricted stock plans, which are described in Note 13 to the Company's Consolidated Financial Statements included in its Annual Report on Form 10-KSB for the fiscal year ended December 31, 2005. Through December 31, 2005, the Company accounted for its stock option and employee stock ownership plans using the intrinsic value method set forth in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," ("APB No. 25") and related interpretations for these plans. Under APB No. 25, generally, when the exercise price of the Company's stock options equaled the market price of the underlying stock on the date of the grant, no compensation expense was recognized. The Company adopted SFAS No. 123R, using the modified-prospective transition method, beginning on January 1, 2006 and, therefore, began to expense the fair value of all options over their remaining vesting periods to the extent the options were not fully vested as of the adoption date and began to expense the fair value of all share-based compensation granted subsequent to December 31, 2005, over its requisite service periods.

SFAS No. 123R also requires the benefits of realized tax deductions in excess of previously recognized tax benefits on compensation expense to be reported as a financing cash flow (there were no realized tax benefits for the three or nine months ended September 30, 2006) rather than an operating cash flow, as previously required. In accordance with Staff Accounting Bulletin ("SAB") No. 107, the Company classified share-based compensation within salaries and employee benefits and other expenses to correspond with the same line item as the cash compensation paid to employees and non-employee directors.

Employee options vest over a seven-year service period and non-employee director options vest over a five-year service period. Compensation expense recognized for all option grants is recognized over the awards' respective requisite service periods. The fair values relating to all of the calendar 2005 option grants were estimated using the Black-Scholes option pricing model. Expected volatilities are based on historical volatility of our stock and other factors, such as implied market volatility. We used historical exercise data based on the age at grant of the option holder to estimate the options' expected term, which represents the period of time that the options granted are expected to be outstanding. We anticipated the future option holding periods to be similar to the historical option holding periods. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. We recognize compensation expense for the fair values of these awards, which have graded vesting, on a straight-line basis over the requisite service period of the awards. We did not grant any options during the nine months ended September 30, 2006 and 2005.

6. STOCK COMPENSATION PLANS (Cont'd)

Restricted shares granted to outside directors and employees vest in five annual installments and seven annual installments, respectively. The fair value of restricted shares under the Company's restricted stock plans is determined by the product of the number of shares granted and the grant date market price of the Company's common stock. The fair value of restricted shares is expensed on a straight-line basis over the requisite service period of five years for the outside directors and seven years for the employees.

During the nine months ended September 30, 2006, the Company recorded $47,799 of share-based compensation expense, which was comprised of stock option expense of $26,263 and restricted stock expense of $21,536. The Company estimates it will record share-based compensation expense of approximately $70,000 in fiscal 2006.

The following table illustrates the impact of share-based compensation on reported amounts:

	Three Months Ended September 30, 2006		Nine Months Ended September 30, 2006	
	As Reported	Impact of Share-Based Compensation Expense	As Reported	Impact of Share-Based Compensation Expense
Net operating income before taxes	$80,051	$12,248	$372,398	$47,799
Net Income	53,388	10,047	234,430	40,959
Earnings per share:				
Basic	$ 0.03	$ 0.01	$ 0.13	$ 0.02
Diluted	$ 0.03	$ 0.01	$ 0.13	$ 0.02

LINCOLN PARK BANCORP AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. STOCK COMPENSATION PLANS (Cont'd)

A summary of the Company's stock option activity and related information for its option plans for the nine months ended September 30, 2006, was as follows:

	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING CONTRACTUAL TERM	AGGREGATE INTRINSIC VALUE (000's)
Outstanding at December 31, 2005	66,520	$8.90		
Granted	-	-		
Exercised	-	-		
Forfeited	10,000	-		
Outstanding at September 30, 2006	56,520	$8.90	5.1 years	$12,000
Exercisable at September 30, 2006	-	$ -	5.1 years	$ -

A summary of the status of the Company's non-vested options as of September 30, 2006 and changes during the nine months ended September 30, 2006, is presented below:

WEIGHTED
AVERAGE

	OPTIONS	GRANT DATE FAIR VALUE
Non-vested at December 31, 2005	66,520	$3.38
Granted	-	-
Vested	-	-
Forfeited	10,000	-
Non-vested at September 30, 2006	56,520	$3.38

LINCOLN PARK BANCORP AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. STOCK COMPENSATION PLANS (Cont'd)

Expected future compensation expense relating to the 56,520 non-vested options outstanding as of September 30, 2006 is $164,000 over a weighted-average period of 5.1 years.

A summary of the status of the Company's restricted shares as of September 30, 2006 and changes during the nine months ended September 30, 2006, is presented below:

	RESTRICTED SHARES	WEIGHTED AVERAGE GRANT DATE FAIR VALUE
Non-vested at December 31, 2005	18,705	$8.90
Granted	500	-
Vested	-	-
Forfeited	1,500	-
Non-vested at September 30, 2006	17,705	$8.90

Expected future compensation expense relating to the 17,705 restricted shares at September 30, 2006 is $135,000 over a weighted-average period of 4.7 years.

For purposes of pro forma disclosures, the estimated fair value of the stock options, restricted shares, and shares under the employee stock ownership plan were amortized to expense over their assumed vesting periods.

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

ITEM 2.

FORWARD-LOOKING STATEMENTS.

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, rules 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 SEPTEMBER 30, 2006 AND DECEMBER 31, 2005

Our total assets increased by $1.9 million, or 2.0%, to $95.8 million at September 30, 2006, from $94.0 million at December 31, 2005. At September 30, 2006, the level of cash and cash equivalents decreased by $320,000 or 13.8% to $2.0 million from $2.3 million at December 31, 2005. Term deposits increased $4,000 to $585,000 at September 30, 2006 when compared with $581,000 at December 31, 2005.

Securities available for sale decreased $439,000 or 14.6% to $2.6 million at September 30, 2006 when compared with $3.0 million at December 31, 2005. The decrease in securities available for sale during the 2006 period resulted primarily from maturities, repayments and sales of $548,000. Securities held to maturity increased by $88,000 or 0.47% to $19.0 million at September 30, 2006 when compared with $18.8 million at December 31, 2005. During the nine months ended September 30, 2006, purchases of securities held to maturity amounted to $1.0 million which offset maturities and repayments of $912,000.

Loans receivable amounted to $69.0 million and $66.4 million at September 30, 2006 and December 31, 2005, respectively, representing an increase of $2.7 million or 4.0%. Our increase in loans resulted primarily from increased one-to four family mortgage loan originations. The loans receivable was funded by borrowings.

Federal Home Loan Bank of New York ("FHLB") stock remained unchanged at $1.3 million at September 30, 2006 and December 31, 2005.

Other assets decreased $199,000 or 76.0% to $64,000 at September 30, 2006 from $262,000 at December 31, 2005. The decrease was mainly due to a $ 200,000 loan that was originated but not closed at the end of December 2005.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

COMPARISON OF FINANCIAL CONDITION AT SEPTEMBER 30, 2006 AND DECEMBER 31, 2005 (CONT'D.)

Total deposits increased $1.7 million or 3.1% to $56.0 million at September 30, 2006 from $54.4 million at December 31, 2005. The increase in deposits was due to a management decision to be more competitive with deposit rates. Advances from FHLB increased $462,000 or 1.8% to $26.0 million at September 30, 2006 when compared with $25.5 million at December 31, 2005. The proceeds from new advances were used to fund loan originations.

Other liabilities decreased $217,000 or 71.0% to $88,000 at September 30, 2006 when compared to $305,000 at December 31, 2005. The decrease was primarily due to changes in taxes payable.

Stockholders' equity totaled $13.3 million and $13.4 million at September 30, 2006 and December 31, 2005, respectively, reflecting net income of $234,000 for the nine months ended September 30, 2006, offset by the purchase of stock in the amount of $ 356,000 for the restricted stock plan.

COMPARISON OF OPERATING RESULTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005

GENERAL. Net income decreased by $112,000, or 67.7%, to $53,000 for the three months ended September 30, 2006, from $165,000 for the three months ended September 30, 2005. The decrease in net income reflects increases in interest expense, and non-interest expenses, partially offset by increases in total interest income, non-interest income, a decrease in income tax expense and a recovery of provision for loan losses.

INTEREST INCOME. Interest income increased $136,000, or 12.0%, to $1.3 million for the three months ended September 30, 2006, from $1.1 million for the three months ended September 30, 2005. The increase in interest income is due to increases of $123,000 in interest income from loans, $11,000 in interest income on securities, and $2,000 in interest income from other interest earning assets.

Interest income from loans increased by $123,000, or 14.5%, to $977,000 for the three months ended September 30, 2006, from $853,000 for the three months ended September 30, 2005. The increase is due to a $6.3 million or 10.0% increase in the average balance of loans to $68.5 million in 2006 from $62.2 million in 2005 and an increase in the average yield to 5.71% from 5.49%. Interest income from securities, including available for sale and held to maturity, increased $11,000, or 4.2% to $268,000 for the three months ended September 30, 2006, from $257,000 for the three months ended September 30, 2005. The average balance of securities increased $540,000 or 2.3% to $23.7 million in 2006, when compared to $23.1 million in 2005, and the average yield increased to 4.52% for the three months ended September 30, 2006 from 4.44% for the three months ended September 30, 2005.

Interest income from other interest-earning assets increased $2,000, or 17.0% to $14,000 for the three months ended September 30, 2006, from $12,000 for the three months ended September 30, 2005. The increase in interest income from other interest-earning assets is due to an increase in the average yield to 3.38% in 2006 from 2.50% in 2005, partially offset by a decrease in the average balance to $1.7 million in 2006 from $1.9 million in 2005.

INTEREST EXPENSE. Total interest expense increased $227,000, or 51.0%, to $676,000 for the three months ended September 30, 2006, from $449,000 for the three months ended September 30, 2005. The interest expense on interest-bearing deposits increased by $111,000 or 41.0% to $381,000 in 2006 when compared with $269,000 in the comparable 2005 period. The increase in interest expense on deposits resulted from an increase in the average cost of interest-bearing deposits to 2.84% from 1.97%, reflecting increasing market interest rates during the period between the comparable quarters. Partially offsetting this increase was a decrease in the average balance of interest-bearing deposits to $53.5 million in 2006 from $54.5 million in 2005.

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 SEPTEMBER 30, 2006 AND 2005 (CONT'D.)

The interest expense on borrowed money increased $116,000 or 64.4% to $295,000 in 2006 from $180,000 in the comparable 2005 period. The increase in interest expense is due to an increase of $6.4 million in the average balance of borrowed money to $26.7 million in 2006 from $20.3 million in 2005 and an increase in cost of borrowed money to 4.42% in 2006 from 3.55% in 2005.

NET INTEREST INCOME. Net interest income decreased $91,000, or 13.5%, to $583,000 for the three months ended September 30, 2006 from $673,000 for the three months ended September 30, 2005. Our interest rate spread decreased to 2.0% in 2006 from 2.74% in 2005, reflecting a 96 basis points increase in the cost of our interest bearing liabilities that exceeded a 23 basis points increase in yield on interest-earning assets. Our net interest margin decreased to 2.49% from 3.08%.

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, a recovery $1,000 for loan losses was required for the three months ended September 30, 2006, compared to a recovery of $22,000 in provision for loan losses for the three months ended September 30, 2005. We had no charge-offs during the three month periods ended September 30, 2006 and 2005. We used the same methodology and generally similar assumptions in assessing the allowance for both periods. The allowance for loan losses was $161,000, or 0.23% of gross loans outstanding at September 30, 2006, as compared with $152,000, or 0.24% of gross loans outstanding at September 30, 2005. The level of the allowance is based on estimates, and the ultimate losses may vary from the estimates.

NON-INTEREST INCOME. Non-interest income increased 16.0%, to $30,000 for the three months ended September 30, 2006, as compared to $26,000 for the three months ended September 30, 2005. The primary reason for the increase in non-interest income is an increase of $4,000 in fees and service charges.

NON-INTEREST EXPENSES. Non-interest expenses were $534,000 and

$452,000 for the three months ended September 30, 2006 and 2005, respectively, representing an increase of $82,000 or 18.0%. The increase in non-interest expenses is primarily due to increases of $24,000 in salary and employee benefits, $11,000 in equipment expense and $47,000 in miscellaneous expenses.

Salary and Employee benefits increased $24,000 or 12.0% for the quarter ended September 30, 2006 when compared to the September quarter of 2005. The increase is primarily due to $13,000 in vacation pay to the ex-president, who is no longer employed with the company, and $10,000 in additional pay to existing employees. Equipment expenses increased $11,000 or 20.0%, primarily due to purchases, upgrading and maintenance of software and other equipment. Miscellaneous expenses increased $47,000 or 31.0% to $202,000 for the three months ended September 30, 2006, from $155,000 for the same period ending September 30, 2005. This increase is primarily due to $28,000 in directors' retirement plan and stock option expense, and an increase of $16,000 in legal fees.

COMPARISON OF OPERATING RESULTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005 (CONT'D.)

INCOME TAX EXPENSE. The provision for income taxes decreased to $27,000 for the three months ended September 30, 2006 from $105,000 for the three months ended September 30, 2005. The decrease in the provision for income taxes is primarily due to a decrease of $190,000 in income before income taxes to $80,000 for the three months ended September 30, 2006, as compared to $270,000 for the three months ended September 30, 2005.

COMPARISON OF OPERATING RESULTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005

GENERAL. Net income decreased $214,000, or 47.8%, to $234,000 for the nine months ended September 30, 2006, compared with $449,000 for the same 2005 period. The decrease in net income during the 2006 period resulted primarily from an increase in interest expense and non-interest expense, partially offset by increases in total interest income and non-interest income and decreases in income taxes.

INTEREST INCOME. Interest income increased $420,000 or 13.0%, to $3.7 million for the nine months ended September 30, 2006, from $3.3 million for the nine months ended September 30, 2005. The increase in interest income is primarily due to an increase of $399,000 in interest income from loans and an increase of $17,000 in interest income on securities.

Interest income from loans increased by $399,000, or 16.4%, to $2.8 million for the nine months ended September 30, 2006, from $2.4 million for the same 2005 period. The increase was due to a $7.5 million or 12.5% increase in the average balance of loans to $68.0 million in 2006 from $60.1 million in 2005. The average yield on loans increased to 5.60% in 2006 from 5.41% in 2005. Interest income from securities, including available for sale and held to maturity, increased $17,000, or 2.3%, to $794,000 for the nine months ended September 30, 2006, from $777,000 for the nine months ended September 30, 2005. The average balance of securities decreased to $23.2 million in 2006 when compared to $23.5 million in 2005. The decrease in the average balance of securities was offset by an increase of 16 basis points in the average yield. The average yield on securities for the nine months ended September 30, 2006 was 4.57% when compared to 4.41% for the same period in 2005. Interest income from other interest-earning assets increased $3,000 or 9.2% to $40,000 for the nine months ended September 30, 2006 when compared to $37,000 for the nine months ended September 30, 2005. The average balance of other interest earning assets decreased to $1.7 million during the nine months ended September 30, 2006, when compared to $2.2 million during the nine months ended in September of 2005, partially offset by an increase in the average yield. The average yield on other interest earning assets for the nine months ended September 30, 2006 was 3.14% when compared to 2.29 % for the same period in 2005.

INTEREST EXPENSE. Total interest expense increased $647,000, or 53.2%, to $1.9 million for the nine months ended September 30, 2006, from $1.2 million for the nine months ended September 30, 2005. The interest expense on interest-bearing deposits increased by $286,000 or 38.3% to $1.0 million in 2006 when compared with $747,000 in the comparable 2005 period. The increase in interest expense resulted from an increase in the average cost of interest-bearing deposits to 2.57% from 1.81%, reflecting an increase in market interest rates during the period between the comparable periods. Partially offsetting this increase was a decrease in the average balance of interest-bearing deposits to $53.7 million in 2006 from $55.1 million in 2005. The interest expense on borrowed money increased $360,000 or 77.0% to $828,000 in 2006 from $468,000 in the comparable 2005 period. The increase resulted from an increase of $7.6 million in the average balance of borrowed money to $26.2 million in 2006 from $18.6 million in 2005, as well as an increase of 86 basis points in the cost of borrowed money to 4.22% in 2006 from 3.36% in 2005.

COMPARISON OF OPERATING RESULTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005 (CONT'D.)

NET INTEREST INCOME. Net interest income decreased $227,000, or 11.1%, to $1.8 million for the nine months ended September 30, 2006 from $2.0 million for the nine months ended September 30, 2005. Our interest rate spread decreased to 2.18% in 2006 from 2.86% in 2005, reflecting an increase of 91 basis points in the cost of our interest-bearing liabilities that exceeded an increase of 23 basis points in the yield on interest-earning assets. Our net interest margin decreased to 2.61% from 3.17%. The decrease was primarily due to an increase in total interest expense of $647,000, which was partially offset by an increase of $420,000 in total interest income.

PROVISION FOR LOAN LOSSES. Based on our evaluation, we recorded provision for loan losses of $2,600 for the nine months ended September 30, 2006, and a recovery of $4,000 for the nine months ended September 30, 2005. We had no charge-offs during the nine month periods ended September 30, 2006 and 2005. We used the same methodology and generally similar assumptions in assessing the allowance for both periods. The allowance for loan losses was $161,000, or 0.23% of gross loans outstanding at September 30, 2006, as compared with $152,000, or 0.24% of gross loans outstanding at September 30, 2005. The level of the allowance is based on estimates, and the ultimate losses may vary from the estimates.

NON-INTEREST INCOME. Non-interest income increased $14,000, or 19.3%, to $88,000 for the nine months ended September 30, 2006, as compared to $74,000 for the nine months ended September 30, 2005. The increase in non-interest income was primarily due to a gain of $10,000 on the sale of available for sale securities, as compared to a loss of $7,000 on the call of securities held to maturity in 2005. Fees and service charges and other miscellaneous income decreased by $3,000 or 13.4% for the nine months ended September 30, 2006 when compared with the same period in September 2005.

NON-INTEREST EXPENSES. Non-interest expenses were $1.5 million and $1.4 million for the nine months ended September 30, 2006 and 2005, respectively, representing an increase of $144,000 or 10.4%. The increase in non-interest expenses is primarily due to increases of $92,000 in other non-interest expense, $42,000 in salaries and employee benefits and $26,000 in equipment expense. This increase was offset by decreases of $7,000 in advertising expenses and $9,000 in occupancy expense.

Miscellaneous expenses increased $92,000 or 19.0% to $582,000 in 2006 from $489,000 in 2005, primarily due to expenses associated with the implementation of the stock-based incentive plan, directors' retirement plan, and additional legal expenses.

INCOME TAX EXPENSE. The provision for income taxes decreased to $138,000 for the nine months ended September 30, 2006 from $287,000 for the nine months ended September 30, 2005. The decrease in the provision for income taxes is primarily due to a decrease in income before income taxes of $363,000 to $372,000 for the nine months ended September 30, 2006, as compared to $736,000 for the nine months ended September 30, 2005.

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.

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. In addition, we have sought to manage and mitigate our exposure to interest rate risks in the following ways:

- o We maintain moderate levels of short-term liquid assets. At September 30, 2006, our short-term liquid assets totaled $2.0 million;
- o We originate for portfolio adjustable-rate mortgage loans and adjustable home equity lines of credit. At September 30, 2006, our adjustable-rate mortgage loans totaled $15.2 million and our adjustable home equity lines of credit totaled $6.5 million;
- o We attempt to increase the maturity of our liabilities as market conditions allow. In particular, since 2004, we have emphasized intermediate- to long-term FHLB advances as a source of funds. At September 30, 2006 we had $4.8 million of FHLB advances with terms to maturity of between three and fifteen years; and
- o 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 Bank's cash flow from assets, liabilities and off-balance sheet items (the Bank'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 asset, liability and off-balance sheet contract under the assumption that the yield curve increases or decreases instantaneously by 100 and 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.

MANAGEMENT OF MARKET RISK (CONT'D.)

The following table sets forth the Bank's NPV as of September 30, 2006, the most recent date the Bank's NPV was calculated.

CHANGE IN INTEREST RATES (BASIS POINTS)	NET PORTFOLIO VALUE (Dollars in Thousands)	NET PORTFOLIO VALUE AS A PERCENTAGE VALUE OF ASSETS

	ESTIMATED NPV	AMOUNT OF CHANGE	PERCENT OF CHANGE	NPV RATIO	CHANGE IN BASIS PO
+200	$13,763	$(3,881)	(22.0)%	16.05%	(301) basis poin
+100	15,814	(1,830)	(10.4)	17.72	(134) basis poin
0	17,644	-	-	19.06	- basis poin
-100	19,495	1,851	10.5	20.30	124 basis poin
-200	20,712	3,068	17.4	20.93	187 basis poin

The table above indicates that at September 30, 2006 in the event of a 200 basis point decrease in interest rates, we would experience a 17.4% increase in net portfolio value. In the event of a 200 basis point increase in interest rates, we would experience a 22.0% decrease in net portfolio value.

Certain shortcomings are inherent in the methodology used in the above 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 regard, the net portfolio value table presented 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 repricing of specific assets and liabilities. Accordingly, although the net portfolio value table 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.

LIQUIDITY AND CAPITAL RESOURCES (CONT'D.)

The primary sources of investing activity are lending and the purchase of mortgage-backed securities. Net loans amounted to $69.0 million and $66.4 million at September 30, 2006 and December 31, 2005, respectively. Securities available for sale totaled $2.6 million and $3.0 million at September 30, 2006 and December 31, 2005, respectively. Securities held to maturity totaled $19.0 million and $18.8 million at September 30, 2006 and December 31, 2005, 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, mortgage-backed securities, and borrowings from FHLB.

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 September 30, 2006 advances from the FHLB amounted to $26.0 million.

The Bank anticipates that it will have sufficient funds available to meet its current loan commitments. At September 30, 2006, the Bank had outstanding commitments to originate loans of $2.0 million, and unused lines of credit of $9.0 million. Certificates of deposit scheduled to mature in one year or less at September 30, 2006, totaled $22.0 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.

The following table sets forth the Bank's capital position at September 30, 2006, as compared to the minimum regulatory capital requirements:

	Actual		Minimum Capital Requirements		To Be Well Capitalized Under Prompt Corrective Actions Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(dollars in thousands)			
Total Capital (to risk-weighted assets)	$9,639	18.57%	$4,154	8.00%	$5,192	10.00%
Tier 1 Capital (to risk-weighted assets)	9,478	18.26%	-	-	3,115	6.00%
Core (Tier 1) Capital (to average total assets)	9,478	10.27%	3,691	4.00%	4,613	5.00%
Tangible Capital (to adjusted average assets)	9,478	10.27%	1,384	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 Company's internal control over financial reporting during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

LINCOLN PARK BANCORP

PART II - OTHER INFORMATION

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. Unregistered Sales of Equity Securities and Use of Proceeds

a) Not applicable

b) Not applicable

Information regarding the Company's purchases of its equity securities (common stock) during the three months ended September 30, 2006 is summarized below:

	Total Number of Shares Purchased	Average Price Paid For Shares	Total Number of Shares Purchased Under a Publicly Announced Repurchase Plan	Maximum Number of Shares That May Ye Be Purchased Under Repurchased Plan
July 1- July 31	-	-	-	-
August 1 - August 31	-	-	-	-

September 1 - September 30	-	-	-	-

As of September 30, 2006, the Company has purchased 36,289 shares to fund the restricted stock of the Company's 2005 Stock-Based Incentive Plan.

ITEM 3. Defaults Upon Senior Securities

Not applicable.

ITEM 4. Submission of Matters to a Vote of Security Holders

Not applicable.

ITEM 5. Other Information

Not applicable.

LINCOLN PARK BANCORP

ITEM 6. Exhibits and Reports on Form 8-K

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 Certification of Chief Executive Officer and Chief Financial Officer 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: November 9, 2006

/s/ David G. Baker

David G. Baker

President and Chief Executive Officer

Date: November 9, 2006

/s/ Nandini Mallya

Nandini Mallya
Vice President and Treasurer
(Principal Accounting Officer and
Interim Chief Financial Officer)