



Audited Combined Financial Statements

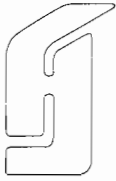
**At March 31, 2008 and 2007 and For the Years Then Ended
With Supplementary Schedules for Fiscal 2008**

(Together with Independent Auditors' Report)



HACKER, JOHNSON & SMITH PA

Certified Public Accountants



HACKER, JOHNSON & SMITH PA

Fort Lauderdale
Fort Myers
Orlando
Tampa

Certified Public Accountants

Unqualified Opinion on the Combined Financial Statements and Supplementary Schedules

Independent Auditors' Report

Neighborhood Lending Partners, Inc.
Tampa, Florida:

We have audited the accompanying combined statements of financial position of Neighborhood Lending Partners, Inc. and Affiliates (the "Company") at March 31, 2008 and 2007, and the related combined statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Company'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 General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Company at March 31, 2008 and 2007, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2008 on our consideration of the Company'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 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 read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance for the year ended March 31, 2008 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.650 *Rules of the Audit General* and is not a required part of the basic combined financial statements. In addition, the combining statement of financial position at March 31, 2008 and combining statement of activities for the year ended March 31, 2008 are presented for purposes of additional analysis of the combined financial statements rather than to present the financial position and changes in net assets of the individual companies. All such supplemental information has been subjected to the auditing procedures applied in the audit of the basic combined financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic combined financial statements taken as a whole.

Hacker, Johnson & Smith PA

HACKER, JOHNSON & SMITH PA
Tampa, Florida

June 17, 2008

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A Registered Public Accounting Firm

NEIGHBORHOOD LENDING PARTNERS, INC.

Combined Statements of Financial Position

Assets	<u>At March 31,</u>	
	<u>2008</u>	<u>2007</u>
Cash:		
Restricted	\$ 9,910,909	7,799,328
Unrestricted	<u>518,252</u>	<u>612,126</u>
Total cash	10,429,161	8,411,454
Short-term investments - money market funds	<u>117,277</u>	<u>112,180</u>
Cash and cash equivalents	10,546,438	8,523,634
Certificates of deposit	150,000	150,000
Investments, at market	251,250	249,375
Mortgage loans, net allowance for loan losses of \$2,953 and \$3,465 in 2008 and 2007	540,130	483,912
Mortgage loans, CDFI, net	11,449,075	11,755,518
Mortgage loans, FNMA	5,431,492	-
Mortgage loans, HHRP	3,665,526	-
Accrued interest receivable	141,719	125,111
Servicing fees receivable	41,424	37,323
Support receivable from member banks	27,500	27,500
Other receivables	470,183	308,585
Property and equipment, net	1,268,548	1,311,272
Foreclosed real estate	8,727,994	-
Other assets	<u>101,592</u>	<u>119,720</u>
Total assets	\$ <u>42,812,871</u>	<u>23,091,950</u>
 Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	441,122	581,856
Notes payable due to FNMA	5,431,492	-
Escrow deposits	5,558,870	4,353,834
Due to the City of St. Petersburg	1,515,190	1,521,058
Note payable	864,093	880,000
Due to member banks	<u>8,728,226</u>	<u>59,674</u>
Total liabilities	<u>22,538,993</u>	<u>7,396,422</u>
Commitments and contingencies (Notes 10, 11 and 12)		
Net assets:		
Unrestricted	<u>4,465,997</u>	<u>4,269,773</u>
Temporarily restricted:		
CDFI Grants	9,412,802	9,512,802
Other Grants	6,343,107	1,779,145
Member support	27,500	27,500
Future loan programs	<u>24,472</u>	<u>106,308</u>
Total temporarily restricted	<u>15,807,881</u>	<u>11,425,755</u>
Total net assets	<u>20,273,878</u>	<u>15,695,528</u>
Total liabilities and net assets	\$ <u>42,812,871</u>	<u>23,091,950</u>

See accompanying Notes to Combined Financial Statements.

NEIGHBORHOOD LENDING PARTNERS, INC.

Combined Statement of Activities

Year Ended March 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues:			
Grants	\$ -	4,510,055	4,510,055
Loan servicing fees	691,145	-	691,145
Loan facilitation fees	1,086,786	-	1,086,786
Interest income, mortgage loans	199,379	70,084	269,463
Member support	37,500	27,500	65,000
Interest income and other	261,756	-	261,756
Net assets released from restrictions	<u>225,513</u>	<u>(225,513)</u>	<u>-</u>
Total revenues	<u>2,502,079</u>	<u>4,382,126</u>	<u>6,884,205</u>
Expenses:			
Salaries and employee benefits	1,581,976	-	1,581,976
Professional fees	115,738	-	115,738
Rental and maintenance	47,584	-	47,584
Office	76,550	-	76,550
Depreciation and amortization	80,067	-	80,067
Credit for loan losses	(5,491)	-	(5,491)
Interest expense	98,576	-	98,576
Travel	57,878	-	57,878
Other	<u>252,977</u>	<u>-</u>	<u>252,977</u>
Total expenses	<u>2,305,855</u>	<u>-</u>	<u>2,305,855</u>
Increase in net assets	196,224	4,382,126	4,578,350
Net assets at beginning of year	<u>4,269,773</u>	<u>11,425,755</u>	<u>15,695,528</u>
Net assets at end of year	<u>\$ 4,465,997</u>	<u>15,807,881</u>	<u>20,273,878</u>

See accompanying Notes to Combined Financial Statements.

NEIGHBORHOOD LENDING PARTNERS, INC.

Combined Statement of Activities

Year Ended March 31, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues:			
Grants	\$ -	1,695,100	1,695,100
Loan servicing fees	684,964	-	684,964
Loan facilitation fees	977,999	-	977,999
Interest income, mortgage loans	455,657	57,074	512,731
Member support	87,300	27,500	114,800
Interest income and other	286,363	-	286,363
Net assets released from restrictions	<u>30,517</u>	<u>(30,517)</u>	<u>-</u>
Total revenues	<u>2,522,800</u>	<u>1,749,157</u>	<u>4,271,957</u>
Expenses:			
Salaries and employee benefits	1,594,595	-	1,594,595
Professional fees	93,406	-	93,406
Rental and maintenance	49,124	-	49,124
Office	77,000	-	77,000
Depreciation and amortization	80,349	-	80,349
Credit for loan losses	(4,603)	-	(4,603)
Interest expense	377,881	-	377,881
Travel	47,402	-	47,402
Other	<u>181,635</u>	<u>-</u>	<u>181,635</u>
Total expenses	<u>2,496,789</u>	<u>-</u>	<u>2,496,789</u>
Increase in net assets	26,011	1,749,157	1,775,168
Net assets at beginning of year	<u>4,243,762</u>	<u>9,676,598</u>	<u>13,920,360</u>
Net assets at end of year	<u>\$ 4,269,773</u>	<u>11,425,755</u>	<u>15,695,528</u>

See accompanying Notes to Combined Financial Statements.

NEIGHBORHOOD LENDING PARTNERS, INC.

Combined Statements of Cash Flows

	<u>Year Ended March 31,</u>	
	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Increase in net assets	\$ 4,578,350	1,775,168
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	78,825	80,349
Credit for loan losses	(5,491)	(4,063)
Amortization of deferred loan fees and costs, net	(4,395)	(5,849)
Unrealized (gain) loss on investments	(1,875)	943
Decrease in member receivable	-	46,939
(Increase) decrease in accrued interest receivable	(16,608)	4,234
(Increase) decrease in servicing fees receivable	(4,101)	9,024
Decrease in support receivable from member banks	-	24,000
Increase in other receivables	(161,598)	(253,049)
Decrease (increase) in other assets	18,128	(57,405)
(Decrease) increase in accounts payable and accrued expenses	(140,734)	158,521
Decrease in accrued interest payable	-	(24,168)
Increase (decrease) in escrow deposits	1,205,036	(868,764)
(Decrease) increase in due to member banks	<u>(59,442)</u>	<u>30,736</u>
Net cash provided by operating activities	<u>5,486,095</u>	<u>916,076</u>
Cash flows from investing activities:		
Purchase of investments	-	(400,000)
Proceeds from maturities of investments	-	394,432
Net additions of property and equipment	(36,101)	(10,752)
Net mortgage loan (originations) repayments	(46,332)	9,378,523
Net mortgage loan repayments - CDFI	306,443	410,211
Net mortgage loan originations - HHRP	(3,665,526)	-
Net mortgage loan repayments (originations) - FNMA	<u>(5,431,492)</u>	<u>2,000,000</u>
Net cash (used in) provided by investing activities	<u>(8,873,008)</u>	<u>11,772,874</u>
Cash flows from financing activities:		
Loan repayments from member banks, net	-	(9,555,719)
Proceeds of (repayments) loans from FNMA	5,431,492	(2,000,000)
Repayment of loan from the City of St. Petersburg, net	(5,868)	(74,250)
Repayment of note payable	<u>(15,907)</u>	<u>(15,078)</u>
Net cash provided by (used in) financing activities	<u>5,409,717</u>	<u>(11,645,047)</u>
Net increase in cash and cash equivalents	2,022,804	1,044,983
Cash and cash equivalents at beginning of year	<u>8,523,634</u>	<u>7,478,651</u>
Cash and cash equivalents at end of year	\$ <u>10,546,438</u>	\$ <u>8,523,634</u>
Supplemental disclosure of cash flow information -		
Cash paid for interest	\$ <u>98,576</u>	<u>377,881</u>
Noncash transaction -		
Increase in foreclosed real estate and due to member banks	\$ <u>8,727,994</u>	<u>-</u>

See accompanying Notes to Combined Financial Statements.

NEIGHBORHOOD LENDING PARTNERS, INC.

Notes to Combined Financial Statements

At March 31, 2008 and 2007 and For the Years Then Ended

(1) Organization and Summary of Significant Accounting Policies

Organization. Prior to November 29, 2001, Neighborhood Lending Partners, Inc. ("NLP") was a private not-for-profit organization established to arrange for financing and provide technical assistance to facilitate the development of affordable housing in nineteen counties located in the West Florida area, and to otherwise support community development and redevelopment needs. NLP lessened the burden of government jurisdictions by working with public agencies to achieve maximum leverage of public and private dollars and provided technical assistance to project sponsors.

On November 29, 2001, the name of NLP was changed to Neighborhood Lending Partners of West Florida, Inc. ("NLPWF") and on the same date a new NLP was incorporated which became the parent affiliated company for NLPWF. All services previously provided by NLP are now provided by NLPWF. On February 19, 2002, Neighborhood Lending Partners of South Florida, Inc. ("NLPSF") was incorporated, which is also an affiliate of NLP, to provide the same services as NLPWF in four South Florida counties.

On December 22, 2003, NLP formed a new affiliate called Neighborhood Lending Partners of North Florida, Inc. ("NLPNF") to provide the same services as NLPWF and NLPSF in forty-four North Florida counties. NLPNF began operations on April 27, 2004.

On January 25, 2008, NLPSF formed two single purpose limited liability companies called NLP Plaza La Isabella, LLC ("NLPPPI") and NLP Puerto Real, LLC ("NLPPR"). The sole purpose of these entities is to hold foreclosed real estate.

The only activity of NLP is the operations of its affiliates. NLP, NLPWF, NLPSF and NLPNF are combined due to common control.

A consortium of member banks of NLPWF, NLPSF and NLPNF provide first mortgage loan commitment and funding capacity as provided under Loan Operating Agreements with each entity (the "Agreements"). Each member funds its proportionate share of a loan based on its proportionate share of the loan pool, subject to minimum funding criteria. Under the Agreements in place as of March 31, 2008, NLPWF, NLPSF and NLPNF can fund loans through two methods, participation loans or portfolio loans. Participation loans are loans where NLPWF, NLPSF or NLPNF have sold the loans directly to its members while portfolio loans are loans that NLPWF, NLPSF or NLPNF have put on its books as mortgage loans receivables and are funded through corresponding notes payable to member banks.

Also NLPWF receives funding under grants from the Community Development Financial Institutions Fund ("CDFI"), State Housing Initiatives Partnership ("SHIP") funds and Hurricane Housing Recovery Program ("HHRP") funds from local jurisdictions in which NLPWF operates. These funds are used to provide second or third mortgage loans in housing developments that provide for low-income families and residents and for residents with "special housing needs" (see Note 10).

(continued)

NEIGHBORHOOD LENDING PARTNERS, INC.

Notes to Combined Financial Statements, Continued

(1) Organization and Summary of Significant Accounting Policies, Continued

Basis of Presentation. The accompanying combined financial statements include NLP, NLPWF, NLPSF and NLPNF (collectively the "Company"). All significant intercompany accounts and transactions have been eliminated.

The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America. The following summarizes the more significant of these policies and practices.

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

Financial Statement Presentation. The Company follows Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations." Under this Statement, the Company is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the expenses are required to be reported by their functional classification. All expenses of the Company are program services relating to lending activities.

Restricted Cash. At March 31, 2008, restricted cash represented \$1,434,524 received from CDFI, \$2,504,529 received from DeSoto County and \$323,382 received from Pasco County which had not yet been disbursed under the CDFI program (see Note 10) and \$65,132 of principal, interest and risk fee payments received from borrowers and due to local jurisdictions under the CDFI Program and member banks. In addition, \$24,472 was restricted for future loan programs. Also, restricted cash included \$5,558,870 of escrow payments received from borrowers.

At March 31, 2007, restricted cash represented \$1,727,716 received from CDFI, \$1,251,220 received from DeSoto County and \$300,576 received from Pasco County which had not yet been disbursed under the CDFI program (see Note 10) and \$59,674 of principal, interest and risk fee payments received from borrowers and due to local jurisdictions under the CDFI Program and member banks. In addition, \$106,308 was restricted for future loan programs. Also, restricted cash included \$4,353,834 of escrow payments received from borrowers.

(continued)

NEIGHBORHOOD LENDING PARTNERS, INC.

Notes to Combined Financial Statements, Continued

(1) Organization and Summary of Significant Accounting Policies, Continued

Grants. The Company follows Statement of Financial Accounting Standards No. 116, "Accounting for Contributions Received and Contributions Made." This Statement requires grants received to be recognized as revenue in the period received at their fair values. This Statement also requires not-for-profit organizations to distinguish between grants received that increase permanently restricted net assets, temporarily restricted net assets and unrestricted net assets. It also requires recognition of the expiration of donor imposed restrictions in the period in which the restrictions expire. Therefore, the Company reports its grants from CDFI as restricted support due to the terms and covenants included in the agreements (see Note 10). When the grant restriction expires, that is, when the stipulated time restriction ends and the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The grants received from counties and cities in connection with the CDFI program will always be classified as temporarily restricted net assets (see Note 10). CDFI program funds are required to be used primarily for affordable housing and economic development.

Cash and Cash Equivalents. Cash and cash equivalents consist of cash on deposit in financial institutions with original maturities of less than three months.

Investments. Investments in debt securities are measured at fair value in the accompanying combined statements of financial position. Gains and losses on investments are recognized as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulation or by law.

Loans. Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at their outstanding principal adjusted for any charge-offs, the allowance for loan losses, and any deferred fees or costs on originated loans.

Loan origination fees and certain direct origination costs are capitalized and recognized as an adjustment of the yield of the related loan. Commitment fees are capitalized and amortized over the commitment and loan term using the level yield method. If the commitment expires unexercised, the unamortized fee is recognized in revenue.

The allowance for loan losses on loans made under the CDFI program and loans not funded through corresponding notes payable to member banks is increased by charges to income and decreased by charge-offs (net of recoveries). Management's periodic evaluation of the adequacy of the allowance is based on the Company's past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, and current economic conditions.

(continued)

NEIGHBORHOOD LENDING PARTNERS, INC.

Notes to Combined Financial Statements, Continued

(1) Organization and Summary of Significant Accounting Policies, Continued

Loans, Continued. For mortgage loans originated by the Company whose funding is provided by member banks through loans to the Company under the Agreements, the Company does not maintain an allowance for mortgage loan losses because the loans are the sole collateral for the notes payable to member banks. The notes are without recourse to the Company. Any losses on the loans will be absorbed by the member banks in proportion to their relative funding percentage.

Property and Equipment. Land is carried at cost. Building, furniture, fixtures and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the respective assets.

Foreclosed Real Estate. Property acquired in foreclosure or deed in lieu of foreclosure is carried at the lower of estimated fair value or the cost of the loan. Costs related to the development or improvement of the property are capitalized, where as those related to holding the property are charged to expense, unless they are recoverable from member banks. Valuations are periodically performed by management and losses are charged to operating activities of the carrying amount exceeds the estimated fair value.

Due to Member Banks. Due to member banks at March 31, 2008 and 2007, includes \$232 and \$59,674, respectively related to loan payoffs for loans sold to the member banks. Such amounts were remitted to the member banks in April, 2008 and 2007, respectively. In addition, at March 31, 2008 due to member banks includes \$8,727,994 related to amounts due to member banks in connection with certain foreclosed real estate. These amounts are expected to be repaid upon sale of the real estate (see Note 4).

Loan Facilitation Fees. Loan facilitation fees totaled \$1,086,786 and \$977,999 for the years ended March 31, 2008 and 2007, respectively on loans originated by the Company for member banks.

Loan Servicing Fees. Loan servicing fees totaled \$691,145 and \$684,964 for the years ended March 31, 2008 and 2007, respectively. The servicing portfolio totaled approximately \$134,796,000 and \$117,168,000 at March 31, 2008 and 2007, respectively.

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NEIGHBORHOOD LENDING PARTNERS, INC.

Notes to Combined Financial Statements, Continued

(2) Allowance for Loan Losses

A summary of the activity in the allowance for loan losses is as follows:

	Year Ended March 31,	
	2008	2007
Beginning balance	\$ 128,316	132,919
Credit	<u>(5,491)</u>	<u>(4,603)</u>
Ending balance ⁽¹⁾	<u>\$ 122,825</u>	<u>128,316</u>

⁽¹⁾ Includes the allowance for loan losses for mortgage loans and mortgage loans, CDFI (see Note 10).

(3) Property and Equipment, Net

Property and equipment consists of the following:

	At March 31,	
	2008	2007
Land	\$ 153,032	153,032
Building	1,072,220	1,072,220
Furniture and fixtures	148,716	148,716
Equipment	<u>98,235</u>	<u>36,170</u>
Total, at cost	1,472,203	1,410,138
Less accumulated depreciation and amortization	<u>(203,655)</u>	<u>(98,866)</u>
Property and equipment, net	<u>\$ 1,268,548</u>	<u>1,311,272</u>

(4) Foreclosed Real Estate

During the year ended March 31, 2008, two projects which were funded by member banks entered into foreclosure proceedings. As a result of the foreclosure, the Company obtained title to the properties and also incurred costs totaling \$320,583 which has been included in other receivables in the accompanying combined statements of financial position. The Company expects to recover all costs incurred from member banks at the time of sale of the properties. Net proceeds will be distributed to the member banks that funded the projects. Such distributions will be net of costs incurred by the Company and any unpaid property taxes. At March 31, 2008 the amount due to member banks, net of costs incurred was \$8,407,411.

(continued)

NEIGHBORHOOD LENDING PARTNERS, INC.

Notes to Combined Financial Statements, Continued

(5) Notes Payable Due to Fannie Mae

In fiscal 2008, the Company entered into revolving credit arrangement with Fannie Mae for up to \$10,000,000 for the construction of multi-family projects. The credit arrangement with Fannie Mae is collateralized by the assignment of the related notes and mortgages and is funded prior to funding by the member banks. The revolving credit arrangement expires May 31, 2010. Also the member banks have guaranteed the notes and have agreed to fund the permanent loans at the end of the construction period. The amounts due at March 31, 2008 are as follows:

	<u>At March 31,</u> <u>2008</u>
Note payable at libor plus .90%.	\$ <u>5,431,492</u>

(6) Note Payable

The Company has a note payable outstanding with a member bank for the funding of their main office building. The note is payable in monthly principal and interest payments totaling \$5,947 through September 2015. The note payable is collateralized by a building with a net book value of \$1,006,284 at March 31, 2008. Principal payments are as follows:

<u>Year Ended March 31,</u>	<u>Amount</u>
2009	\$ 19,041
2010	20,265
2011	21,434
2012	22,948
2013	24,424
Thereafter	<u>755,981</u>
Total principal payments	\$ <u>864,093</u>

(7) Related Party Transactions and Concentrations of Credit Risk

The Company had \$10,546,438 and \$8,523,634 on deposit with member banks in general operating accounts, payroll accounts, escrow accounts and short-term investment accounts as of March 31, 2008 and 2007, respectively.

(8) Tax Status

NLP, based on its Internal Revenue Service determination letter, dated November 13, 1997, is a publicly supported organization exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the accompanying combined financial statements do not include any provision for income taxes.

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NEIGHBORHOOD LENDING PARTNERS, INC.

Notes to Combined Financial Statements, Continued

(9) Retirement Plan

The Company has a profit sharing plan established in accordance with the provisions of Section 401(k) of the Internal Revenue Code. The profit sharing plan is available to all employees electing to participate after meeting certain length of service requirements. The Company contributed \$78,317 and \$60,780 to the plan during the years ended March 31, 2008 and 2007, respectively.

(10) Community Development Financial Institutions Program

In fiscal years 2003, 2002 and 1997, the Company was awarded grants, subject to certain conditions, in the amounts of \$1,067,000, \$2,000,000 and \$2,500,000, respectively, from the CDFI which are matched with grants from ten of the local jurisdictions in which operations are conducted (Hernando, Hillsborough, Pasco, Pinellas, Highlands, Sumter, Sarasota and Polk Counties and the Cities of St. Petersburg and Sarasota). The matching funds are provided from the local allocations from the State of Florida's SHIP Funds. All funds, except for those received from the City of St. Petersburg 1997 grant agreement, are used as a revolving loan fund to provide second or third mortgage loans that are needed to meet gap financing requirements in housing developments for low-income families and residents and for "special needs" housing. To obtain financing under the program a minimum of 20% of the units must be reserved for individuals and families earning 50% or less than the area median income. Mortgage loans, CDFI, are as follows:

	<u>At March 31,</u>	
	<u>2008</u>	<u>2007</u>
Mortgage loans	\$ 11,683,429	11,999,248
Less:		
Allowance for loan losses	(119,872)	(124,851)
Unamortized loan fees and costs, net	<u>(114,482)</u>	<u>(118,879)</u>
	<u>\$ 11,449,075</u>	<u>11,755,518</u>

There were no impaired loans, nonaccrual loans or loans past due ninety days or more and still accruing interest at March 31, 2008 or 2007.

(continued)

NEIGHBORHOOD LENDING PARTNERS, INC.

Notes to Combined Financial Statements, Continued

(10) Community Development Financial Institutions Program, Continued

Temporarily restricted grant revenue relating to the CDFI program is as follows:

Name	At March 31,	
	2008	2007
CDFI - 1997	\$ -	-
Matching funds:		
Pasco County	894,635	894,635
Hillsborough County	1,315,135	1,315,135
Pinellas County	50,000	50,000
Polk County	<u>857,120</u>	<u>857,120</u>
Total	<u>3,116,890</u>	<u>3,116,890</u>
CDFI – 2002	1,964,956	1,964,956
Matching funds:		
Highlands	-	100,000
Hillsborough County	1,169,100	1,169,100
City and County of Sarasota	800,000	800,000
Polk County	666,000	666,000
Pasco County	<u>442,356</u>	<u>442,356</u>
Total	<u>5,042,412</u>	<u>5,142,412</u>
CDFI – 2003	1,053,500	1,053,500
Matching funds-		
Hernando County	<u>200,000</u>	<u>200,000</u>
Total	<u>1,253,500</u>	<u>1,253,500</u>
Temporarily restricted net assets -- CDFI grants	<u>\$ 9,412,802</u>	<u>9,512,802</u>

Under the agreements with CDFI-2003 and CDFI-2002, the Company is required to comply with various terms and covenants which, among other things, includes the achievement of certain performance goals and the maintaining of certain financial statement ratios. In the event of default, CDFI has various remedies which include the required repayment of any funds distributed to the Company. For financial statement presentation purposes, all funds received under these agreements are classified as temporarily restricted net assets through the terms of the agreements which ends on March 31, 2007 for CDFI-2003 and ends on May 31, 2006 for CDFI-2002. For CDFI-1997, the amount received of \$2,500,000 was reclassified to unrestricted net assets on May 8, 2003, upon expiration of the term of the agreement. For CDFI-2002 and CDFI-2003, the Company has complied with all terms and covenants of the agreements through March 31, 2008 and \$1,964,596 and \$1,053,500, respectively, will be reclassified to unrestricted net assets upon authorization from the grantor in fiscal 2009.

(continued)

NEIGHBORHOOD LENDING PARTNERS, INC.

Notes to Combined Financial Statements, Continued

(10) Community Development Financial Institutions Program, Continued

The matching funds received from the City of St. Petersburg 1997 grant agreement are required to be repaid by the Company to the City at certain times each year based on the payments received from the borrowers. Therefore, these matching funds are recorded as a liability on the combined statements of financial position. The Company retains 50% of all interest collected, a portion of which is to be used for future loan programs and a portion to cover administration costs. The remaining 50% is remitted to the City.

The matching funds received from the Counties and the City and County of Sarasota are classified as grants and will be maintained as revolving lines to be used for future lending under the program. All principal payments received from borrowers will be retained by the Company and used to fund subsequent loans in the respective counties or cities. All such subsequent loans will require approval of the specific County or City and must be in accordance with the provisions of the CDFI guidelines. Due to the requirement that the Counties and Cities approve all subsequent loans under these grants, such grants will be recorded as temporarily restricted net assets. The Company retains 50% of all interest collected, a portion of which is to be used for future loan programs and a portion to cover administration costs. The remaining 50% is remitted to the Counties and Cities.

At March 31, 2008 and 2007, principal and interest payments received from borrowers and interest earned but not yet collected from borrowers that is due to local jurisdictions is included in accounts payable and accrued expenses.

(11) Temporarily Restricted Net Assets – Other Grants

Temporarily restricted net assets – other grants consist of the following:

	At March 31,	
	2008	2007
DeSoto County - HHRP	\$ 3,604,529	1,475,000
Polk County - HHRP	2,555,526	-
Highlands County – HHRP	-	75,000
St. Petersburg – SHIP Grant	145,100	145,100
Fannie Mae Lending Grant	10,000	-
Fannie Mae Administrative Grant	23,500	60,000
Other grants	4,452	24,045
 Net grants received	 \$ <u>6,343,107</u>	 <u>1,779,145</u>

(continued)

NEIGHBORHOOD LENDING PARTNERS, INC.

Notes to Combined Financial Statements, Continued

(11) Temporarily Restricted Net Assets – Other Grants, Continued

The amounts received under the HHRP program are classified as grants and will be maintained as revolving lines to be used for future lending under the program. All such subsequent loans will require approval of the specific County and must be in accordance with the provisions of the HHRP guidelines. Due to the requirement that the Counties approve all subsequent loans under these grants, such grants are recorded as temporarily restricted net assets. The Company retains 50% of all interest collected, a portion of which is to be used for future loan programs and a portion to cover administration costs. The remaining 50% is remitted to the Counties.

(12) Commitments

At March 31, 2008, the Company had total loan commitments of \$17,914,684 relating to loans to be funded by the Company with loans from member banks and loans where the Company arranges the financing which is funded by member banks.

The Agreements provided a total loan commitment capacity of \$274,780,988 as of March 31, 2008. The capacity of the member loan pool had the following usage:

	<u>NLPSE</u>	<u>NLPWF</u>	<u>NLPNF</u>
Participation loans:			
Closed and funded	\$ 22,808,949	54,931,996	23,970,965
Closed, but not yet funded	<u>24,845,493</u>	<u>17,162,366</u>	<u>9,904,073</u>
Subtotal for participation loans	47,654,442	72,094,362	33,875,038
Member loans committed, but not yet closed	13,230,502	-	4,585,000
Limited loan guarantees secured by the member loan pool	-	99,182	-
Available capacity for future commitments	<u>25,062,169</u>	<u>67,808,571</u>	<u>10,371,722</u>
Total member loan pool capacity	<u>\$ 85,947,113</u>	<u>140,002,115</u>	<u>48,831,760</u>

NEIGHBORHOOD LENDING PARTNERS, INC.

Schedule of Expenditures of Federal Awards and State Financial Assistance

For the Year Ended March 31, 2008

<u>Federal/State Agency/Pass-Through Grantor/Program Title</u>	<u>CFDA/ CSFA Number</u>	<u>Award/ Contract Grant Number</u>	<u>Grant Period</u>	<u>Expenditures</u>
<u>Federal Awards:</u>				
Community Development Financial Institutions Fund	21.020	011CD003262	N/A	\$ <u>145,143</u>
<u>State Projects:</u>				
<u>State Housing Incentive Program</u>				
Passed through the following jurisdiction:				
City of St. Petersburg	52.901	*		\$ 145,100
Hillsborough County	52.901	*		6,788
Pasco County	52.901	*		18,790
<u>Hurricane Housing Relief Program</u>				
Passed through the following jurisdiction:				
DeSoto County	52.902	*		375,000
Polk County	52.902	*		<u>2,555,526</u>
				\$ <u>3,101,204</u>

* Per discussion with a county representative, the contract/grant number is not known.

NEIGHBORHOOD LENDING PARTNERS, INC.

Schedule of Expenditures of Federal Awards and State Financial Assistance, Continued

For the Year Ended March 31, 2008

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance includes the federal and state grant activity of Neighborhood Lending Partners, Inc. and is presented on the same basis as stated in Note 1, Summary of Significant Accounting Policies, in the accompanying combined financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133 and Audits of States, Local Governments, and Non-Profit Organizations and Rule 10.650 of the Auditor General.

NEIGHBORHOOD LENDING PARTNERS, INC.

Combining Statement of Financial Position

At March 31, 2008

Assets	<u>NLP</u>	<u>NLPWF</u>	<u>NLPSE</u>	<u>NLPNF</u>	<u>NLPPI</u>	<u>NLPPR</u>	<u>Eliminations</u>	<u>Combined</u>
Cash:								
Restricted	\$ 66,889	7,460,420	2,041,469	342,131	-	-	-	9,910,909
Unrestricted	-	<u>284,523</u>	<u>202,353</u>	<u>31,376</u>	-	-	-	<u>518,252</u>
Total cash	66,889	7,744,943	2,243,822	373,507	-	-	-	10,429,161
Short-term investments	-	<u>117,277</u>	-	-	-	-	-	<u>117,277</u>
Cash and cash equivalents	66,889	7,862,220	2,243,822	373,507	-	-	-	10,546,438
Certificates of deposit	-	150,000	-	-	-	-	-	150,000
Investments	-	251,250	-	-	-	-	-	251,250
Mortgage loans, net	-	431,953	-	9,177	-	-	-	540,130
Mortgage loans, CDFI, net	-	11,449,075	99,000	-	-	-	-	11,449,075
Mortgage loans, FNMA, net	-	5,431,492	-	-	-	-	-	5,431,492
Mortgage loans, HIRP, net	-	3,665,526	-	-	-	-	-	3,665,526
Accrued interest receivable	-	137,898	2,500	1,321	-	-	-	141,719
Servicing fees receivable	-	34,467	6,957	-	-	-	-	41,424
Support receivable from member banks	-	2,500	25,000	-	-	-	-	27,500
Other receivables	77,872	754,842	94,169	3,476	-	-	(460,176) ^(b)	470,183
Property and equipment, net	1,268,548	-	-	-	-	-	-	1,268,548
Investment in affiliates	20,106,349	-	-	-	4,902,994	3,825,000	(20,106,349) ^(a)	8,727,994
Foreclosed real estate	-	-	-	-	-	-	-	101,592
Other assets	<u>73,929</u>	<u>27,663</u>	-	-	-	-	-	<u>101,592</u>
Total assets	\$ 21,593,587	30,198,886	2,471,448	387,181	4,902,994	3,825,000	(20,566,525)	42,812,871
Liabilities and Net Assets								
Liabilities:								
Accounts payable and accrued expenses	455,616	257,958	89,456	98,268	-	-	460,176 ^(b)	441,122
Escrow deposits	-	3,177,471	2,039,579	341,820	-	-	-	5,558,870
Due to the City of St. Petersburg	-	1,515,190	-	-	-	-	-	1,515,190
Note payable	864,093	-	-	-	-	-	-	864,093
Note payable due to FNMA	-	5,431,492	-	-	-	-	-	5,431,492
Due to member banks	-	-	232	-	4,902,994	3,825,000	-	8,728,226
Total liabilities	<u>1,319,709</u>	<u>10,382,111</u>	<u>2,129,267</u>	<u>440,088</u>	<u>4,902,994</u>	<u>3,825,000</u>	<u>-460,176</u>	<u>22,538,993</u>
Net assets:								
Unrestricted	4,465,997	4,033,894	317,181	(52,607)	-	-	4,298,468 ^(a)	4,465,997
Temporarily restricted:								
CDFI Grants	9,412,802	9,412,802	-	-	-	-	9,412,802 ^(a)	9,412,802
Other grants	6,343,107	6,343,107	-	-	-	-	6,343,107 ^(a)	6,343,107
Member support	27,500	2,500	25,000	-	-	-	27,500 ^(a)	27,500
Future loan programs	24,472	<u>24,472</u>	-	-	-	-	24,472 ^(a)	<u>24,472</u>
Total temporarily restricted	<u>15,807,881</u>	<u>15,782,881</u>	<u>25,000</u>	-	-	-	<u>15,807,881</u> ^(a)	<u>15,807,881</u>
Total net assets	<u>20,273,878</u>	<u>19,816,775</u>	<u>342,181</u>	<u>(52,607)</u>	-	-	<u>20,106,349</u> ^(a)	<u>20,273,878</u>
Total liabilities and net assets	\$ 21,593,587	30,198,886	2,471,448	387,181	4,902,994	3,825,000	20,566,525	42,812,871

^(a) to eliminate investment in affiliates^(b) to eliminate intercompany receivables and payables

NEIGHBORHOOD LENDING PARTNERS, INC.

Combining Statement of Activities

For the Year Ending March 31, 2008

	<u>NLP</u>	<u>NLPWF</u>	<u>NLPSPF</u>	<u>NLPNF</u>	<u>NLPPI</u>	<u>NLPPR</u>	<u>Eliminations</u>	<u>Combined</u>
Revenues:								
Grants	\$ -	4,510,055	-	-	-	-	-	4,510,055
Loan servicing fees	93,810	515,704	99,966	75,475	-	-	93,810 ^(c)	691,145
Loan facilitation fees	-	270,663	598,400	217,723	-	-	-	1,086,786
Interest income, mortgage loans	-	265,959	3,050	454	-	-	-	269,463
Member support	-	12,500	50,000	2,500	-	-	-	65,000
Interest income and other	4,624,441	190,639	68,016	3,101	-	-	4,624,441 ^(a)	261,756
Total revenues	4,718,251	5,765,520	819,432	299,253	-	-	4,718,251	6,884,205
Expenses:								
Salaries and employee benefits	93,810	746,188	528,436	213,542	-	-	-	1,581,976
Professional fees	-	63,379	30,361	21,998	-	-	-	115,738
Rental and maintenance	-	21,696	13,514	12,374	-	-	-	47,584
Office	-	46,600	16,039	13,911	-	-	-	76,550
Depreciation and amortization	-	52,582	13,763	13,722	-	-	-	80,067
Credit for loan losses	-	(5,241)	(250)	-	-	-	-	(5,491)
Interest expense	-	61,607	18,484	18,485	-	-	-	98,576
Travel	-	17,203	27,677	12,998	-	-	-	57,878
Other	46,091	135,673	88,232	76,791	-	-	(93,810) ^(c)	252,977
Total expenses	139,901	1,139,687	736,256	383,821	-	-	(93,810)	2,305,855
Increase (decrease) in net assets	4,578,350	4,625,833	83,176	(84,568)	-	-	4,624,441	4,578,350
Net assets at beginning of year	15,695,528	15,190,942	259,005	31,961	-	-	15,481,908 ^(b)	15,695,528
Net assets at end of year	\$ 20,273,878	19,816,775	342,181	(52,607)	-	-	20,106,349 ^(b)	20,273,878

(a) to eliminate increase (decrease) in net assets of affiliates

(b) to eliminate fund balance of affiliates

(c) to eliminate intercompany revenue and expenses

