State of Florida Audit Reporting Package
For

NEIGHBORHOOD LENDING PARTNERS, INC.

Tampa, Florida

For the Year Ended March 31, 2012

Reports

The following reports were delivered on June 26, 2012 to Neighborhood Lending Partners, Inc.:

- Auditor General – Florida Single Audit Act – Nonprofit and For-Profit Entities Audit Report Package Submittal Checklist (Section 215.97, Florida Statutes)

- Combined Statements of Financial Position at March 31, 2012 and 2011 and Combined Statements of Activities and Cash Flows for the Years Then Ended and Supplemental Schedule of Expenditures of Federal Awards and State Financial Assistance

- Summary Schedule of Prior Audit Findings

- Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Combined Financial Statements Performed in Accordance with Government Auditing Standards

- Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and State Project and on Internal Control Over Compliance in Accordance with OMB Circular A-133

- Schedule of Findings and Questioned Costs

- Corrective Action Plan

AUDITOR GENERAL

FLORIDA SINGLE AUDIT ACT – NONPROFIT AND FOR-PROFIT ENTITIES
FINANCIAL REPORTING PACKAGE SUBMITTAL CHECKLIST
(SECTION 215.97, FLORIDA STATUTES)

Entity Name Neighborhood Lending Partners, Inc.

Entity Type (Nonprofit, For-Profit) Nonprofit

Contact Person Name and Title Debra Reyes, President

Contact Person Mailing Address 3615 West Spruce Street
Tampa, FL 33607

Contact Person Phone Number (813) 879-4525

Contact Person Email Address dreyes@NLP-INC.com

Fiscal Period Audited March 31, 2012

Date Auditor Delivered Audit Report to Entity June 27, 2012

Does the financial reporting package include the following items required by Auditor General Rule 10.656(3):

Required for State single audits as defined by Section 215.97(2)(w), Florida Statutes, and project-specific audits as defined by Section 215.97(2)(v), Florida Statutes:

Yes — A schedule of expenditures of State financial assistance as described in Auditor General Rule 10.656(3)(d)1.? **NOTE:** The schedule of expenditures of State financial assistance, when applicable, is required to be combined with the schedule of expenditures of Federal awards.

Yes — The auditor's report on the schedule of State financial assistance as described in Auditor General Rule 10.656(3)(d)2.?

Yes — The auditor's report on internal control and compliance related to major State projects as described in Auditor General Rule 10.656(3)(d)3.?

Yes — A schedule of findings and questioned costs as described in Auditor General Rule 10.656(3)(d)4.?

Yes — A summary schedule of prior audit findings as described in Auditor General Rule 10.656(3)(d)5.? **NOTE:** If a schedule of prior audit findings is not presented because there are no prior audit findings to be reported, this should be stated in the schedule of findings and questioned costs.

Yes — A corrective action plan as described in Auditor General Rule 10.656(3)(d)6.?

Yes — The management letter defined in Auditor General Rule 10.654(1)(e), and, if applicable, a written statement of explanation or rebuttal, including corrective action to be taken, concerning the deficiencies cited in the management letter (see AG Rule 10.656(3)(e))? **NOTE:** If a management letter is not presented because there are no items related to State financial assistance required to be reported in the management letter, this should be stated in the schedule of findings and questioned costs.

Yes ________ Are all of the above elements of the financial reporting package included in a ***single document*** as required by Auditor General Rule 10.656(3)?

Yes ________ Is ***one*** paper copy and ***one*** electronic copy of the financial reporting package being submitted as required by Auditor General Rule 10.657(1)? **NOTE:** There are no provisions in the statutes for any extension for filing the financial reporting package.

Yes ________ Is the electronic copy named using all lower case letters as follows? [fiscal year] [name of entity].pdf. For example, the converted document for the 2010-11 fiscal year for "Example Nonprofit" entity should be named 2011 example nonprofit.pdf.

Yes ________ Is the financial reporting package being submitted within 45 days after receipt of the financial reporting package from the auditor, but no later than 9 months after the end of the fiscal year as required by Auditor General Rule 10.657(2)?

Required only for State single audits as defined by Section 215.97(2)(w), Florida Statutes:

________ The annual financial statements described in Auditor General Rule 10.655, as applicable, together with related notes to the financial statements (see Auditor General Rule 10.656(3)(f))?

________ Required supplementary information (RSI) such as the Management's Discussion and Analysis, or the Budgetary Comparison Schedule required as RSI if not presented as part of the financial statements (see Auditor General Rule 10.655(3))? **NOTE:** This applies only to nonprofit organizations that are determined to be governmental entities.

________ The auditor's report on the financial statements as described in Auditor General Rule 10.656(3)(b)1.?

________ The auditor's report on compliance and internal control based on an audit of the financial statements as described in Auditor General Rule 10.656(3)(b)2.?

________ If applicable, the auditor's reports and related financial information required pursuant to the Federal *Single Audit Act Amendments of 1996*, OMB Circular A-133, or other applicable Federal law (see AG Rule 10.656(3)(c))?

This checklist should accompany the financial reporting package. It is suggested that you retain a copy of the checklist for your files. Do not hesitate to contact this office if assistance or clarification is needed regarding reporting requirements. Our telephone and fax numbers, and electronic addresses, are as follows:

Address –
Auditor General
Local Government Audits/342
Claude Pepper Building, Room 401
111 West Madison Street
Tallahassee, FL 32399-1450

Telephone: (850) 487-9031
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Web site Address: www.myflorida.com/audgen

Combined Statements of Financial Position at March 31, 2012 and 2011 and Combined Statements of Activities and Cash Flows for the Years Then Ended and Supplemental Schedule of Expenditures of Federal Awards and State Financial Assistance

Audited Combined Financial Statements

At March 31, 2012 and 2011 and For the Years Then Ended
With Supplementary Schedules for Fiscal 2012

(Together with Independent Auditors' Report)

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, 2012 and 2011, 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, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated June 26, 2012 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, 2012 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, 2012 and combining statement of activities for the year ended March 31, 2012 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. All such supplemental information has been subjected to the auditing procedures applied in the audit of the basic combined financial statements and, certain additional procedures, including comparing and reconciling such information directly to the accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic combined financial statements as a whole.

Hacker, Johnson & Smith PA

HACKER, JOHNSON & SMITH PA
Tampa, Florida
June 26, 2012

500 North Westshore Boulevard, Post Office Box 20368, Tampa, Florida 33622-0368, (813) 286-2424
A Registered Public Accounting Firm

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Combined Statements of Financial Position

	At March 31, 2012	2011
Assets		
Cash:		
Restricted	$ 10,987,992	9,174,185
Unrestricted	558,060	575,429
Total cash	11,546,052	9,749,614
Short-term investments - money market funds	404,241	402,148
Cash and cash equivalents	11,950,293	10,151,762
Mortgage loans, net of allowance for loan losses of $29,907 and $26,637 in 2012 and 2011	491,979	441,415
Mortgage loans, CDFI, net of allowance for loan losses of $179,272 and $150,528 in 2012 and 2011	11,101,084	11,488,937
Mortgage loans, HHRP	5,682,003	5,704,266
Accrued interest receivable	211,233	190,198
Servicing fees receivable	38,161	38,346
NSP 2 receivables	-	3,465,489
Other receivables	217,858	135,445
Property and equipment, net	1,060,569	1,094,026
Foreclosed real estate	944,218	125,978
Other assets	160,575	128,860
Total assets	$ 31,857,973	32,964,722
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	315,448	242,955
NSP 2 payables	128	3,498,054
Note payable to bank	500,000	-
Escrow deposits	8,285,729	7,299,152
Due to the City of St. Petersburg	1,863,895	1,870,603
Mortgage note payable	787,448	809,379
Due to member banks	1,055,290	287,303
Revolving line of credit	7,343	8,773
Total liabilities	12,815,281	14,016,219
Commitments and contingencies (Notes 11, 12 and 13)		
Net assets:		
Unrestricted	6,446,805	6,393,943
Temporarily restricted:		
CDFI Grants	6,330,045	6,330,045
Other Grants	6,210,055	6,210,055
Future loan programs	55,787	14,460
Total temporarily restricted	12,595,887	12,554,560
Total net assets	19,042,692	18,948,503
Total liabilities and net assets	$ 31,857,973	32,964,722

See accompanying Notes to Combined Financial Statements.

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Combined Statement of Activities

Year Ended March 31, 2012

	Unrestricted	Temporarily Restricted	Total
Revenues:			
NSP2 Grants	$ -	4,485,372	4,485,372
NSP2 program income	-	2,715,891	2,715,891
Loan servicing fees	810,119	-	810,119
Loan facilitation fees	322,961	-	322,961
Interest income, mortgage loans	236,101	41,327	277,428
Interest income and other	16,984	-	16,984
Net assets released from restrictions	7,201,263	(7,201,263)	-
Total revenues	8,587,428	41,327	8,628,755
Expenses:			
NSP2 grant expenses	4,485,372	-	4,485,372
NSP2 program expenses	2,715,891	-	2,715,891
Salaries and employee benefits	895,750	-	895,750
Professional fees	139,379	-	139,379
Rental and maintenance	28,304	-	28,304
Office	54,572	-	54,572
Depreciation and amortization	31,860	-	31,860
Credit for loan losses	(8,109)	-	(8,109)
Interest expense	34,165	-	34,165
Travel	69,131	-	69,131
Other	88,251	-	88,251
Total expenses	8,534,566	-	8,534,566
Change in net assets	52,862	41,327	94,189
Net assets at beginning of year	6,393,943	12,554,560	18,948,503
Net assets at end of year	$ 6,446,805	12,595,887	19,042,692

See accompanying Notes to Combined Financial Statements.

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Combined Statement of Activities

Year Ended March 31, 2011

	Unrestricted	Temporarily Restricted	Total
Revenues:			
NSP 2 Grants	$ -	22,685,081	22,685,081
Other grants	-	750,000	750,000
Loan servicing fees	872,509	-	872,509
Loan facilitation fees	429,264	-	429,264
Interest income, mortgage loans	166,653	52,930	219,583
Interest income and other	28,393	-	28,393
Net assets released from restrictions	23,165,413	(23,165,413)	-
Total revenues	24,662,232	322,598	24,984,830
Expenses:			
NSP 2 expenses	22,685,081	-	22,685,081
Salaries and employee benefits	1,049,856	-	1,049,856
Professional fees	149,399	-	149,399
Rental and maintenance	36,082	-	36,082
Office	70,070	-	70,070
Depreciation and amortization	46,634	-	46,634
Provision for loan losses	147,339	-	147,339
Bad debt loss - SHIP provider	371,945	-	371,945
Interest expense	53,370	-	53,370
Travel	41,310	-	41,310
Other	108,376	-	108,376
Total expenses	24,759,462	-	24,759,462
Change in net assets	(97,230)	322,598	225,368
Net assets at beginning of year	6,491,173	12,231,962	18,723,135
Net assets at end of year	$ 6,393,943	12,554,560	18,948,503

See accompanying Notes to Combined Financial Statements.

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Combined Statements of Cash Flows

	Year Ended March 31, 2012	2011
Cash flows from operating activities:		
Change in net assets	$ 94,189	225,368
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	31,860	46,634
Deprecation allocated to NSP2 expenses	13,261	-
(Credit) provision for loan losses	(8,109)	147,339
Provision for loan losses- SHIP provider	-	371,945
Amortization of deferred loan fees and costs, net	(4,362)	(8,015)
Increase in accrued interest receivable	(21,035)	(1,582)
Decrease in servicing fees receivable	185	1,445
(Increase) decrease in other receivables	(82,413)	46,595
(Decrease) increase in NSP 2 payables, net of NSP 2 receivables	(32,437)	32,565
(Increase) decrease in other assets	(31,715)	1,899
Increase (decrease) in accounts payable and accrued expenses	72,493	(304,903)
Increase in escrow deposits	986,577	387,412
Proceeds from sale of foreclosed real estate	-	2,101,250
Decrease in due to member banks	(50,253)	(1,960,912)
Net cash provided by operating activities	968,241	1,087,040
Cash flows from investing activities:		
Net mortgage loan originations	(51,897)	(97,700)
Net mortgage loan repayments (originations) - CDFI	401,657	(649,899)
Net mortgage loan repayments - HHRP	22,263	48,197
Net mortgage loan repayments - FNMA	-	568,508
Purchase of property and equipment	(11,664)	(19,584)
Net cash provided by (used in) investing activities	360,359	(150,478)
Cash flows from financing activities:		
Net decrease in revolving line of credit	(1,430)	(16,181)
Repayment of notes payable due to FNMA	-	(568,508)
Proceeds of note payable to bank	500,000	-
Repayment of loan from the City of St. Petersburg, net	(6,708)	(11,297)
Repayment of mortgage note payable	(21,931)	(19,403)
Net cash provided by (used in) financing activities	469,931	(615,389)
Net increase in cash and cash equivalents	1,798,531	321,173
Cash and cash equivalents at beginning of year	10,151,762	9,830,589
Cash and cash equivalents at end of year	$ 11,950,293	10,151,762
Supplemental disclosure of cash flow information - Cash paid for interest	$ 34,165	53,370
Noncash transactions:		
Decrease in foreclosed real estate and due to member banks due to write-down of foreclosed real estate	$ 140,307	284,666
Increase in foreclosed real estate and due to member banks from foreclosure	$ 958,547	-

See accompanying Notes to Combined Financial Statements.

(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 ("NLPPI") and NLP Puerto Real, LLC ("NLPPR"). In addition, on September 9, 2008 NLPWF formed NLP Town and Country, LLC ("NLPTC"). Also, on November 17, 2011, NLPWF formed NLP Las Villas at Kenilworth, LLC ("NLPLV"). The sole purpose of these entities is to hold and dispose of foreclosed real estate. NLPPR and NLPTC had no activity during years ended March 31, 2012 and 2011.

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 provided first mortgage loan commitment and funding capacity as provided under Loan Operating Agreements with each entity (the "Old Agreements"). Through December 31, 2008 each member funded 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 December 31, 2008, NLPWF, NLPSF and NLPNF could 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. Subsequent to December 31, 2008, participation by member banks was on a voluntary loan by loan basis (see Note 13).

(continued)

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

Organization, Continued. 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 11).

In addition, the Company received a grant from Neighborhood Stabilization Program 2 ("NSP 2"). These funds are used to assist in the redevelopment and rehabilitation of abandoned and foreclosed properties (See Note 14).

Subsequent Events. Management has evaluated events occurring subsequent to the balance sheet date through June 26, 2012 (the financial statement issuance date), determining no events require additional disclosure in these combined financial statements.

Basis of Presentation. The accompanying combined financial statements include NLP, NLPWF, NLPSF, NLPNF, NLPPR, NLPTC, NLPPI and NLPLV (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 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.

(continued)

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

Restricted Cash. At March 31, 2012, restricted cash represented $2,035,276 received from CDFI and $111,072 of principal, interest and risk fee payments received from borrowers and due to local jurisdictions under the CDFI Program and member banks. In addition, $555,787 was restricted for future loan programs which includes $500,000 related to the note payable to bank (see note 5). Also, restricted cash included $8,285,729 of escrow payments received from borrowers. Restricted cash related to the NSP 2 grant was $128.

At March 31, 2011, restricted cash represented $1,666,683 received from CDFI and $161,325 of principal, interest and risk fee payments received from borrowers and due to local jurisdictions under the CDFI Program and member banks. In addition, $14,460 was restricted for future loan programs. Also, restricted cash included $7,299,152 of escrow payments received from borrowers. Restricted cash related to the NSP 2 grant was $32,565.

Grants. Grants received are recognized as revenue in the period received at their fair values. The Company also distinguishes 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. 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 11). 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.

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.

(continued)

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

Loans, Continued. 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 operations 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. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. There were no changes in policy or methodology during the year ended March 31, 2012.

The allowance consists of specific and general components. The specific component relates to loans that are impaired. For such loans, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the loan is lower than the carrying value of that loan. The general component covers all other loans and is based on historical loss experience adjusted for qualitative factors.

The historical loss component of the allowance is determined by losses recognized by portfolio segment over the preceding two years with the most recent year carrying more weight. This is supplemented by the risks for each portfolio segment. Risk factors impacting loans in each of the portfolio segments include broad deterioration of property values, reduced consumer and business spending as a result of continued high unemployment and reduced credit availability and lack of confidence in a sustainable recovery. The historical experience is adjusted for the following qualitative factors, national and local economic conditions, industry conditions, trends in past due and impaired loans, changes in loan terms and volume, underwriting, lending policies and procedures, and experience of lending personnel and other trends or uncertainties that could affect management's estimate of probable losses.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan by loan basis for commercial and commercial real estate loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral-dependent.

(continued)

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

Transfer of Financial Assets. Transfers of financial assets or a participating interest in an entire financial asset are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity. A participating interest is a portion of an entire financial asset that (1) conveys proportionate ownership rights with equal priority to each participating interest holder (2) involves no recourse (other than standard representations and warranties) to, or subordination by, any participating interest holder, and (3) does not entitle any participating interest holder to receive cash before any other participating interest holder.

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 fair value less estimated selling costs. Costs related to the development or improvement of the property are capitalized, whereas 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 if the carrying amount exceeds the estimated fair value.

Due to Member Banks. Due to member banks at March 31, 2012 and 2011, includes $111,072 and $161,325, respectively related to loan payments for loans sold to the member banks. In addition, at March 31, 2012 and 2011 due to member banks includes $944,218 and $125,978, respectively, 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 $322,961 and $429,264 for the years ended March 31, 2012 and 2011, respectively on loans originated by the Company for member banks.

Loan Servicing Fees. Loan servicing fees totaled $810,119 and $872,509 for the years ended March 31, 2012 and 2011, respectively. The servicing portfolio totaled approximately $129,345,000 and $136,144,000 at March 31, 2012 and 2011, respectively.

(continued)

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

Fair Value Measurements. Fair value is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value hierarchy requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The hierarchy describes three levels of inputs that may be used to measure fair value:

Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities that are not active; and model-driven valuations whose inputs are observable or whose significant value drivers are observable. Valuations may be obtained from, or corroborated by, third-party pricing services.

Level 3: Unobservable inputs to measure fair value of assets and liabilities for which there is little, if any market activity at the measurement date, using reasonable inputs and assumptions based upon the best information at the time, to the extent that inputs are available without undue cost and effort.

The following describes valuation methodologies used for assets measured at fair value:

Impaired Loans. Estimates of fair value are determined based on a variety of information, including the use of available appraisals, estimates of market value by licensed appraisers or local real estate brokers and the knowledge and experience of the Company's management related to values of properties in the Company's market areas. Management takes into consideration the type, location and occupancy of the property as well as current economic conditions in the area the property is located in assessing estimates of fair value. Accordingly, fair value estimates for impaired loans are classified as Level 3.

Foreclosed Real Estate. The Company's foreclosed real estate is recorded at lower of cost or fair market value less estimated costs to sell. Estimates of fair values are determined based on a variety of information, including the use of available appraisals, estimates of market value by licensed appraisers or local real estate brokers and the knowledge and experience of the Company's management related to values of properties in the Company's market areas. Management takes into consideration the type, location and occupancy of the property as well as current economic conditions in the area the property is located in assessing estimates of fair value. Accordingly, the fair values estimates for foreclosed real estate are classified as Level 3.

Reclassifications. Certain amounts in the 2011 financial statements have been reclassified to conform to the 2012 presentation.

(continued)

(2) Loans and the Allowance for Loan Losses

The Company's loan portfolio has one portfolio segment. Commercial real estate loans consist of loans to finance real estate purchases, refinancing, expansions and improvements to commercial properties. These loans are secured by first liens on apartment complexes located within the market area. The Company's underwriting analysis includes credit verification, independent appraisals, a review of the borrower's financial condition, and a detailed analysis of the borrower's underlying cash flows. The repayment of these loans largely depends on the results of operations and management of these properties. Adverse economic conditions also affect the repayment ability on commercial real estate loans to a greater extent than residential real estate loans.

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company analyzes loans individually by classifying the loans as to credit risk. This analysis is performed on at least an annual basis. The Company uses the following definitions for risk ratings:

Pass – A Pass loan's primary source of loan repayment is satisfactory, with secondary sources very likely to be realized if necessary.

Special Mention – A Special Mention loan has potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in the deterioration of the repayment prospects for the asset or the Company's credit position at some future date. Special Mention loans are not adversely classified and do not expose an institution to sufficient risk to warrant adverse classification.

Substandard – A Substandard loan is inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.

Doubtful – A loan classified Doubtful has all the weaknesses inherent in one classified Substandard with the added characteristics that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loss – A loan classified Loss is considered uncollectible and of such little value that continuance as a bankable asset is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather it is not practical or desirable to defer writing off this basically worthless asset even though partial recovery may be affected in the future.

(continued)

(2) Loans and the Allowance for Loan Losses, Continued

Loans are summarized as follows:

	At March 31, 2012	At March 31, 2011
Commercial real estate	$ 17,584,045	17,917,883
Less:		
Allowance for loan losses	(209,179)	(177,165)
Deferred loan fees, net	(99,800)	(106,100)
	$ 17,275,066	17,634,618

The following summarizes the loan credit quality at March 31, 2012:

	At March 31, 2012	At March 31, 2011
Credit Risk Profile by Internally Assigned Grade:		
Grade:		
Pass	$ 14,144,015	15,107,374
Special mention	1,830,177	1,061,938
Substandard	1,609,853	1,748,571
Total	$ 17,584,045	17,917,883

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

	Year Ended March 31, 2012	Year Ended March 31, 2011
Beginning balance	$ 177,165	324,249
(Credit) provision for loan losses	(8,109)	147,339
Charge-offs	(14,132)	(294,423)
Recoveries	54,255	-
Ending balance (1)	$ 209,179	177,165

(1) Includes the allowance for loan losses for mortgage loans and mortgage loans, CDFI (see Note 11).

In addition, during the year ended March 31, 2011 the Company charged off a loan of $371,945 related to a loan funded by a SHIP provider. The SHIP provider released certain temporarily restricted net assets from restrictions in the same amount as this loss.

(continued)

(2) Loans and the Allowance for Loan Losses, Continued

At March 31, 2012 and 2011, all loans were current except for one impaired loan that is also the only nonaccrual loan, with a total outstanding principal balance of $68,166. A specific reserve of $68,166 was recorded with respect to this loan as of March 31, 2012 and 2011. The average investment in impaired loans was approximately $68,166 and $324,000 and there was no interest income recognized or recorded with respect to impaired loans during the years ended March 31, 2012 and 2011, respectively. There were no troubled debt restructurings during the years ended March 31, 2012 or 2011.

(3) Property and Equipment, Net

Property and equipment consists of the following:

	At March 31,	
	2012	**2011**
Land	$ 153,032	153,032
Building	1,072,220	1,072,220
Furniture and fixtures	150,345	148,716
Equipment	99,758	89,723
Total, at cost	1,475,355	1,463,691
Less accumulated depreciation and amortization	(414,786)	(369,665)
Property and equipment, net	$ 1,060,569	1,094,026

(4) Foreclosed Real Estate

During the year ended March 31, 2010, three projects which were funded by member banks entered into foreclosure proceedings. As a result of the foreclosures, the Company obtained title to the properties and also incurred costs in connection with holding the properties. During the year ended March 31, 2011, net proceeds totaling $2,101,250 were distributed to the member banks that funded the projects. Such distributions were net of costs incurred by the Company and any unpaid property taxes. During the year ended March 31, 2012, there was one foreclosure. At March 31, 2012 and 2011, the amount included in due to member banks that was related to foreclosed real estate totaled $944,218 and $125,978, respectively.

(continued)

(5) Note Payable to Bank

In fiscal 2012, the Company entered into a equity equivalent investment agreement with Wells Fargo for $500,000 in order to assist in the extension of loans in support of low to moderate-income households and financially underserved geographic markets, more specifically the financing of affordable housing, community revitalization and 504 SBA loans in the geographic markets of Florida. The note is payable in quarterly interest payments at 2% through March 2022 at which time the unpaid balance is due. If the Company is in good standing at this time, the maturity date will be automatically extended for two years with quarterly interest payments continuing and quarterly principal payments of $62,000 will begin. The balance outstanding at March 31, 2012 was $500,000.

(6) Mortgage 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 November 2015 at which time the unpaid balance is due. The note payable is collateralized by a building with a net book value of $896,239 at March 31, 2012. Principal payments are as follows:

Year Ended March 31,	Amount
2013	$ 24,485
2014	25,802
2015	27,190
2016	709,971
Total principal payments	$ 787,448

(7) Revolving Line of Credit

The Company has a $1 million revolving line of credit with a bank. The line of credit bears interest at LIBOR plus 1.5% and is collateralized by the Company's unrestricted cash balances at the bank. The balance outstanding at March 31, 2012 and 2011 was $7,343 and $8,773, respectively.

(continued)

(8) Related Party Transactions and Concentrations of Credit Risk

The Company had $11,950,293 and $10,151,762 on deposit with member banks in general operating accounts, payroll accounts, escrow accounts and short-term investment accounts as of March 31, 2012 and 2011, respectively.

(9) 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.

(10) 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 $43,806 and $60,507 to the plan during the years ended March 31, 2012 and 2011, respectively.

(11) 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 were 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 were 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. In addition, in fiscal year 2011 the Company was awarded a $750,000 grant, which is not subject to the matching requirements. 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:

	At March 31,	
	2012	2011
Mortgage loans	$ 11,378,308	11,741,779
Less:		
Allowance for loan losses	(179,272)	(150,528)
Unamortized loan fees and costs, net	(97,952)	(102,314)
	$ 11,101,084	11,488,937

(continued)

(11) Community Development Financial Institutions Program, Continued

Temporarily restricted net assets are as follows:

Name	At March 31, 2012	2011
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	485,175	485,175
Total	2,744,945	2,744,945
CDFI – 2002	-	-
Matching funds:		
Hillsborough County	1,169,100	1,169,100
City and County of Sarasota	800,000	800,000
Polk County	666,000	666,000
Total	2,635,100	2,635,100
CDFI – 2003	-	-
Matching funds-		
Hernando County	200,000	200,000
CDFI – 2010	750,000	750,000
Temporarily restricted net assets – CDFI grants	$ 6,330,045	6,330,045

(continued)

(11) Community Development Financial Institutions Program, Continued

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 city 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. As of March 31, 2012, two of the agreements with Counties were modified to allow the Company's portion to be used entirely for administration costs. The remaining 50% is remitted to the Counties and Cities.

At March 31, 2012 and 2011, 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.

(12) Temporarily Restricted Net Assets – Other Grants

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

	At March 31,	
	2012	2011
DeSoto County - HHRP	$ 3,229,529	3,229,529
Polk County - HHRP	2,555,526	2,555,526
Polk County – SHIP Grant	425,000	425,000
Temporarily restricted net assets - other grants	$ 6,210,055	6,210,055

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.

(continued)

(13) Commitments

Subsequent to December 31, 2008, participation by member banks is on a voluntary loan by loan basis. The amounts pledged, but not committed, as of March 31, 2012 were $10,250,000 for NLPNF, $6,601,000 for NLPSF, and $7,600,000 for NLPWF. At March 31, 2012, the Company had total loan commitments of $1,200,000 relating to loans to be funded by the member banks.

The loans outstanding under the Old Agreements are as follows:

	NLPSF	NLPWF	NLPNF
Participation loans-			
Closed and funded	$ 8,191,988	46,779,182	21,813,762

(14) Neighborhood Stabilization Program 2

On February 11, 2010, the Company was awarded a grant, subject to certain conditions, in the amount of $50,000,000 from the Department of Housing and Urban Development ("HUD") under NSP 2. The Company was the lead applicant of a consortium consisting of Pasco County, Florida, Pinellas County, Florida and the Housing Finance Authority of Pinellas County. The Company has entered into agreements with the members of the consortium in accordance with the NSP 2 requirements to determine funding arrangements and allocations. The Company administers the funds and oversees the NSP 2 activities as defined by the grant. The purpose of NSP 2 is to assist in the redevelopment and rehabilitation of abandoned and foreclosed properties. The NSP 2 grant calls for expenditures of 50% of the total initial allocation within two years of the HUD award date and expenditures of 100% of the total initial allocation within three years of the HUD award date. The Company is reimbursed by HUD for qualified grant expenditures. During the year ended March 31, 2012 and 2011, there have been expenditures and reimbursements under the NSP 2 grant of $4,485,372 and $22,685,081.

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Schedule of Expenditures of Federal Awards and State Financial Assistance

For the Year Ended March 31, 2012

Federal/State Agency/Pass-Through Grantor/Program Title	CFDA/ CSFA Number	Award/ Contract Grant Number	Expenditures
Federal Project-			
Neighborhood Stabilization Program 2	14.256	B-09-CN-FL-0023	$ 4,485,372

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

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

For the Year Ended March 31, 2012

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 Audits of States, Local Governments, and Non-Profit Organizations and Rule 10.650 of the Auditor General.

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Combining Statement of Financial Position

At March 31, 2012

		NLPWF								
	NLP	NSP 2	NLPWF	Total NLPWF	NLPSF	NLPPI	NLPNF	NLPLV	Eliminations	Combined
Assets										
Cash:										
Restricted	$ -	128	7,775,230	7,775,358	1,991,345	-	1,221,289	-	-	10,987,992
Unrestricted	(1,851)	-	552,847	552,847	2,920	-	4,144	-	-	558,060
Total cash	(1,851)	128	8,328,077	8,328,205	1,994,265	-	1,225,433	-	-	11,546,052
Short-term investments	-	-	404,241	404,241	-	-	-	-	-	404,241
Cash and cash equivalents	(1,851)	128	8,732,318	8,732,446	1,994,265	-	1,225,433	-	-	11,950,293
Mortgage loans, net	-	-	384,218	384,218	99,500	-	8,261	-	-	491,979
Mortgage loans, CDFI, net	-		11,101,084	11,101,084	-	-	-	-	-	11,101,084
Mortgage loans, HHRP	-	-	5,682,003	5,682,003	-	-	-	-	-	5,682,003
Accrued interest receivable	-	-	205,454	205,454	2,500	-	3,279	-	-	211,233
Servicing fees receivable	-	-	31,230	31,230	6,931	-	-	-	-	38,161
NSP 2 receivables	-	3,712,879	-	3,712,879	-	-	-	-	(3,712,879)[b]	-
Other receivables	119,639	-	370,122	370,122	11,632	-	17,000	-	(300,535)[b]	217,858
Property and equipment, net	1,060,569	-	-	-	-	-	-	-	-	1,060,569
Investment in affiliates	18,879,618	-	-	-	-	-	-	-	(18,879,618)[a]	-
Foreclosed real estate	-	-	-	-	-	87,519	-	856,699	-	944,218
Other assets	128,271	-	32,304	32,304	-	-	-	-	-	160,575
Total assets	$ 20,186,246	3,713,007	26,538,733	30,251,740	2,114,828	87,519	1,253,973	856,699	(22,893,032)	31,857,973
Liabilities and Net Assets										
Liabilities:										
Accounts payable and accrued expenses	356,106	-	122,305	122,305	104,888	-	32,684	-	(300,535)[b]	315,448
NSP 2 payables	-	3,713,007	-	3,713,007	-	-	-	-	(3,712,879)[b]	128
Notes payable to bank	-	-	500,000	500,000	-	-	-	-	-	500,000
Escrow deposits	-	-	5,184,183	5,184,183	1,991,329	-	1,110,217	-	-	8,285,729
Due to the City of St. Petersburg	-	-	1,863,895	1,863,895	-	-	-	-	-	1,863,895
Mortgage note payable	787,448	-	-	-	-	-	-	-	-	787,448
Due to member banks	-	-	-	-		87,519	111,072	856,699	-	1,055,290
Revolving line of credit	-	-	-	-	7,343	-	-	-	-	7,343
Total liabilities	1,143,554	3,713,007	7,670,383	11,383,390	2,103,560	87,519	1,253,973	-	(4,013,414)	12,815,281
Net assets:										
Unrestricted	6,446,805	-	6,272,463	6,272,463	11,268	-	-	-	(6,283,731)[a]	6,446,805
Temporarily restricted:										
CDFI Grants	6,330,045	-	6,330,045	6,330,045	-	-	-	-	(6,330,045)[a]	6,330,045
Other grants	6,210,055	-	6,210,055	6,210,055	-	-	-	-	(6,210,055)[a]	6,210,055
Future loan programs	55,787	-	55,787	55,787	-	-	-	-	(55,787)[a]	55,787
Total temporarily restricted	12,595,887	-	12,595,887	12,595,887	-	-	-	-	(12,595,887)[a]	12,595,887
Total net assets	19,042,692	-	18,868,350	18,868,350	11,268	-	-	-	(18,879,618)	19,042,692
Total liabilities and net assets	$ 20,186,246	3,713,007	26,538,733	30,251,740	2,114,828	87,519	1,253,973	856,699	(22,893,032)	31,857,973

[a] to eliminate investment in affiliates
[b] to eliminate intercompany receivables and payables

Supplementary Schedule

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Combining Statement of Activities

For the Year Ending March 31, 2012

	NLP	NLPWF NSP 2	NLPWF NLPWF	NLPWF Total NLPWF	NLPSF	NLPNF	Eliminations	Combined
Revenues:								
NSP2 grants	$ 41,326	4,578,050	-	4,578,050	-	-	(134,004)	4,485,372
NSP2 program income	-	4,902,757	-	4,902,757	-	-	(2,186,866)	2,715,891
Loan servicing fees	101,676	-	501,152	501,152	88,563	215,404	(96,676)[c]	810,119
Loan facilitation fees	-	-	240,820	240,820	80,817	1,324	-	322,961
Interest income, mortgage loans	-	-	273,949	273,949	3,050	429	-	277,428
Interest income and other	62,863	-	6,825	6,825	131	28	(52,863)[a]	16,984
Total revenues	205,865	9,480,807	1,022,746	10,503,553	172,561	217,185	(2,470,409)	8,628,755
Expenses:								
NSP2 grant expenses	-	4,578,050	-	4,578,050	-	-	(92,678)	4,485,372
NSP2 program expenses	-	4,902,757		4,902,757	-	-	(2,186,866)	2,715,891
Salaries and employee benefits	111,676	-	628,423	628,423	67,503	88,148	-	895,750
Professional fees	-	-	98,169	98,169	22,169	19,041	-	139,379
Rental and maintenance	-	-	21,365	21,365	3,689	3,250	-	28,304
Office	-	-	35,937	35,937	11,384	7,251	-	54,572
Depreciation and amortization	-	-	1,780	1,780	15,040	15,040	-	31,860
Credit for loan losses	-	-	(7,552)	(7,552)	(500)	(57)	-	(8,109)
Interest expense	-	-	3,894	3,894	15,135	15,136	-	34,165
Travel	-	-	36,895	36,895	26,777	5,459	-	69,131
Other	-	-	63,422	63,422	57,588	63,917	(96,676)[c]	88,251
Total expenses	111,676	9,480,807	882,333	10,363,140	218,785	217,185	(2,376,220)[c]	8,534,566
Increase (decrease) in net assets	94,189	-	140,413	140,413	(46,224)	-	(94,189)[a]	94,189
Net assets at beginning of year	18,948,503	-	18,727,937	18,727,937	57,492	-	(18,785,429)[b]	18,948,503
Net assets at end of year	$ 19,042,692	-	18,868,350	18,868,350	11,268	-	(18,879,618)[b]	19,042,692

[a] to eliminate increase (decrease) in net assets of affiliates
[b] to eliminate fund balance of affiliates
[c] to eliminate intercompany revenue and expenses

Summary Schedule of Prior Audit Findings

HACKER, JOHNSON & SMITH PA

Fort Lauderdale
Fort Myers
Orlando
Tampa

Certified Public Accountants

Summary Schedule of Prior Audit Findings

June 26, 2012

There were no prior audit findings or questioned costs relative to Federal awards identified in the audit of Neighborhood Lending Partners, Inc. for the year ended March 31, 2011.

500 North Westshore Boulevard, Post Office Box 20368, Tampa, Florida 33622-0368, (813) 286-2424
A Registered Public Accounting Firm

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Combined Financial Statements Performed in Accordance with Government Auditing Standards

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Combined Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors
Neighborhood Lending Partners, Inc.
Tampa, Florida:

We have audited the financial statements of Neighborhood Lending Partners, Inc. and Affiliates (the "Company"), as of and for the year ended March 31, 2012, and have issued our report thereon dated June 26, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Company's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

This report is intended for the information of the Board of Directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hacker, Johnson & Smith PA

HACKER, JOHNSON & SMITH PA
Tampa, Florida
June 26, 2012

Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and State Project and on Internal Control Over Compliance in Accordance With OMB A-133

Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and State Project and on Internal Control Over Compliance in Accordance with OMB Circular A-133

The Board of Directors
Neighborhood Lending Partners, Inc.
Tampa, Florida:

Compliance

We have audited the compliance of Neighborhood Lending Partners, Inc. and Affiliates (the "Company") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the requirements described in the *Executive Office of the Governor's State Projects Compliance Supplement*, that could have a direct and material effect on each of the Company's major federal programs and state projects for the year ended March 31, 2012. The Company's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs and state projects is the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.650, Rules of the Auditor General. Those standards, OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the Company's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Company's compliance with those requirements.

In our opinion, the Company complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs and state projects for the year ended March 31, 2012.

Internal Control Over Compliance

Management of the Company is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs and state projects. In planning and performing our audit, we considered the Company's internal control over compliance with requirements that could have a direct and material effect on a major federal program or state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and chapter 10.650, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of the Board of Directors, management, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hacker, Johnson & Smith PA

HACKER, JOHNSON & SMITH PA
Tampa, Florida
June 26, 2012

Schedule of Findings and Questioned Costs

Neighborhood Lending Partners, Inc.

Schedule of Findings and Questioned Costs

For the Year Ended March 31, 2012

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
• Material weaknesses identified?	____yes _X__ no
• Reportable conditions identified that are not considered to be material weaknesses?	____ yes _X__ none reported
Noncompliance material to financial statements noted?	____ yes _X__ no

Federal Awards

Internal control over major program:	
• Material weaknesses identified?	____ yes _X__ no
• Reportable conditions identified that are not considered to be material weaknesses?	____ yes _X__ none reported
Type of auditors' report issued on compliance for major program:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	_____ yes _X__ no

Identification of major program:

CFDA Number	*Name of Federal Program*
14.256	Neighborhood Stabilization Program 2

Dollar threshold used to distinguish between type A and type B programs:	$300,000
Auditee qualified as low-risk auditee?	___ yes X no

State Awards

Internal control over major state project:

- Material weaknesses identified? ____ yes _X_ no
- Reportable conditions identified that are not considered to be material weaknesses? ____ yes _X_ none reported

Type of auditors' report issued on compliance for major state project: Unqualified

Any audit findings disclosed that are required to be reported under Rule 10.650. ____ yes _X_ no

Identification of major project:

Section II – Financial Statement Findings

No reportable conditions, material weaknesses, or instances of noncompliance relating to the combined financial statements were identified that are required to be reported in accordance with paragraphs 5.18 through 5.20 of *Government Auditing Standards* or auditing standards generally accepted in the United States of America.

Section III – Federal and State Award Findings and Questioned Costs

No audit findings were identified that are required to be reported by section 510(a) of Circular A-133 or under Rule 10.650 of the Auditor General. No management letter is required under Rule 10.650 of the Auditor General.

If you have any questions please call Steve Kania at (813) 282-7228.

Very truly yours,

HACKER, JOHNSON & SMITH PA

Steve Kania

Stephen R. Kania

SRK/yea

Corrective Action Plan

Neighborhood Lending
Partners, Inc.

Corrective Action Plan

June 26, 2012

No corrective action plan is necessary because the auditors' did not identify any audit findings in connection with the audit of Neighborhood Lending Partners, Inc. for the year ended March 31, 2012.

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