Neighborhood Lending Partners, Inc.

Audited Combined Financial Statements

At March 31, 2013 and 2012 and For the Years Then Ended
With Supplementary Schedules for Fiscal 2013

(Together with Independent Auditors' Report)

Unqualified Opinion on the Combined Financial Statements and Supplementary Schedules

Independent Auditors' Report

Neighborhood Lending Partners, Inc.
Tampa, Florida:

Report on the Financial Statements

We have audited the accompanying combined financial statements of Neighborhood Lending Partners, Inc. and Affiliates (the "Company"), which comprise the combined statements of financial position as of March 31, 2013 and 2012, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying schedule of expenditures of federal awards for 2013 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 is not a required part of the basic combined financial statements. 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 combined financial statements. In addition, the combining statement of financial position at March 31, 2013 and combining statement of activities for the year ended March 31, 2013 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 has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June __, 2013 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 of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control over financial reporting and compliance.

HACKER, JOHNSON & SMITH PA
Tampa, Florida
June , 2013

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Combined Statements of Financial Position

Assets	**At March 31, 2013**	**2012**
Cash:		
Restricted	$ 11,181,211	10,987,992
Unrestricted	1,043,267	558,060
Total cash	12,224,478	11,546,052
Short-term investments - money market funds	404,810	404,241
Cash and cash equivalents	12,629,288	11,950,293
Mortgage loans, net of allowance for loan losses of $30,801 and $29,907 in 2013 and 2012	1,044,588	491,979
Mortgage loans, CDFI, net of allowance for loan losses of $185,586 and $179,272 in 2013 and 2012	11,209,992	11,101,084
Mortgage loans, HHRP	5,659,193	5,682,003
Accrued interest receivable	205,255	211,233
Servicing fees receivable	34,711	38,161
Other receivables	136,008	217,858
Property and equipment, net	1,031,958	1,060,569
Foreclosed real estate	340,400	944,218
Other assets	186,610	160,575
Total assets	$ 32,478,003	31,857,973
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	281,343	315,448
NSP 2 payables	780,102	128
Note payable to bank	500,000	500,000
Escrow deposits	9,448,214	8,285,729
Due to the City of St. Petersburg	1,856,964	1,863,895
Mortgage note payable	763,436	787,448
Due to member banks	461,413	1,055,290
Revolving line of credit	-	7,343
Total liabilities	14,091,472	12,815,281
Commitments and contingencies (Notes 11, 12 and 13)		
Net assets:		
Unrestricted	6,511,399	6,446,805
Temporarily restricted:		
CDFI Grants	5,674,796	6,330,045
Other Grants	6,200,336	6,210,055
Future loan programs	-	55,787
Total temporarily restricted	11,875,132	12,595,887
Total net assets	18,386,531	19,042,692
Total liabilities and net assets	$ 32,478,003	31,857,973

See accompanying Notes to Combined Financial Statements.

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Combined Statement of Activities

Year Ended March 31, 2013

	Unrestricted	Temporarily Restricted	Total
Revenues:			
NSP2 Grants	$ -	12,173,847	12,173,847
NSP2 program income	-	5,322,324	5,322,324
Loan servicing fees	790,546	-	790,546
Loan facilitation fees	233,352	-	233,352
Interest income, mortgage loans	275,425	4,416	279,841
Interest income and other	33,477	-	33,477
Net assets released from restrictions	18,221,342	(18,221,342)	-
Total revenues	19,554,142	(720,755)	18,833,387
Expenses:			
NSP2 grant expenses	12,173,847	-	12,173,847
NSP2 program expenses	5,322,324	-	5,322,324
Return of SHIP funds	657,243	-	657,243
Salaries and employee benefits	890,150	-	890,150
Professional fees	117,989	-	117,989
Rental and maintenance	35,332	-	35,332
Office	69,154	-	69,154
Depreciation and amortization	27,632	-	27,632
Provision for loan losses	7,208	-	7,208
Interest expense	43,974	-	43,974
Travel	54,705	-	54,705
Other	89,990	-	89,990
Total expenses	19,489,548	-	19,489,548
Change in net assets	64,594	(720,755)	(656,161)
Net assets at beginning of year	6,446,805	12,595,887	19,042,692
Net assets at end of year	$ 6,511,399	11,875,132	18,386,531

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 Statements of Cash Flows

	Year Ended March 31, 2013	2012
Cash flows from operating activities:		
Change in net assets	$ (656,161)	94,189
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	27,632	31,860
Deprecation allocated to NSP2 expenses	5,837	13,261
Provision (credit) for loan losses	7,208	(8,109)
Amortization of deferred loan fees and costs, net	(5,199)	(4,362)
Decrease (increase) in accrued interest receivable	5,978	(21,035)
Decrease in servicing fees receivable	3,450	185
Decrease (increase) in other receivables	81,850	(82,413)
Increase (decrease) in NSP 2 payables, net of NSP 2 receivables	779,974	(32,437)
Increase in other assets	(26,035)	(31,715)
(Decrease) increase in accounts payable and accrued expenses	(34,105)	72,493
Increase in escrow deposits	1,162,485	986,577
Proceeds from sale of foreclosed real estate	87,519	-
Decrease in due to member banks	(77,578)	(50,253)
Net cash provided by operating activities	1,362,855	968,241
Cash flows from investing activities:		
Net mortgage loan originations	(545,391)	(51,897)
Net mortgage loan (originations) repayments - CDFI	(118,135)	401,657
Net mortgage loan repayments - HHRP	22,810	22,263
Purchase of property and equipment	(4,858)	(11,664)
Net cash (used in) provided by investing activities	(645,574)	360,359
Cash flows from financing activities:		
Net decrease in revolving line of credit	(7,343)	(1,430)
Proceeds of note payable to bank	-	500,000
Repayment of loan from the City of St. Petersburg, net	(6,931)	(6,708)
Repayment of mortgage note payable	(24,012)	(21,931)
Net cash (used in) provided by financing activities	(38,286)	469,931
Net increase in cash and cash equivalents	678,995	1,798,531
Cash and cash equivalents at beginning of year	11,950,293	10,151,762
Cash and cash equivalents at end of year	$ 12,629,288	11,950,293
Supplemental disclosure of cash flow information - Cash paid for interest	$ 43,974	34,165
Noncash transactions:		
Decrease in foreclosed real estate and due to member banks due to write-down of foreclosed real estate	$ 516,299	140,307
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. Neighborhood Lending Partners, Inc. ("NLP") is a private not-for-profit organization established to arrange for financing and provide technical assistance to facilitate the development of affordable housing, 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 provide technical assistance to project sponsors. NLP is the parent affiliated company for Neighborhood Lending Partners of West Florida, Inc. ("NLPWF"). NLPWF conducts its operations in nineteen counties located in the West Florida area. On February 19, 2002, Neighborhood Lending Partners of South Florida, Inc. ("NLPSF") was incorporated, which is also an affiliate of NLP, to provide services 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 services in forty-four North Florida counties.

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. NLPPI, NLPPR and NLPTC had no activity during years ended March 31, 2013 and 2012.

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 _____, 2013 (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, 2013, restricted cash represented $764,274 of principal, interest and risk free payments received from borrowers and held on behalf of the local jurisdictions under the CDFI and SHIP programs. Also, restricted cash included $121,013 of principal, interest and risk free payments received from borrowers and due to member banks. In addition, $67,608 was restricted for future loan programs related to the note payable to bank (see note 5). Also, restricted cash included $9,448,214 of escrow payments received from borrowers. Restricted cash related to the NSP 2 grant was $780,102.

At March 31, 2012, restricted cash represented $2,035,276 of principal, interest and risk free payments received from borrowers and held on behalf of the local jurisdictions under the CDFI and SHIP programs. Also, restricted cash included $111,072 of principal, interest and risk free payments received from borrowers and due to 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.

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, 2013.

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. 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, 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 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, 2013 and 2012, includes $121,013 and $111,072, respectively related to loan payments for loans sold to the member banks. In addition, at March 31, 2013 and 2012 due to member banks includes $340,400 and $944,218, 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 $233,352 and $322,961 for the years ended March 31, 2013 and 2012, respectively on loans originated by the Company for member banks.

Loan Servicing Fees. Loan servicing fees totaled $790,546 and $810,119 for the years ended March 31, 2013 and 2012, respectively. The servicing portfolio totaled approximately $124,265,000 and $126,152,000 at March 31, 2013 and 2012, 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. 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 2012 combined financial statements have been reclassified to conform to the 2013 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 a company 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, 2013	At March 31, 2012
Commercial real estate	$ 18,224,761	17,584,045
Less:		
Allowance for loan losses	(216,387)	(209,179)
Deferred loan fees, net	(94,601)	(99,800)
	$ 17,913,773	17,275,066

The following summarizes the loan credit quality at March 31, 2013:

	At March 31, 2013	At March 31, 2012
Credit Risk Profile by Internally Assigned Grade:		
Grade:		
Pass	$ 14,465,474	14,144,015
Special mention	116,042	1,830,177
Substandard	3,199,958	1,609,853
Doubtful	443,287	-
Total	$ 18,224,761	17,584,045

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

	Year Ended March 31, 2013	Year Ended March 31, 2012
Beginning balance	$ 209,179	177,165
Provision (credit) for loan losses	7,208	(8,109)
Charge-offs	-	(14,132)
Recoveries	-	54,255
Ending balance [1]	$ 216,387	209,179

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

(continued)

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

At March 31, 2013 and 2012, all loans were current except for one impaired loan that is also the only nonaccrual loan, with a total outstanding principal balance of $443,287. A specific reserve of $68,166 was recorded with respect to this loan as of March 31, 2013 and 2012. The average investment in impaired loans was approximately $443,000 and there was no interest income recognized or recorded with respect to this impaired loan during the years ended March 31, 2013 and 2012, respectively. There were no troubled debt restructurings during the years ended March 31, 2013 or 2012.

(3) Property and Equipment, Net

Property and equipment consists of the following:

	At March 31, 2013	At March 31, 2012
Land	$ 153,032	153,032
Building	1,072,220	1,072,220
Furniture and fixtures	150,345	150,345
Equipment	23,848	99,758
Total, at cost	1,399,445	1,475,355
Less accumulated depreciation	(367,487)	(414,786)
Property and equipment, net	$ 1,031,958	1,060,569

(4) Foreclosed Real Estate

During the year ended March 31, 2013, there were no new foreclosures. During the year ended March 31, 2012, there was one foreclosure. At March 31, 2013 and 2012, the amount included in due to member banks that was related to foreclosed real estate totaled $340,400 and $944,218, respectively.

(continued)

(5) Note Payable to Bank

In fiscal 2012, the Company entered into an 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, 2013 and 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 bears interest at a fixed rate of 5.25% and is collateralized by a building with a net book value of $896,239 at March 31, 2013. Principal payments are as follows:

Year Ended March 31,	Amount
2014	$ 25,802
2015	27,190
2016	710,444
Total principal payments	$ 763,436

(7) Revolving Line of Credit

The Company had a $1 million revolving line of credit with a bank. The line of credit bore interest at LIBOR plus 1.5% and was collateralized by the Company's unrestricted cash balances at the bank. As of March 31, 2013, the revolving line of credit was closed. The balance outstanding at March 31, 2012 was $7,343.

(8) Related Party Transactions and Concentrations of Credit Risk

The Company had $12,629,288 and $11,950,293 on deposit with member banks in general operating accounts, payroll accounts, escrow accounts and short-term investment accounts as of March 31, 2013 and 2012, 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.

(continued)

(9) Tax Status, Continued

NLP is required to recognize the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. Any interest and penalties recognized associated with a tax position would be accrued in NLP's combined financial statements. Currently, the tax years ended March 31, 2012, 2011 and 2010 are open and subject to examination by the Internal Revenue Service and the Florida Department of Revenue. However, NLP is not currently under audit nor has NLP been contacted by any of these jurisdictions. Based on the evaluation of NLP's tax positions, management believes all positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions has been recorded for the years ended March 31, 2013 and 2012.

(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 $49,825 and $43,806 to the plan during the years ended March 31, 2013 and 2012, 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, 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,	
	2013	**2012**
Mortgage loans	$ 11,489,168	11,378,308
Less:		
Allowance for loan losses	(185,586)	(179,272)
Unamortized loan fees and costs, net	(93,590)	(97,952)
	$ 11,209,992	11,101,084

(continued)

(11) Community Development Financial Institutions Program, Continued

Temporarily restricted net assets are as follows:

Name	At March 31, 2013	2012
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
Total	2,259,770	2,744,945
CDFI – 2002	-	-
Matching funds:		
Hillsborough County	1,169,100	1,169,100
City and County of Sarasota	792,275	800,000
Polk County	503,651	666,000
Total	2,465,026	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	$ 5,674,796	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. As of March 31, 2013, the remaining agreements with Counties excluding Hernando County were also modified to allow the Company's portion to be used entirely for administrative costs. The remaining 50% is remitted to the Counties and Cities.

At March 31, 2013 and 2012, 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,	
	2013	**2012**
DeSoto County - HHRP	$ 3,229,529	3,229,529
Polk County - HHRP	2,555,526	2,555,526
Polk County – SHIP Grant	415,281	425,000
Temporarily restricted net assets - other grants	$ 6,200,336	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. As of March 31, 2013, all of the County agreements were modified to allow the Company's portion to be used entirely for administrative costs.

(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, 2013 were $13,250,000 for NLPNF, $10,351,000 for NLPSF, and $17,100,000 for NLPWF. At March 31, 2013, the Company had no loan commitments 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	$ 8,069,959	46,496,508	21,112,798

(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 called 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 complied with these requirements. The Company is reimbursed by HUD for qualified grant expenditures. During the years ended March 31, 2013 and 2012, there have been expenditures and reimbursements under the NSP 2 grant of $12,173,847 and $4,485,372, respectively.

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Schedule of Expenditures of Federal Awards

For the Year Ended March 31, 2013

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	$ 12,253,604

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Schedule of Expenditures of Federal Awards, Continued

For the Year Ended March 31, 2013

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal 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.

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Combining Statement of Financial Position

At March 31, 2013

	NLP	NSP 2 (NLPWF)	NLPWF (NLPWF)	Total NLPWF (NLPWF)	NLPSF	NLPNF	NLPLV	Eliminations	Combined
Assets									
Cash:									
Restricted	$ -	780,102	6,694,526	7,474,628	2,295,521	1,411,062	-	-	11,181,211
Unrestricted	(120)	-	1,032,777	1,032,777	6,385	4,225	-	-	1,043,267
Total cash	(120)	780,102	7,727,303	8,507,405	2,301,906	1,415,287	-	-	12,224,478
Short-term investments	-	-	404,810	404,810	-	-	-	-	404,810
Cash and cash equivalents	(120)	780,102	8,132,113	8,912,215	2,301,906	1,415,287	-	-	12,629,288
Mortgage loans, net	-	-	937,110	937,110	99,500	7,978	-	-	1,044,588
Mortgage loans, CDFI, net	-	-	11,209,992	11,209,992	-	-	-	-	11,209,992
Mortgage loans, HHRP	-	-	5,659,193	5,659,193	-	-	-	-	5,659,193
Accrued interest receivable	-	-	200,169	200,169	2,492	2,594	-	-	205,255
Servicing fees receivable	-	-	28,150	28,150	6,561	-	-	-	34,711
NSP 2 receivables	-	1,808,590	-	1,808,590	-	-	-	(1,808,590)(b)	-
Other receivables	142,114	-	362,025	362,025	13,049	16,142	-	(397,322)(b)	136,008
Property and equipment, net	1,031,958	-	-	-	-	-	-	-	1,031,958
Investment in affiliates	18,223,456	-	-	-	-	-	-	(18,223,456)(a)	-
Foreclosed real estate	-	-	-	-	-	-	340,400	-	340,400
Other assets	151,420	-	35,190	35,190	-	-	-	-	186,610
Total assets	$ 19,548,828	2,588,692	26,563,942	29,152,634	2,423,508	1,442,001	340,400	(20,429,368)	32,478,003
Liabilities and Net Assets									
Liabilities:									
Accounts payable and accrued expenses	398,861	-	120,738	120,738	128,126	30,940	-	(397,322)(b)	281,343
NSP 2 payables	-	2,588,692	-	2,588,692	-	-	-	(1,808,590)(b)	780,102
Notes payable to bank	-	-	500,000	500,000	-	-	-	-	500,000
Escrow deposits	-	-	5,862,784	5,862,784	2,295,382	1,290,048	-	-	9,448,214
Due to the City of St. Petersburg	-	-	1,856,964	1,856,964	-	-	-	-	1,856,964
Mortgage note payable	763,436	-	-	-	-	-	-	-	763,436
Due to member banks	-	-	-	-	-	121,013	340,400	-	461,413
Total liabilities	1,162,297	2,588,692	8,340,486	10,929,178	2,423,508	1,442,001	340,400	(2,205,912)	14,091,472
Net assets:									
Unrestricted	6,511,399	-	6,348,324	6,348,324	-	-	-	(6,348,324)(a)	6,511,399
Temporarily restricted									
CDFI Grants	5,674,796	-	5,674,796	5,674,796	-	-	-	(5,674,796)(a)	5,674,796
Other grants	6,200,336	-	6,200,336	6,200,336	-	-	-	(6,200,336)(a)	6,200,336
Future loan programs	-	-	-	-	-	-	-	-	-
Total temporarily restricted	11,875,132	-	11,875,132	11,875,132	-	-	-	(11,875,132)	11,875,132
Total net assets	18,386,531	-	18,223,456	18,223,456	-	-	-	(18,223,456)	18,386,531
Total liabilities and net assets	$ 19,548,828	2,588,692	26,563,942	29,152,634	2,423,508	1,442,001	340,400	(20,429,368)	32,478,003

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

draft as of June 20, 2013

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Combining Statement of Activities

For the Year Ending March 31, 2013

		NLPWF						
	NLP	NSP 2	NLPWF	Total NLPWF	NLPSF	NLPNF	Eliminations	Combined
Revenues:								
NSP2 grants	$	12,253,604	-	12,253,604	-	-	(79,757)[c]	12,173,847
NSP2 program income	-	6,113,331	-	6,113,331	-	-	(791,007)[c]	5,322,324
Other grants	(664,967)	-	-	-	-	-	664,967[c]	-
Loan servicing fees	114,262	-	462,253	462,253	87,070	210,424	(83,463)[c]	790,546
Loan facilitation fees	-	-	146,450	146,450	85,602	1,300	-	233,352
Interest income, mortgage loans	4,416	-	276,207	276,207	3,042	592	(4,416)[c]	279,841
Interest income and other	24,949	-	11,588	11,588	1,330	-	(4,390)[c]	33,477
Total revenues	(521,340)	18,366,935	896,498	19,263,433	177,044	212,316	(298,066)	18,833,387
Expenses:								
NSP2 grant expenses	-	12,253,604	-	12,253,604	-	-	(79,757)[c]	12,173,847
NSP2 program expenses	-	6,113,331	-	6,113,331	-	-	(791,007)[c]	5,322,324
Return of SHIP funds	-	-	657,243	657,243	-	-	-	657,243
Salaries and employee benefits	134,821	-	588,129	588,129	76,200	91,000	-	890,150
Professional fees	-	-	81,317	81,317	20,087	16,585	-	117,989
Rental and maintenance	-	-	26,105	26,105	4,947	4,280	-	35,332
Office	-	-	48,629	48,629	12,644	7,881	-	69,154
Depreciation and amortization	-	-	5,320	5,320	11,156	11,156	-	27,632
Provision for loan losses	-	-	7,208	7,208	-	-	-	7,208
Interest expense	-	-	16,446	16,446	13,764	13,764	-	43,974
Travel	-	-	38,598	38,598	9,687	6,420	-	54,705
Other	-	-	72,396	72,396	39,827	61,230	(83,463)[c]	89,990
Total expenses	134,821	18,366,935	1,541,391	19,908,326	188,312	212,316	(954,227)	19,489,548
Increase (decrease) in net assets	(656,161)	-	(644,893)	(644,893)	(11,268)	-	656,161[a]	(656,161)
Net assets at beginning of year	19,042,692	-	18,868,349	18,868,349	11,268	-	(18,879,617)[b]	19,042,692
Net assets at end of year	$ 18,386,531	-	18,223,456	18,223,456	-	-	(18,223,456)[b]	18,386,531

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