NLP

Neighborhood Lending Partners, Inc.

Audited Combined Financial Statements

At March 31, 2014 and 2013 and For the Years Then Ended
With Supplementary Schedules for Fiscal 2014

(Together with Independent Auditors' Report)

HACKER, JOHNSON & SMITH PA

Fort Lauderdale
Orlando
Tampa

Certified Public Accountants

Unqualified Opinion on the Combined Financial Statements and Supplementary Schedules

Independent Auditors' Report

Board of Directors
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, 2014 and 2013, 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, 2014 and 2013, 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 2014 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, 2014 and combining statement of activities for the year ended March 31, 2014 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 23, 2014 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

HACKER, JOHNSON & SMITH PA
Tampa, Florida
June 23, 2014

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Combined Statements of Financial Position

	At March 31, 2014	2013
Assets		
Cash:		
Restricted	$ 10,246,699	11,181,211
Unrestricted	1,310,652	1,043,267
Total cash	11,557,351	12,224,478
Short-term investments - money market funds	551,290	404,810
Cash and cash equivalents	12,108,641	12,629,288
Mortgage loans, net of allowance for loan losses of $32,894 and $30,801 in 2014 and 2013	1,174,914	1,044,588
Mortgage loans, CDFI, net of allowance for loan losses of $172,763 and $185,586 in 2014 and 2013	9,588,032	11,209,992
Mortgage loans, HHRP	5,635,679	5,659,193
Accrued interest receivable	220,057	205,255
Servicing fees receivable	31,612	34,711
Other receivables	53,241	136,008
Property and equipment, net	1,001,238	1,031,958
Foreclosed real estate	-	340,400
Other assets	201,558	186,610
Total assets	$ 30,014,972	32,478,003
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	305,500	281,343
NSP 2 payables	711,853	780,102
Note payable to bank	500,000	500,000
Escrow deposits	8,022,409	9,448,214
Due to the City of St. Petersburg	1,338,795	1,856,964
Due to Desoto County	3,197,759	-
Mortgage note payable	738,135	763,436
Due to member banks	-	461,413
Total liabilities	14,814,451	14,091,472
Commitments and contingencies (Notes 10, 11 and 12)		
Net assets:		
Unrestricted	6,554,918	6,511,399
Temporarily restricted:		
CDFI Grants	5,674,796	5,674,796
Other Grants	2,970,807	6,200,336
Total temporarily restricted	8,645,603	11,875,132
Total net assets	15,200,521	18,386,531
Total liabilities and net assets	$ 30,014,972	32,478,003

See accompanying Notes to Combined Financial Statements.

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Combined Statement of Activities

Year Ended March 31, 2014

	Unrestricted	Temporarily Restricted	Total
Revenues:			
NSP2 Grants	$ -	2,062,896	2,062,896
NSP2 program income	-	3,923,243	3,923,243
Loan servicing fees	739,312	-	739,312
Loan facilitation fees	316,684	-	316,684
Interest income, mortgage loans	233,448	-	233,448
Interest income and other	184,363	-	184,363
Net assets released from restrictions	9,215,668	(9,215,668)	-
Total revenues	10,689,475	(3,229,529)	7,459,946
Expenses:			
NSP2 grant expenses	2,062,896	-	2,062,896
NSP2 program expenses	3,923,243	-	3,923,243
DeSoto County grant expense (see Note 11)	3,229,529	-	3,229,529
Salaries and employee benefits	965,784	-	965,784
Professional fees	103,555	-	103,555
Rental and maintenance	27,983	-	27,983
Office	63,813	-	63,813
Depreciation	30,646	-	30,646
Provision for loan losses	57,436	-	57,436
Interest expense	44,857	-	44,857
Travel	54,987	-	54,987
Other	81,227	-	81,227
Total expenses	10,645,956	-	10,645,956
Change in net assets	43,519	(3,229,529)	(3,186,010)
Net assets at beginning of year	6,511,399	11,875,132	18,386,531
Net assets at end of year	$ 6,554,918	8,645,603	15,200,521

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	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 Statements of Cash Flows

	Year Ended March 31, 2014	2013
Cash flows from operating activities:		
Change in net assets	$ (3,186,010)	(656,161)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	30,646	27,632
Deprecation allocated to NSP2 expenses	3,430	5,837
Non-cash grant expense	3,229,529	-
Provision for loan losses	57,436	7,208
Amortization of deferred loan fees and costs, net	(4,362)	(5,199)
(Increase) decrease in accrued interest receivable	(14,802)	5,978
Decrease in servicing fees receivable	3,099	3,450
Decrease in other receivables	82,767	81,850
(Decrease) Increase in NSP 2 payables, net of NSP 2 receivables	(68,249)	779,974
Increase in other assets	(14,948)	(26,035)
Increase (decrease) in accounts payable and accrued expenses	24,157	(34,105)
(Decrease) increase in escrow deposits	(1,425,805)	1,162,485
Proceeds from sale of foreclosed real estate	358,314	87,519
Gain on sale of foreclosed real estate	(17,914)	-
Decrease in due to member banks	(461,413)	(77,578)
Net cash (used in) provided by operating activities	(1,404,125)	1,362,855
Cash flows from investing activities:		
Net mortgage loan originations	(128,057)	(545,391)
Net mortgage loan repayments (originations) - CDFI	1,566,617	(118,135)
Net mortgage loan repayments - HHRP	23,514	22,810
Purchase of property and equipment	(3,356)	(4,858)
Net cash provided by (used in) investing activities	1,458,718	(645,574)
Cash flows from financing activities:		
Net decrease in revolving line of credit	-	(7,343)
Repayment of loan from the City of St. Petersburg, net	(518,169)	(6,931)
Repayment of loans from Desoto County	(31,770)	-
Repayment of mortgage note payable	(25,301)	(24,012)
Net cash used in financing activities	(575,240)	(38,286)
Net (decrease) increase in cash and cash equivalents	(520,647)	678,995
Cash and cash equivalents at beginning of year	12,629,288	11,950,293
Cash and cash equivalents at end of year	$ 12,108,641	12,629,288
Supplemental disclosure of cash flow information - Cash paid for interest	$ 44,857	43,974
Noncash transactions:		
Decrease in foreclosed real estate and due to member banks due to write-down of foreclosed real estate	$ -	516,299
Noncash grant expense resulting from agreement with Desoto County to return restricted assets.	$ 3,229,529	-

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.

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 is on a voluntary loan by loan basis (see Note 12).

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

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 13).

(continued)

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

Subsequent Events. Management has evaluated events occurring subsequent to the balance sheet date through June 23, 2014 (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 and NLPNF (collectively the "Company"). All significant intercompany accounts and transactions have been eliminated.

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

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

Financial Statement Presentation. The Company is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the expenses are required to be reported by their functional classification. All expenses of the Company are program services relating to lending activities.

Restricted Cash. At March 31, 2014, restricted cash represented $1,504,010 of principal, interest and risk free payments received from borrowers and held on behalf of the local jurisdictions under the CDFI and SHIP programs. In addition, $8,427 was restricted for future loan programs related to the note payable to bank (see note 5). Also, restricted cash included $8,022,409 of escrow payments received from borrowers. Restricted cash related to the NSP 2 grant was $711,853.

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.

(continued)

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

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. The expiration of donor imposed restrictions are recognized 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 10). CDFI program funds are required to be used primarily for affordable housing and economic development.

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

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

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

The allowance for loan losses on loans made under the CDFI program and loans not funded through corresponding notes payable to member banks is increased by charges to 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 years ended March 31, 2014 or 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.

(continued)

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

Loans, Continued. 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 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.

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.

(continued)

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

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. At March 31, 2014, there was no balance due to member banks. Due to member banks at March 31, 2013, included $121,013 related to loan payments for loans sold to the member banks. In addition, at March 31, 2013 due to member banks included $340,400 related to amounts due to member banks in connection with certain foreclosed real estate. This amount was repaid upon sale of the real estate (see Note 4).

Loan Facilitation Fees. Loan facilitation fees totaled $316,684 and $233,352 for the years ended March 31, 2014 and 2013, respectively on loans originated by the Company for member banks.

Loan Servicing Fees. Loan servicing fees totaled $739,312 and $790,546 for the years ended March 31, 2014 and 2013, respectively. The servicing portfolio totaled approximately $111,630,000 and $124,265,000 at March 31, 2014 and 2013, respectively.

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.

(continued)

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

Fair Value Measurements, Continued. 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.

(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 the properties 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.

(continued)

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

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.

Loans are summarized as follows:

	At March 31,	
	2014	2013
Commercial real estate	$ 16,693,510	18,224,761
Less:		
Allowance for loan losses	(205,657)	(216,387)
Deferred loan fees, net	(89,228)	(94,601)
	$ 16,398,625	17,913,773

(continued)

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

The following summarizes the loan credit quality at March 31, 2014:

	At March 31, 2014	At March 31, 2013
Credit Risk Profile by Internally Assigned Grade:		
Grade:		
Pass	$ 11,558,736	14,465,474
Special mention	141,182	116,042
Substandard	4,993,592	3,199,958
Doubtful	-	443,287
Total	$ 16,693,510	18,224,761

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

	Year Ended March 31, 2014	Year Ended March 31, 2013
Beginning balance	$ 216,387	209,179
Provision for loan losses	57,436	7,208
Charge-offs	(68,166)	-
Recoveries	-	-
Ending balance [1]	$ 205,657	216,387

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

At March 31, 2014, all loans were current and there are no non-accrual loans. In addition, the Company has one impaired loan with a total outstanding principal balance of $104,000. A specific reserve of $26,000 was recognized in the year ended March 31, 2014 with respect to this loan. The average investment in impaired loans was approximately $393,000 and the interest income received and recognized with respect to the impaired loan was approximately $3,700 during the year ended March 31, 2014. At March 31, 2013, all loans were current except for one impaired loan that was 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. The specific reserve was recognized in the year ended March 31, 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 year ended March 31, 2013. There were no troubled debt restructurings during the years ended March 31, 2014 or 2013.

(continued)

(3) Property and Equipment, Net

Property and equipment consists of the following:

	At March 31, 2014	At March 31, 2013
Land	$ 153,032	153,032
Building	1,072,220	1,072,220
Furniture and fixtures	143,956	150,345
Equipment	23,711	23,848
Total, at cost	1,392,919	1,399,445
Less accumulated depreciation	(391,681)	(367,487)
Property and equipment, net	$ 1,001,238	1,031,958

(4) Foreclosed Real Estate

During the years ended March 31, 2014 and 2013, there were no new foreclosures. As of March 31, 2014, all foreclosed real estate was sold. At March 31, 2013, the amount included in due to member banks that was related to foreclosed real estate totaled $340,400.

(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, 2014 and 2013 was $500,000. In addition, the balance outstanding of loans funded through the note totaled $491,404 and $424,450 at March 31, 2014 and 2013, respectively.

(continued)

(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 $841,292 at March 31, 2014. Principal payments are as follows:

Year Ended March 31,	Amount
2015	$ 27,190
2016	710,945
Total principal payments	$ 738,135

(7) Related Party Transactions and Concentrations of Credit Risk

The Company had $12,108,641 and $12,629,288 on deposit with member banks in general operating accounts, payroll accounts, escrow accounts and short-term investment accounts as of March 31, 2014 and 2013, respectively.

(8) Tax Status

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

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, 2013, 2012 and 2011 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, 2014 and 2013.

(continued)

(9) Retirement Plan

The Company has a profit sharing plan established in accordance with the provisions of Section 401(k) of the Internal Revenue Code. The profit sharing plan is available to all employees electing to participate after meeting certain length of service requirements. The Company contributed $63,644 and $49,825 to the plan during the years ended March 31, 2014 and 2013, respectively.

(10) Community Development Financial Institutions Program

In fiscal years 2003, 2002 and 1997, the Company was awarded grants, subject to certain conditions, in the amounts of $1,067,000, $2,000,000 and $2,500,000, respectively, from the CDFI which 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,	
	2014	**2013**
Mortgage loans	$ 9,850,023	11,489,168
Less:		
Allowance for loan losses	(172,763)	(185,586)
Unamortized loan fees and costs, net	(89,228)	(93,590)
	$ 9,588,032	11,209,992

(continued)

(10) Community Development Financial Institutions Program, Continued

Temporarily restricted net assets are as follows:

Name	At March 31, 2014	At March 31, 2013
CDFI - 1997	$ -	-
Matching funds:		
Pasco County	894,635	894,635
Hillsborough County	1,315,135	1,315,135
Pinellas County	50,000	50,000
Total	2,259,770	2,259,770
CDFI – 2002	-	-
Matching funds:		
Hillsborough County	1,169,100	1,169,100
City and County of Sarasota	792,275	792,275
Polk County	503,651	503,651
Total	2,465,026	2,465,026
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	5,674,796

(continued)

(10) 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. 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, 2014 and 2013, principal and interest payments received from borrowers and interest earned but not yet collected from borrowers that is due to local jurisdictions is included in accounts payable and accrued expenses.

(11) Temporarily Restricted Net Assets – Other Grants

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

	At March 31,	
	2014	2013
DeSoto County - HHRP	$ -	3,229,529
Polk County - HHRP	2,555,526	2,555,526
Polk County – SHIP Grant	415,281	415,281
Temporarily restricted net assets - other grants	$ 2,970,807	6,200,336

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. All of the County agreements were modified to allow the Company's portion to be used entirely for administrative costs. During the year ended March 31, 2014, DeSoto County requested the Company to return all grant funds to the County. The Company will return the funds as mortgage loans, HHRP principal payments are received. During the year ended March 31, 2014, a total of $31,770 was received and paid to DeSoto County. The remaining balance due to DeSoto County at March 31, 2014 was $3,197,759.

(continued)

(12) 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, 2014 were $12,750,000 for NLPNF, $9,601,000 for NLPSF, and $16,850,000 for NLPWF. At March 31, 2014, 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	$ 7,939,231	40,724,969	20,716,186

(13) 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, 2014 and 2013, there have been expenditures and reimbursements under the NSP 2 grant of $2,047,072 and $12,173,847, respectively.

Schedule I

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Schedule of Expenditures of Federal Awards

For the Year Ended March 31, 2014

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	$ 2,062,896

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Schedule of Expenditures of Federal Awards, Continued

For the Year Ended March 31, 2014

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, 2014

	NLP	NLPWF: NSP 2	NLPWF: NLPWF	NLPWF: Total NLPWF	NLPSF	NLPNF	Eliminations	Combined
Assets								
Cash:								
Restricted	$ -	711,853	5,702,741	6,414,594	2,579,053	1,253,052	-	10,246,699
Unrestricted	(92)	-	1,289,156	1,289,156	1,921	19,667	-	1,310,652
Total cash	(92)	711,853	6,991,897	7,703,750	2,580,974	1,272,719	-	11,557,351
Short-term investments	-	-	551,290	551,290	-	-	-	551,290
Cash and cash equivalents	(92)	711,853	7,543,187	8,255,040	2,580,974	1,272,719	-	12,108,641
Mortgage loans, net	-	-	1,067,737	1,067,737	99,500	7,677	-	1,174,914
Mortgage loans, CDFI, net	-	-	9,588,032	9,588,032	-	-	-	9,588,032
Mortgage loans, HHRP	-	-	5,635,679	5,635,679	-	-	-	5,635,679
Accrued interest receivable	-	-	214,509	214,509	2,492	3,056	-	220,057
Servicing fees receivable	-	-	25,078	25,078	6,534	-	-	31,612
NSP 2 receivables	-	863,033	-	863,033	-	-	(863,033)(b)	-
Other receivables	132,272	-	285,820	285,820	7,403	-	(372,254)(b)	53,241
Property and equipment, net	1,001,238	-	-	-	-	-	-	1,001,238
Investment in affiliates	15,037,446	-	-	-	-	-	(15,037,446)(a)	-
Other assets	178,566	-	22,992	22,992	-	-	-	201,558
Total assets	$ 16,349,430	1,574,886	24,383,034	25,957,920	2,696,903	1,283,452	(16,272,733)	30,014,972
Liabilities and Net Assets								
Liabilities:								
Accounts payable and accrued expenses	410,774	-	118,595	118,595	117,984	30,401	(372,254)(b)	305,500
NSP 2 payables	-	1,574,886	-	1,574,886	-	-	(863,033)(b)	711,853
Notes payable to bank	-	-	500,000	500,000	-	-	-	500,000
Escrow deposits	-	-	4,190,439	4,190,439	2,578,919	1,253,051	-	8,022,409
Due to the City of St. Petersburg	-	-	1,338,795	1,338,795	-	-	-	1,338,795
Due to Desoto County	-	-	3,197,759	3,197,759	-	-	-	3,197,759
Mortgage note payable	738,135	-	-	-	-	-	-	738,135
Total liabilities	1,148,909	1,574,886	9,345,588	10,920,474	2,696,903	1,283,452	(1,235,287)	14,814,451
Net assets:								
Unrestricted	6,554,918	-	6,391,843	6,391,843	-	-	(6,391,843)(a)	6,554,918
Temporarily restricted								
CDFI Grants	5,674,796	-	5,674,796	5,674,796	-	-	(5,674,796)(a)	5,674,796
Other grants	2,970,807	-	2,970,807	2,970,807	-	-	(2,970,807)(a)	2,970,807
Total temporarily restricted	8,645,603	-	8,645,603	8,645,603	-	-	(8,645,603)	8,645,603
Total net assets	15,200,521	-	15,037,446	15,037,446	-	-	(15,037,446)	15,200,521
Total liabilities and net assets	$ 16,349,430	1,574,886	24,383,034	25,957,920	2,696,903	1,283,452	(16,272,733)	30,014,972

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

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Combining Statement of Activities

For the Year Ending March 31, 2014

	NLP	NLPWF: NSP 2	NLPWF: NLPWF	NLPWF: Total NLPWF	NLPSF	NLPNF	Eliminations	Combined
Revenues:								
NSP2 grants	$ -	2,089,528	-	2,089,528	-	-	(26,632)[c]	2,062,896
NSP2 program income	-	4,023,871	-	4,023,871	-	-	(100,628)[c]	3,923,243
Loan servicing fees	103,675	-	444,259	444,259	86,886	208,021	(103,529)[c]	739,312
Loan facilitation fees	-	-	239,584	239,584	75,600	1,500	-	316,684
Interest income, mortgage loans	-	-	230,008	230,008	3,042	398	-	233,448
Interest income and other	54,519	-	172,238	172,238	1,125	-	(43,519)[c]	184,363
Total revenues	158,194	6,113,399	1,086,089	7,199,488	166,653	209,919	(274,308)	7,459,946
Expenses:								
NSP2 grant expenses	-	2,089,528	-	2,089,528	-	-	(26,632)[c]	2,062,896
NSP2 program expenses	-	4,023,871	-	4,023,871	-	-	(100,628)[c]	3,923,243
Return of HHRP funds	3,229,529	-	3,229,529	3,229,529	-	-	(3,229,529)[c]	3,229,529
Salaries and employee benefits	114,675	-	693,481	693,481	55,628	102,000	-	965,784
Professional fees	-	-	64,551	64,551	21,854	17,150	-	103,555
Rental and maintenance	-	-	21,892	21,892	3,363	2,728	-	27,983
Office	-	-	50,133	50,133	10,429	3,251	-	63,813
Depreciation and amortization	-	-	30,646	30,646	-	-	-	30,646
Provision for loan losses	-	-	57,436	57,436	-	-	-	57,436
Interest expense	-	-	18,175	18,175	13,341	13,341	-	44,857
Travel	-	-	44,331	44,331	10,656	-	-	54,987
Other	-	-	61,925	61,925	51,382	71,449	(103,529)[c]	81,227
Total expenses	3,344,204	6,113,399	4,272,099	10,385,498	166,653	209,919	(3,460,318)	10,645,956
(Decrease) increase in net assets	(3,186,010)	-	(3,186,010)	(3,186,010)	-	-	(3,186,010)[a]	(3,186,010)
Net assets at beginning of year	18,386,531	-	18,223,455	18,223,455	-	-	(18,223,455)[b]	18,386,531
Net assets at end of year	$ 15,200,521	-	15,037,445	15,037,445	-	-	(15,037,445)[b]	15,200,521

[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
Orlando
Tampa

Certified Public Accountants

Summary Schedule of Prior Audit Findings

June 23, 2014

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, 2013.

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

Independent Auditors' 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

HACKER, JOHNSON & SMITH PA

Fort Lauderdale
Orlando
Tampa

Certified Public Accountants

Independent Auditors' 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 in accordance with the 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 Sates, the financial statements of Neighborhood Lending Partners, Inc. and Affiliates (the "Company"),which comprise the combined statement of financial position as of March 31, 2014, and the related combined statements of activities and cash flows for the year then ended and the related notes to the combined financial statements, and have issued our report thereon dated June 23, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered the Company's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

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 Company's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention of those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be material weakness or significant deficiencies. Given these limitations during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's combined 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Company's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hacker, Johnson & Smith PA

HACKER, JOHNSON & SMITH PA
Tampa, Florida
June 23, 2014

Independent Auditors' Report on the Internal Control Combined Report Applicable to Internal Control Over Financial Reporting Based on an Audit of Financial Statements and Internal Control Over Compliance in Accordance With OMB Circular A-133

Independent Auditor's Report on the Internal Control Combined Report Applicable to Internal Control Over Financial Reporting Based on an Audit of Financial Statements and Internal Control Over Compliance in Accordance with OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited the compliance of Neighborhood Lending Partners, Inc. and Affiliates (the "Company") compliance with the compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on the Company's major federal program for the year ended March 31, 2014. The Company's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Company's major federal program based on our audit of the compliance requirements referred to above. 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 and OMB Circular A-133. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major federal program 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the Company's compliance.

Opinion on Major HUD Program

In our opinion, the Company complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended March 31, 2014.

Report on Internal Control Over Compliance

Management of the Company is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Company's internal control over compliance with the requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Guide, 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 compliance requirement of a federal program 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 compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Hacker, Johnson & Smith PA

HACKER, JOHNSON & SMITH PA
Tampa, Florida
June 23, 2014

Schedule of Findings and Questioned Costs

Neighborhood Lending Partners, Inc.

Schedule of Findings and Questioned Costs

For the Year Ended March 31, 2014

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
X Material weaknesses identified?	____yes __X__ no
X 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:	
X Material weaknesses identified?	____ yes __X__ no
X 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?	__X__ yes___ no

State Awards

Internal control over major state project:

X	Material weaknesses identified?	____ yes _X__ no
X	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 23, 2014

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, 2014.

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