

**State of Florida Audit Reporting Package
For**

NEIGHBORHOOD LENDING PARTNERS, INC.
Tampa, Florida

For the Year Ended March 31, 2016

Reports

The following reports were delivered on June 17, 2016 to Neighborhood Lending Partners, Inc.:

- Auditor General – Florida Single Audit Act – Nonprofit and For-Profit Entities Financial Reporting Package Submittal Checklist (Section 215.97, Florida Statutes)
- Combined Statements of Financial Position at March 31, 2016 and 2015 and Combined Statements of Activities and Cash Flows for the Years Then Ended and Supplemental Schedule of Expenditures of Federal Awards
- Summary Schedule of Prior Audit Findings
- 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
- Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by Uniform Guidance
- Schedule of Findings and Questioned Costs
- Corrective Action Plan

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

Entity Name Neighborhood Lending Partners, Inc.

Entity Type (Nonprofit, For-Profit) Nonprofit

Contact Person Name and Title Debra Reyes, President

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

Contact Person Phone Number (813) 879-4525

Contact Person Email Address dreyes@NLP-INC.com

Fiscal Period Audited 4/1/15 - 3/31/16

Date Auditor Delivered Audit Report to Entity June 17, 2016

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

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

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

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

Yes The auditor's report on compliance with requirements that could have a direct and material effect on each major State project and on internal control over compliance as described in Auditor General Rule 10.656(3)(d)3.?

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

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

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

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

financial assistance required to be reported in the management letter, this should be stated in the schedule of findings and questioned costs.

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

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

Yes Is the electronic copy named using all lower case letters as follows? [fiscal year] [name of entity].pdf. For example, the converted document for the 2014-15 fiscal year for “Example Nonprofit” entity should be named 2015 example nonprofit.pdf.

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

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

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

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

Yes The auditor’s report on the financial statements as described in Auditor General Rule 10.656(3)(b)?

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

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

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

Address –

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

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Web site Address: www.myflorida.com/audgen

**Combined Statements of Financial Position at March 31, 2016 and 2015 and
Combined Statements of Activities and Cash Flows for the Years Then Ended
and Supplemental Schedule of Expenditures of Federal Awards**



Audited Combined Financial Statements

**At March 31, 2016 and 2015 and For the Years Then Ended
With Supplementary Schedules for Fiscal 2016**

(Together with Independent Auditors' Report)



**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, 2016 and 2015, 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. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. 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, 2016 and 2015, 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 the year ended March 31, 2016 is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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, 2016 and combining statement of activities for the year ended March 31, 2016 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 17, 2016 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 17, 2016

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Combined Statements of Financial Position

Assets	<u>At March 31,</u>	
	<u>2016</u>	<u>2015</u>
Cash:		
Restricted	\$ 12,804,853	12,743,188
Unrestricted	<u>1,241,836</u>	<u>1,923,759</u>
Total cash	14,046,689	14,666,947
Short-term investments - money market funds	<u>729,792</u>	<u>728,367</u>
Cash and cash equivalents	14,776,481	15,395,314
Commercial loans	383,601	-
Mortgage loans, net of allowance for loan losses of \$12,926 and \$11,471 in 2016 and 2015	1,746,349	1,082,919
Mortgage loans, CDFI, net of allowance for loan losses of \$115,278 and \$118,502 in 2016 and 2015	8,325,860	8,496,404
Mortgage loans, HHRP	5,559,955	5,611,510
Accrued interest receivable	188,588	197,385
Servicing fees receivable	21,634	29,538
Other receivables	41,287	32,408
Property and equipment, net	950,370	982,584
Other assets	<u>305,601</u>	<u>297,502</u>
Total assets	\$ <u>32,299,726</u>	<u>32,125,564</u>
 Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	512,435	375,089
NSP 2 payables	2,876,744	1,788,618
Note payable to bank	500,000	500,000
Escrow deposits	8,365,491	9,948,783
Due to the City of St. Petersburg	1,319,200	1,329,180
Due to Desoto County	3,185,303	3,191,594
Mortgage note payable	682,820	711,446
Line of credit	<u>467,329</u>	<u>-</u>
Total liabilities	<u>17,909,322</u>	<u>17,844,710</u>
Commitments and contingencies (Notes 3, 9, 10 and 11)		
Net assets:		
Unrestricted	<u>6,592,909</u>	<u>6,583,359</u>
Temporarily restricted:		
CDFI Grants	5,225,206	5,225,206
Other Grants	<u>2,572,289</u>	<u>2,472,289</u>
Total temporarily restricted	<u>7,797,495</u>	<u>7,697,495</u>
Total net assets	<u>14,390,404</u>	<u>14,280,854</u>
Total liabilities and net assets	\$ <u>32,299,726</u>	<u>32,125,564</u>

See accompanying Notes to Combined Financial Statements.

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Combined Statement of Activities

Year Ended March 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues:			
NSP2 Grants	\$ -	5,983,270	5,983,270
NSP2 program income	-	2,144,360	2,144,360
Grant revenue	429,150	100,000	529,150
Loan servicing fees	620,900	-	620,900
Loan facilitation fees	522,633	-	522,633
Interest income, mortgage loans	220,342	-	220,342
Interest income and other	51,331	-	51,331
Net assets released from restrictions	<u>8,127,630</u>	<u>(8,127,630)</u>	<u>-</u>
 Total revenues	 <u>9,971,986</u>	 <u>100,000</u>	 <u>10,071,986</u>
Expenses:			
NSP2 grant expenses	5,983,270	-	5,983,270
NSP2 program expenses	2,144,360	-	2,144,360
Salaries and employee benefits	1,294,168	-	1,294,168
Professional fees	117,758	-	117,758
Rental and maintenance	54,238	-	54,238
Office	85,139	-	85,139
Depreciation	36,282	-	36,282
Credit for loan losses	(1,769)	-	(1,769)
Interest expense	50,470	-	50,470
Travel	80,655	-	80,655
Other	<u>117,865</u>	<u>-</u>	<u>117,865</u>
 Total expenses	 <u>9,962,436</u>	 <u>-</u>	 <u>9,962,436</u>
 Increase in net assets	 9,550	 100,000	 109,550
 Net assets at beginning of year	 <u>6,583,359</u>	 <u>7,697,495</u>	 <u>14,280,854</u>
 Net assets at end of year	 <u>\$ 6,592,909</u>	 <u>7,797,495</u>	 <u>14,390,404</u>

See accompanying Notes to Combined Financial Statements.

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Combined Statement of Activities

Year Ended March 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues:			
NSP2 Grants	\$ -	1,037,556	1,037,556
NSP2 program income	-	1,374,773	1,374,773
Loan servicing fees	685,768	-	685,768
Loan facilitation fees	316,005	-	316,005
Interest income, mortgage loans	191,398	-	191,398
Interest income and other	71,311	-	71,311
Net assets released from restrictions	<u>3,360,437</u>	<u>(3,360,437)</u>	<u>-</u>
 Total revenues	 <u>4,624,919</u>	 <u>(948,108)</u>	 <u>3,676,811</u>
Expenses:			
NSP2 grant expenses	1,037,556	-	1,037,556
NSP2 program expenses	1,374,773	-	1,374,773
Salaries and employee benefits	972,226	-	972,226
Professional fees	108,471	-	108,471
Rental and maintenance	39,513	-	39,513
Office	74,729	-	74,729
Depreciation	31,369	-	31,369
Provision for loan losses	544,599	-	544,599
Interest expense	46,043	-	46,043
Travel	69,836	-	69,836
Return of SHIP funds	198,108	-	198,108
Other	<u>99,255</u>	<u>-</u>	<u>99,255</u>
 Total expenses	 <u>4,596,478</u>	 <u>-</u>	 <u>4,596,478</u>
 Change in net assets	 28,441	 (948,108)	 (919,667)
 Net assets at beginning of year	 <u>6,554,918</u>	 <u>8,645,603</u>	 <u>15,200,521</u>
 Net assets at end of year	 <u>\$ 6,583,359</u>	 <u>7,697,495</u>	 <u>14,280,854</u>

See accompanying Notes to Combined Financial Statements.

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Combined Statements of Cash Flows

	<u>Year Ended March 31,</u>	
	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 109,550	(919,667)
Adjustments to reconcile increase (decrease) in net assets to net cash (used in) provided by operating activities:		
Depreciation	36,282	31,369
(Credit) provision for loan losses	(1,769)	544,599
Loss on sale of foreclosed real estate	-	5,000
Amortization of deferred loan fees and costs, net	(3,509)	(13,643)
Decrease in accrued interest receivable	8,797	22,672
Decrease in servicing fees receivable	7,904	2,074
(Increase) decrease in other receivables	(8,879)	20,833
Increase in NSP 2 payables	1,088,126	1,076,765
Increase in other assets	(8,099)	(65,905)
Increase in accounts payable and accrued expenses	137,346	39,550
(Decrease) increase in escrow deposits	<u>(1,583,292)</u>	<u>1,926,374</u>
Net cash (used in) provided by operating activities	<u>(217,543)</u>	<u>2,670,021</u>
Cash flows from investing activities:		
Commercial loan originations	(383,601)	-
Net mortgage loan (originations) repayments	(661,376)	91,995
Net mortgage loan repayments - CDFI	173,768	482,672
Net mortgage loan repayments - HHRP	51,555	24,169
Purchase of property and equipment	(4,068)	(12,715)
Proceeds from sale of foreclosed real estate	<u>-</u>	<u>73,000</u>
Net cash (used in) provided by investing activities	<u>(823,722)</u>	<u>659,121</u>
Cash flows from financing activities:		
Repayment of loan from the City of St. Petersburg, net	(9,980)	(9,615)
Repayment of loans from Desoto County	(6,291)	(6,165)
Repayment of mortgage note payable	(28,626)	(26,689)
Increase in revolving line of credit	<u>467,329</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>422,432</u>	<u>(42,469)</u>
Net (decrease) increase in cash and cash equivalents	(618,833)	3,286,673
Cash and cash equivalents at beginning of year	<u>15,395,314</u>	<u>12,108,641</u>
Cash and cash equivalents at end of year	\$ <u>14,776,481</u>	<u>15,395,314</u>
Supplemental disclosure of cash flow information -		
Cash paid for interest	\$ <u>50,470</u>	<u>46,043</u>
Noncash transaction-		
Loans reclassified to foreclosed real estate	\$ <u>-</u>	<u>78,000</u>

See accompanying Notes to Combined Financial Statements.

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Notes to Combined Financial Statements

At March 31, 2016 and 2015 and For the Years Then Ended

(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"), Neighborhood Lending Partners of South Florida, Inc. ("NLPSF") and Neighborhood Lending Partners of North Florida, Inc. ("NLPNF"). NLPWF conducts its operations in nineteen counties located in the West Florida area. NLPSF provides services in four South Florida counties. NLPNF provides 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 Old 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 11).

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, NLPWF 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 12).

(continued)

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Notes to Combined Financial Statements, 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 17, 2016 (the financial statement issuance date), determining no events require additional disclosure in these combined financial statements except as disclosed in Note 13.

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 ("GAAP"). The following summarizes the more significant of these policies and practices.

Estimates. The preparation of combined financial statements in conformity with GAAP 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, 2016, restricted cash represented \$982,575 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, \$24,253 was restricted for future loan programs related to the note payable to bank (See Note 4). Also, restricted cash included \$8,671,123 of escrow payments received from borrowers. Restricted cash related to the NSP 2 grant was \$2,876,744. At March 31, 2016, restricted cash includes \$250,158 on deposit as a requirement of a revolving line of credit discussed in Note 4.

At March 31, 2015, restricted cash represented \$932,183 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, \$73,604 was restricted for future loan programs related to the note payable to bank (See Note 4). Also, restricted cash included \$9,948,783 of escrow payments received from borrowers. Restricted cash related to the NSP 2 grant was \$1,788,618.

(continued)

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Notes to Combined Financial Statements, 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 are deferred and certain direct origination costs are capitalized and recognized as an adjustment of the yield of the related loan. Commitment fees are deferred 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, 2016 or 2015.

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)

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Notes to Combined Financial Statements, Continued

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

Loans, Continued. The historical loss component of the allowance is determined by losses recognized. This is supplemented by risk factors impacting loans such as deterioration of property values and reduced consumer and business spending as a result of unemployment. 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)

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Notes to Combined Financial Statements, Continued

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

Loan Facilitation Fees. Loan facilitation fees totaled \$522,633 and \$316,005 for the years ended March 31, 2016 and 2015, respectively on loans originated by the Company.

Loan Servicing Fees. Loan servicing fees totaled \$620,900 and \$685,768 for the years ended March 31, 2016 and 2015, respectively. The servicing portfolio totaled approximately \$83,458,000 and \$103,809,000 at March 31, 2016 and 2015, 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.

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.

Reclassifications. Certain reclassifications of prior period amounts have been made to conform to the current period presentation.

(continued)

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Notes to Combined Financial Statements, Continued

(2) Loans and the Allowance for Loan Losses

The Company's loan portfolio has two portfolio segments. Commercial real estate loans consist of loans to finance real estate purchases, refinancing, expansions and improvements to commercial properties. These loans are secured by 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.

Commercial loans consist of loans made under the Greater Miami Business Opportunity Fund. Commercial business loans consist of loans to small- and medium-sized companies in the Company's market area. Commercial loans are generally used for working capital purposes or for acquiring equipment, inventory or furniture. Primarily all of the Company's commercial loans are secured loans. The Company's underwriting analysis consists of a review of the consolidated financial statements of the borrower, the lending history of the borrower, the debt service capabilities of the borrower, the projected cash flows of the business, the value of the collateral, if any, and whether the loan is guaranteed by the principals of the borrower. Commercial loans are typically made on the basis of the borrower's ability to make repayment from the cash flow of the borrower's business, which makes them of higher risk than real estate loans and the collateral securing these loans may be difficult to appraise and may fluctuate in value based on the success of the business. The Company seeks to minimize these risks through their underwriting standards.

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.

(continued)

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Notes to Combined Financial Statements, Continued

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

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,	
	2016	2015
Commercial real estate	\$ 16,216,045	15,396,391
Less:		
Allowance for loan losses	(128,204)	(129,973)
Deferred loan fees, net	(72,076)	(75,585)
	\$ 16,015,765	15,190,833

The following summarizes the loan credit quality:

	At March 31,	
	2016	2015
<i>Credit Risk Profile by Internally Assigned Grade:</i>		
Grade:		
Pass	\$ 11,074,078	9,997,139
Special mention	426,391	132,235
Substandard	3,512,859	4,064,300
Doubtful	1,202,717	1,202,717
Total	\$ 16,216,045	15,396,391

(continued)

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Notes to Combined Financial Statements, Continued

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

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

	<u>Year Ended March 31,</u>	
	<u>2016</u>	<u>2015</u>
Beginning balance	\$ 129,973	205,657
(Credit) provision for loan losses	(1,769)	544,599
Charge-offs	<u>-</u>	<u>(620,283)</u>
Ending balance ⁽¹⁾	\$ <u>128,204</u>	<u>129,973</u>

⁽¹⁾ Includes the allowance for loan losses for mortgage loans and mortgage loans, CDFI (See Note 9).

At March 31, 2016 and 2015, all loans were current except for one nonaccrual and impaired loan with an outstanding balance of \$1,202,717. No specific reserve was required with respect to this loan. The portion of the loan funded by the Company was charged off in prior years. The net balance at March 31, 2016 represents the portion of the loan funded by the City of St. Petersburg, Florida with SHIP dollars. There is an offsetting credit of the same amount included within the Due to City of St. Petersburg balance of \$1,319,200 at March 31, 2016.

(3) Property and Equipment, Net

Property and equipment consists of the following:

	<u>At March 31,</u>	
	<u>2016</u>	<u>2015</u>
Land	\$ 153,032	153,032
Building	1,072,220	1,072,220
Furniture and fixtures	145,079	143,956
Equipment	<u>34,000</u>	<u>32,778</u>
Total, at cost	1,404,331	1,401,986
Less accumulated depreciation	<u>(453,961)</u>	<u>(419,402)</u>
Property and equipment, net	\$ <u>950,370</u>	<u>982,584</u>

(continued)

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Notes to Combined Financial Statements, Continued

(3) Property and Equipment, Net, Continued

The Company leased one office under an operating lease which had a term of one year and one month. The Company moved and entered into a new operating lease on May 1, 2016 which has a term of three years. Rent expense under the first operating lease was approximately \$25,500 for the year ended March 31, 2016. The estimated future lease commitments at March 31, 2016 are as follows:

<u>Year Ending March 31,</u>	<u>Amount</u>
2017	\$ 18,370
2018	18,207
2019	18,753
2020	<u>1,567</u>
	\$ <u>56,897</u>

(4) Note Payable to Bank and Lines of Credit

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, 2016 and 2015 was \$500,000. In addition, the balance outstanding of loans funded through the note totaled \$478,385 and \$426,396 at March 31, 2016 and 2015, respectively.

(continued)

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Notes to Combined Financial Statements, Continued

(4) Note Payable to Bank and Lines of Credit, Continued

In addition, the Company has a \$5 million revolving line of credit with a bank. At March 31, 2016, the outstanding balance was \$467,329. There was no balance outstanding at March 31, 2015. The line of credit bears interest at three month Libor plus 3.50 percent, subject to an overall floor interest rate of 4.00 percent (4% at March 31, 2016). The line of credit matures November 30, 2020. The line of credit is collateralized by the assigned interest in the loans the Company funds through the line of credit. The line of credit is also subject to restrictive covenants.

In addition, at March 31, 2016, the Company has two \$1.5 million revolving line of credit agreements ("Agreements") with two banks. The Agreements bear interest at LIBOR plus 2% and are due December 16, 2019 and are collateralized by loans funded under the Agreements. There were no amounts outstanding at March 31, 2016 in connection with the Agreements. Funds advanced to the Company in connection with the Agreements are required to be used to fund loans made in connection with the Florida Minority Impact Housing Fund.

Also, the Company has a \$500,000 revolving line of credit with a bank bearing interest at LIBOR plus 2%. The line of credit has a maturity date of July 1, 2017 and requires the maintenance of a minimum depository relationship of \$250,000. There were no amounts outstanding in connection with this line of credit at March 31, 2016.

(5) Mortgage Note Payable

The Company has a note payable outstanding with a member bank for the funding of their main office building. At March 31, 2016 and 2015, the balance of this note payable was \$682,820 and \$711,446, respectively. The note is payable in monthly principal and interest payments totaling \$5,215 through August 2020 at which time the unpaid balance is due. The note payable bears interest at a fixed rate of 4.70% and is collateralized by a building with a net book value of \$786,270 at March 31, 2016.

The estimated future principal commitments at March 31, 2016 on the mortgage are as follows:

<u>Year Ending March 31,</u>	<u>Mortgage Payments</u>
2017	\$ 31,043
2018	32,534
2019	34,096
2020	35,734
2021	<u>549,413</u>
	<u>\$ 682,820</u>

(continued)

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Notes to Combined Financial Statements, Continued

(6) Related Party Transactions and Concentrations of Credit Risk

The Company had \$14,776,481 and \$15,395,314 on deposit with member banks in general operating accounts, payroll accounts, escrow accounts and short-term investment accounts as of March 31, 2016 and 2015, respectively.

(7) Tax Status

The Company, 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.

The Company 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 the Company's combined financial statements. Currently, the tax years ended March 31, 2015, 2014 and 2013 are open and subject to examination by the Internal Revenue Service and the Florida Department of Revenue. However, the Company is not currently under audit nor has the Company been contacted by any of these jurisdictions. Based on the evaluation of the Company'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, 2016 or 2015.

(8) 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 \$31,333 and \$24,975 to the plan during the years ended March 31, 2016 and 2015, respectively.

(9) 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 certain 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.

(continued)

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Notes to Combined Financial Statements, Continued

(9) Community Development Financial Institutions Program, Continued

Mortgage loans, CDFI, are as follows:

	<u>At March 31,</u>	
	<u>2016</u>	<u>2015</u>
Mortgage loans	\$ 8,513,214	8,690,491
Less:		
Allowance for loan losses	(115,278)	(118,502)
Unamortized loan fees and costs, net	<u>(72,076)</u>	<u>(75,585)</u>
	<u>\$ 8,325,860</u>	<u>8,496,404</u>

Temporarily restricted net assets are as follows:

<u>Name</u>	<u>At March 31,</u>	
	<u>2016</u>	<u>2015</u>
CDFI - 1997	\$ -	-
Matching funds:		
Polk County	498,518	498,518
Pasco County	696,527	696,527
Hillsborough County	1,315,135	1,315,135
Pinellas County	<u>50,000</u>	<u>50,000</u>
Total	<u>2,560,180</u>	<u>2,560,180</u>
CDFI – 2002	-	-
Matching funds:		
Hillsborough County	1,169,100	1,169,100
City and County of Sarasota	792,275	792,275
Polk County	<u>503,651</u>	<u>503,651</u>
Total	<u>2,465,026</u>	<u>2,465,026</u>
CDFI – 2003	-	-
Matching funds-		
Hernando County	<u>200,000</u>	<u>200,000</u>
Temporarily restricted net assets – CDFI grants	<u>\$ 5,225,206</u>	<u>5,225,206</u>

(continued)

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Notes to Combined Financial Statements, Continued

(9) 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, 2016 and 2015, 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.

(10) Temporarily Restricted Net Assets – Other Grants

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

	<u>At March 31,</u>	
	<u>2016</u>	<u>2015</u>
Riviera Beach CRA grant	\$ 100,000	-
Polk County - HHRP	<u>2,472,289</u>	<u>2,472,289</u>
Total	\$ <u>2,572,289</u>	<u>2,472,289</u>

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.

The amounts received under the Riviera Beach CRA grant is loan capital provided by the Riviera Beach Community Redevelopment Agency to facilitate loans to owners and developers of small business in the Riviera Beach CRA of Riviera Beach Florida for its redevelopment plan. No loans have been funded in connection with this grant as of March 31, 2016.

(continued)

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Notes to Combined Financial Statements, Continued

(11) 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, 2016 were \$8,000,000 for NLPNF, \$8,750,000 for NLPSF, and \$6,391,000 for NLPWF. At March 31, 2016, 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:

	<u>NLPSF</u>	<u>NLPWF</u>	<u>NLPNF</u>
Participation loans-			
Closed and funded	\$ <u>7,189,345</u>	<u>20,805,129</u>	<u>18,811,120</u>

(12) 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, 2016 and 2015, there have been expenditures and reimbursements under the NSP 2 grant of \$8,127,630 and \$2,461,961, respectively.

(13) Subsequent Event

Effective May 10, 2016, NLPNF and NLPSF were merged into NLPWF. The name of the combined entity was changed to Neighborhood Lending Partners of Florida, Inc.

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Schedule of Expenditures of Federal Awards

For the Year Ended March 31, 2016

<u>Federal/State Agency/Pass-Through Grantor/Program Title</u>	<u>CFDA/ CSFA Number</u>	<u>Award/ Contract Grant Number</u>	<u>Expenditures</u>
<u>Federal Project-</u>			
Neighborhood Stabilization Program 2	14.256	B-09-CN-FL-0023	\$ <u>5,983,270</u>

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES**Schedule of Expenditures of Federal Awards, Continued****For the Year Ended March 31, 2016**

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Neighborhood Lending Partners, Inc. (the "Company") 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 *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Company, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Company.

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Combining Statement of Financial Position

At March 31, 2016

Assets	NLP	NLPWF			NLPSE	NLPNF	Eliminations	Combined
		NSP 2	NLPWF	Total NLPWF				
Cash:								
Restricted	\$ 248,175	2,876,744	5,960,697	8,837,441	2,397,804	1,321,433	-	12,804,853
Unrestricted	-	-	1,224,344	1,224,344	1,971	15,521	-	1,241,836
Total cash	248,175	2,876,744	7,185,041	10,061,785	2,399,775	1,336,954	-	14,046,689
Short-term investments	-	-	729,792	729,792	-	-	-	729,792
Cash and cash equivalents	248,175	2,876,744	7,914,833	10,791,577	2,399,775	1,336,954	-	14,776,481
Commercial loans	-	-	383,601	383,601	-	-	-	383,601
Mortgage loans, net	-	-	1,746,349	1,746,349	-	-	-	1,746,349
Mortgage loans, CDFI, net	-	-	8,325,860	8,325,860	-	-	-	8,325,860
Mortgage loans, HHRP	-	-	5,559,955	5,559,955	-	-	-	5,559,955
Accrued interest receivable	-	-	185,941	185,941	-	2,647	-	188,588
Servicing fees receivable	-	-	16,411	16,411	5,223	-	-	21,634
NSP 2 receivables	-	82,471	-	82,471	-	-	(82,471) ^(b)	-
Other receivables	25,854	-	419,738	419,738	6,321	-	(410,626) ^(b)	41,287
Property and equipment, net	950,370	-	-	-	-	-	-	950,370
Investment in affiliates	14,227,329	-	-	-	-	-	(14,227,329) ^(a)	-
Other assets	267,465	-	38,136	38,136	-	-	-	305,601
Total assets	\$ 15,719,193	2,959,215	24,590,824	27,550,039	2,411,319	1,339,601	(14,720,426)	32,299,726
Liabilities and Net Assets								
Liabilities:								
Accounts payable and accrued expenses	645,969	-	133,293	133,293	13,685	130,114	(410,626) ^(b)	512,435
NSP 2 payables	-	2,959,215	-	2,959,215	-	-	(82,471) ^(b)	2,876,744
Note payable to bank	-	-	500,000	500,000	-	-	-	500,000
Escrow deposits	-	-	4,758,370	4,758,370	2,397,634	1,209,487	-	8,365,491
Due to the City of St. Petersburg	-	-	1,319,200	1,319,200	-	-	-	1,319,200
Due to Desoto County	-	-	3,185,303	3,185,303	-	-	-	3,185,303
Line of credit	-	-	467,329	467,329	-	-	-	467,329
Mortgage note payable	682,820	-	-	-	-	-	-	682,820
Total liabilities	1,328,789	2,959,215	10,363,495	13,322,710	2,411,319	1,339,601	(493,097)	17,909,322
Net assets:								
Unrestricted	6,592,909	-	6,429,834	6,429,834	-	-	(6,429,834) ^(a)	6,592,909
Temporarily restricted								
CDFI Grants	5,225,206	-	5,225,206	5,225,206	-	-	(5,225,206) ^(a)	5,225,206
Other grants	2,572,289	-	2,572,289	2,572,289	-	-	(2,572,289) ^(a)	2,572,289
Total temporarily restricted	7,797,495	-	7,797,495	7,797,495	-	-	(7,797,495)	7,797,495
Total net assets	14,390,404	-	14,227,329	14,227,329	-	-	(14,227,329)	14,390,404
Total liabilities and net assets	\$ 15,719,193	2,959,215	24,590,824	27,550,039	2,411,319	1,339,601	(14,720,426)	32,299,726

^(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, 2016

	<u>NLPWF</u>							
	<u>NLP</u>	<u>NSP 2</u>	<u>NLPWF</u>	<u>Total NLPWF</u>	<u>NLPSE</u>	<u>NLPNF</u>	<u>Eliminations</u>	<u>Combined</u>
Revenues:								
NSP2 grants	\$ -	5,983,270	-	5,983,270	-	-	-	5,983,270
NSP2 program income	-	2,144,360	-	2,144,360	-	-	-	2,144,360
Grant revenue	104,000	-	525,150	525,150	-	-	(100,000) ^(c)	529,150
Loan servicing fees	130,143	-	303,860	303,860	139,131	177,909	(130,143) ^(c)	620,900
Loan facilitation fees	-	-	498,300	498,300	5,633	18,700	-	522,633
Interest income, mortgage loans	-	-	219,792	219,792	550	-	-	220,342
Interest income and other	<u>51,050</u>	<u>-</u>	<u>8,311</u>	<u>8,311</u>	<u>1,520</u>	<u>-</u>	<u>(9,550)^(c)</u>	<u>51,331</u>
Total revenues	<u>285,193</u>	<u>8,127,630</u>	<u>1,555,413</u>	<u>9,683,043</u>	<u>146,834</u>	<u>196,609</u>	<u>(239,693)</u>	<u>10,071,986</u>
Expenses:								
NSP2 grant expenses	-	5,983,270	-	5,983,270	-	-	-	5,983,270
NSP2 program expenses	-	2,144,360	-	2,144,360	-	-	-	2,144,360
Salaries and employee benefits	175,643	-	913,479	913,479	95,846	109,200	-	1,294,168
Professional fees	-	-	112,958	112,958	2,200	2,600	-	117,758
Rental and maintenance	-	-	54,238	54,238	-	-	-	54,238
Office	-	-	85,139	85,139	-	-	-	85,139
Depreciation	-	-	36,282	36,282	-	-	-	36,282
Credit for loan losses	-	-	3,231	3,231	(5,000)	-	-	(1,769)
Interest expense	-	-	50,470	50,470	-	-	-	50,470
Travel	-	-	79,046	79,046	1,609	-	-	80,655
Other	<u>-</u>	<u>-</u>	<u>111,020</u>	<u>111,020</u>	<u>52,179</u>	<u>84,809</u>	<u>(130,143)^(c)</u>	<u>117,865</u>
Total expenses	<u>175,643</u>	<u>8,127,630</u>	<u>1,445,863</u>	<u>9,573,493</u>	<u>146,834</u>	<u>196,609</u>	<u>(130,143)</u>	<u>9,962,436</u>
Increase (decrease) in net assets	109,550	-	109,550	109,550	-	-	(109,550) ^(a)	109,550
Net assets at beginning of year	<u>14,280,854</u>	<u>-</u>	<u>14,117,778</u>	<u>14,117,778</u>	<u>-</u>	<u>-</u>	<u>(14,117,778)^(b)</u>	<u>14,280,854</u>
Net assets at end of year	\$ <u>14,390,404</u>	<u>-</u>	<u>14,227,328</u>	<u>14,227,328</u>	<u>-</u>	<u>-</u>	<u>(14,227,328)^(b)</u>	<u>14,390,404</u>

(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 17, 2016

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, 2015.

**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**



**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 States, the combined financial statements of Neighborhood Lending Partners, Inc. and Affiliates (the "Company"), which comprise the combined statement of financial position as of March 31, 2016, 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 17, 2016.

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 combined 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.

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*.

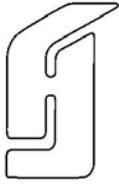
Purpose of this Report

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 17, 2016

**Independent Auditors' Report on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance Required by Uniform
Guidance**



**Independent Auditors' Report on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance Required by Uniform Guidance**

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

Report on Compliance for Each Major Federal Program

We have audited Neighborhood Lending Partners, Inc. and Affiliates (the "Company") compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the Company's major federal program for the year ended March 31, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

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 types of 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program 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 Federal Program

In our opinion, the Company complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended March 31, 2016.

Report on Internal Control Over Compliance

Management of the Company is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Company's internal control over compliance with the types of 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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



HACKER, JOHNSON & SMITH PA
Tampa, Florida
June 17, 2016

Schedule of Findings and Questioned Costs



Neighborhood Lending Partners, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended March 31, 2016

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 2 CFR 200.516(a)? ___ 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:

\$750,000

Auditee qualified as low-risk auditee?

X yes ___ no

State Awards

Internal control over major state project:

X Material weaknesses identified? ___ yes ___ no N/A

X Reportable conditions identified that are not considered to be material weaknesses? ___ yes ___ none reported N/A

Type of auditors' report issued on compliance for major state project: None

Any audit findings disclosed that are required to be reported under Rule 10.656. ___ yes ___ no N/A

Identification of major project: None

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 the 2 CFR 200.516(a) or under Rule 10.656 of the Auditor General. No management letter is required under Rule 10.656 of the Auditor General.

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

Very truly yours,

HACKER, JOHNSON & SMITH PA



Stephen R. Kania

SRK/yea

Corrective Action Plan



Corrective Action Plan

June 17, 2016

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, 2016.