

**State of Florida Audit Reporting Package
For**

NEIGHBORHOOD LENDING PARTNERS, INC.
Tampa, Florida

For the Year Ended March 31, 2019

Reports

The following reports were delivered on June 24, 2019 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, 2019 and 2018 and Combined Statements of Activities, Functional Expenses and Cash Flows for the Years Then Ended
- 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
- Schedule of Findings and Questioned Costs
- Corrective Action Plan

**FLORIDA SINGLE AUDIT ACT – NONPROFIT AND FOR-PROFIT ENTITIES
FINANCIAL REPORTING PACKAGE SUBMITTAL CHECKLIST**

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 E-mail Address: dreyes@nlp-inc.com

Fiscal Period Audited: 4/1/18 - 3/31/19

Date the auditor delivered the audit report to the entity: June 24, 2019

Does the financial reporting package include the following items required by Section 10.656(3), Rules of the Auditor General:

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

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

N/A The auditor's report on the schedule of State financial assistance as described in Section 10.656(3)(d)2., Rules of the Auditor General?

N/A 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 Section 10.656(3)(d)3., Rules of the Auditor General?

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

Yes A summary schedule of prior audit findings as described in Section 10.656(3)(d)5., Rules of the Auditor General? **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 Section 10.656(3)(d)6., Rules of the Auditor General?

N/A The management letter defined in Section 10.654(1)(e), Rules of the Auditor General, 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 Section 10.656(3)(e), Rules of the Auditor General)? **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 Section 10.656(3), Rules of the Auditor General?

Yes Are **one** paper copy and **one** electronic copy of the financial reporting package being submitted as required by Section 10.657(1), Rules of the Auditor General? **NOTE:** There is no provision in law authorizing an 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 2017-18 fiscal year for "Example Nonprofit" entity should be named 2018 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 Section 10.657(2), Rules of the Auditor General?

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

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

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 Section 10.655(3), Rules of the Auditor General)? **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 Section 10.656(3)(b), Rules of the Auditor General?

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

N/A If applicable, the auditor's reports and related financial information required pursuant to Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), or other applicable Federal law (see Section 10.656(3)(c), Rules of the Auditor General)?

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 us if assistance or clarification is needed regarding reporting requirements. Our contact information is as follows:

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

Telephone: (850) 412-2881

E-mail Address: flaudgen_localgovt@aud.state.fl.us

Web site Address: FLAuditor.gov

**Combined Statements of Financial Position at March 31, 2019 and 2018 and
Combined Statements of Activities, Functional Expenses and Cash Flows for the
Years Then Ended**



NEIGHBORHOOD LENDING
P A R T N E R S

Lifting Communities.

Audited Combined Financial Statements

**At March 31, 2019 and 2018 and For the Years Then Ended
With Supplementary Schedules for Fiscal 2019**

(Together with Independent Auditors' Report)



**Unmodified 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, 2019 and 2018, and the related combined statements of activities, functional expenses 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.

Auditors' 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, 2019 and 2018, 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 combining statement of financial position at March 31, 2019 and combining statement of activities for the year ended March 31, 2019 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 24, 2019 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 24, 2019

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Combined Statements of Financial Position

Assets	<u>At March 31,</u>	
	<u>2019</u>	<u>2018</u>
Cash:		
Restricted	\$ 18,860,107	16,284,891
Unrestricted	<u>1,784,707</u>	<u>305,272</u>
Total cash	20,644,814	16,590,163
Short-term investments - money market funds	<u>739,292</u>	<u>735,529</u>
Cash and cash equivalents	21,384,106	17,325,692
Commercial loans, net of allowance for loan losses of \$120,458 and \$22,212 in 2019 and 2018	1,064,694	1,221,969
Mortgage loans, net of allowance for loan losses of \$21,218 and \$31,445 in 2019 and 2018	1,309,174	2,249,634
Mortgage loans, CDFI, net of allowance for loan losses of \$11,277 and \$24,916 in 2019 and 2018	5,196,829	6,758,035
Mortgage loans, HHRP	4,654,449	5,285,588
Accrued interest receivable	128,868	175,999
Servicing fees receivable	29,681	28,658
Other receivables	33,845	29,982
Property and equipment, net	868,414	890,460
Other assets	<u>433,775</u>	<u>425,703</u>
Total assets	<u>\$ 35,103,835</u>	<u>34,391,720</u>
 Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	636,785	542,569
Neighborhood Stabilization Program payables	6,414,161	5,085,354
Note payable to bank	500,000	500,000
Escrow deposits	8,722,755	9,298,437
Due to the City of St. Petersburg	52,895	57,183
Due to Desoto County	3,004,529	3,004,529
Due to member banks	16,355	37,521
Mortgage note payable	586,151	619,753
Lines of credit	<u>1,293,573</u>	<u>1,474,098</u>
Total liabilities	<u>21,227,204</u>	<u>20,619,444</u>
Commitments and contingencies (Notes 3, 9 and 10)		
Net assets:		
Without donor restrictions	6,179,136	5,974,781
With donor restrictions	<u>7,697,495</u>	<u>7,797,495</u>
Total net assets	<u>13,876,631</u>	<u>13,772,276</u>
Total liabilities and net assets	<u>\$ 35,103,835</u>	<u>34,391,720</u>

See accompanying Notes to Combined Financial Statements.

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Combined Statement of Activities

Year Ended March 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues:			
Neighborhood Stabilization Program income	\$ -	179,419	179,419
Grant revenue	163,000	-	163,000
Loan servicing fees	609,098	-	609,098
Loan facilitation fees	653,787	-	653,787
Loan prepayment fees	610,925	-	610,925
Interest income loans	322,076	-	322,076
Interest income and other	43,072	-	43,072
Net assets released from restrictions	<u>279,419</u>	<u>(279,419)</u>	<u>-</u>
 Total revenues	 <u>2,681,377</u>	 <u>(100,000)</u>	 <u>2,581,377</u>
Expenses:			
Program services:			
Multifamily	1,205,147	-	1,205,147
Small business	516,553	-	516,553
Single family	(227)	-	(227)
NSP2	179,419	-	179,419
Supporting services:			
Management and general	390,830	-	390,830
Fundraising	<u>185,300</u>	<u>-</u>	<u>185,300</u>
 Total expenses	 <u>2,477,022</u>	 <u>-</u>	 <u>2,477,022</u>
 Increase (decrease) in net assets	 204,355	 (100,000)	 104,355
 Net assets at beginning of year	 <u>5,974,781</u>	 <u>7,797,495</u>	 <u>13,772,276</u>
 Net assets at end of year	 <u>\$ 6,179,136</u>	 <u>7,697,495</u>	 <u>13,876,631</u>

See accompanying Notes to Combined Financial Statements.

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Combined Statement of Activities

Year Ended March 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues:			
Neighborhood Stabilization Program income	\$ -	356,321	356,321
Grant revenue	87,889	-	87,889
Loan servicing fees	590,468	-	590,468
Loan facilitation fees	391,123	-	391,123
Interest income loans	300,373	-	300,373
Interest income and other	160,151	-	160,151
Net assets released from restrictions	<u>356,321</u>	<u>(356,321)</u>	<u>-</u>
Total revenues	<u>1,886,325</u>	<u>-</u>	<u>1,886,325</u>
Expenses:			
Program services:			
Multifamily	1,057,475	-	1,057,475
Small business	207,914	-	207,914
Single family	38,630	-	38,630
NSP2	356,321	-	356,321
Supporting services:			
Management and general	408,086	-	408,086
Fundraising	<u>86,146</u>	<u>-</u>	<u>86,146</u>
Total expenses	<u>2,154,572</u>	<u>-</u>	<u>2,154,572</u>
Decrease in net assets	(268,247)	-	(268,247)
Net assets at beginning of year	<u>6,243,028</u>	<u>7,797,495</u>	<u>14,040,523</u>
Net assets at end of year	\$ <u>5,974,781</u>	<u>7,797,495</u>	<u>13,772,276</u>

See accompanying Notes to Combined Financial Statements.

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Combined Statement of Functional Expenses

Year Ended March 31, 2019

	<u>Program Activities</u>					<u>Supporting Activities</u>			
	<u>Multi Family</u>	<u>Small Business</u>	<u>Single Family</u>	<u>NSP2</u>	<u>Total Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting</u>	<u>Total</u>
Salaries and employee benefits	\$ 878,421	138,373	18,002	39,021	1,073,817	270,000	82,000	352,000	1,425,817
Professional fees	72,943	-	-	-	72,943	18,338	-	18,338	91,281
Rental and maintenance	34,690	-	-	8,338	43,028	7,009	-	7,009	50,037
Office	49,426	16,009	-	11,022	76,457	10,994	-	10,994	87,451
Depreciation	17,430	-	-	8,786	26,216	3,877	-	3,877	30,093
(Credit) provision for loan losses	(13,639)	249,756	(19,622)	-	216,495	35,038	-	35,038	251,533
Interest expense	28,852	76,194	1,393	10,120	116,559	-	-	-	116,559
Travel	58,799	12,963	-	-	71,762	9,779	3,300	13,079	84,841
Other	<u>78,225</u>	<u>23,258</u>	<u>-</u>	<u>102,132</u>	<u>203,615</u>	<u>35,795</u>	<u>100,000</u>	<u>135,795</u>	<u>339,410</u>
Total expenses	\$ <u>1,205,147</u>	<u>516,553</u>	<u>(227)</u>	<u>179,419</u>	<u>1,900,892</u>	<u>390,830</u>	<u>185,300</u>	<u>576,130</u>	<u>2,477,022</u>

See accompanying Notes to Combined Financial Statements.

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Combined Statement of Functional Expenses

Year Ended March 31, 2018

	<u>Program Activities</u>				<u>Supporting Activities</u>				
	<u>Multi Family</u>	<u>Small Business</u>	<u>Single Family</u>	<u>NSP2</u>	<u>Total Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting</u>	<u>Total</u>
Salaries and employee benefits	\$ 750,309	138,373	-	-	888,682	275,238	82,000	357,238	1,245,920
Professional fees	75,623	-	-	-	75,623	15,489	-	15,489	91,112
Rental and maintenance	28,205	-	-	-	28,205	18,557	-	18,557	46,762
Office	56,939	16,009	-	-	72,948	11,662	-	11,662	84,610
Depreciation	29,449	-	-	-	29,449	6,032	-	6,032	35,481
(Credit) provision for loan losses	(48,944)	17,250	12,823	-	(18,871)	(172)	-	(172)	(19,043)
Interest expense	-	17,128	10,000	-	27,128	64,965	-	64,965	92,093
Travel	63,001	8,430	-	-	71,431	8,757	4,146	12,903	84,334
Other	<u>102,893</u>	<u>10,724</u>	<u>15,807</u>	<u>356,321</u>	<u>485,745</u>	<u>7,558</u>	<u>-</u>	<u>7,558</u>	<u>493,303</u>
Total expenses	\$ <u>1,057,475</u>	<u>207,914</u>	<u>38,630</u>	<u>356,321</u>	<u>1,660,340</u>	<u>408,086</u>	<u>86,146</u>	<u>494,232</u>	<u>2,154,572</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>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 104,355	(268,247)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	30,093	35,481
Provision (credit) for loan losses	251,533	(19,043)
Amortization of deferred loan fees and costs, net	31,278	(23)
Decrease in accrued interest receivable	47,131	8,807
Increase in servicing fees receivable	(1,023)	(5,054)
Increase in other receivables	(3,863)	(3,092)
Increase in Neighborhood Stabilization Program payables	1,328,807	837,144
Increase in other assets	(8,072)	(34,960)
Increase in accounts payable and accrued expenses	94,216	135,359
Decrease in escrow deposits	<u>(575,682)</u>	<u>(411,559)</u>
Net cash provided by operating activities	<u>1,298,773</u>	<u>274,813</u>
Cash flows from investing activities:		
Commercial loan originations	(122,250)	(636,239)
Net mortgage loan repayments (originations)	950,687	(131,312)
Net mortgage loan repayments - CDFI	1,547,693	265,081
Net mortgage loan repayments - HHRP	631,139	222,971
Purchase of property and equipment	<u>(8,047)</u>	<u>(2,669)</u>
Net cash provided by (used in) investing activities	<u>2,999,222</u>	<u>(282,168)</u>
Cash flows from financing activities:		
Repayment of loan from the City of St. Petersburg, net	(4,288)	(49,982)
Repayment of loans from Desoto County	-	(174,366)
Repayment of mortgage note payable	(33,602)	(32,281)
(Decrease) increase in due to member banks	(21,166)	29,016
(Decrease) increase in lines of credit	<u>(180,525)</u>	<u>418,724</u>
Net cash (used in) provided by financing activities	<u>(239,581)</u>	<u>191,111</u>
Net increase in cash and cash equivalents	4,058,414	183,756
Cash and cash equivalents at beginning of year	<u>17,325,692</u>	<u>17,141,936</u>
Cash and cash equivalents at end of year	\$ <u>21,384,106</u>	<u>17,325,692</u>
Supplemental disclosure of cash flow information -		
Cash paid for interest	\$ <u>106,440</u>	<u>92,093</u>

See accompanying Notes to Combined Financial Statements.

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Notes to Combined Financial Statements

At March 31, 2019 and 2018 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 Florida, Inc. ("NLPF") and Neighborhood Lending Partners of Georgia, Inc. ("NLPG") which was organized on February 12, 2019. NLPF conducts its operations in nineteen counties located in the West Florida area, four South Florida counties, and in forty-four North Florida counties. NLPG had minimal activity as of March 31, 2019. NLPG's primary market is Georgia.

The only activity of NLP is the operations of its affiliates. NLP, NLPF and NLPG are combined due to common control.

Funding has been received 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 NLPF 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."

Subsequent Events. Management has evaluated events occurring subsequent to the balance sheet date through June 24, 2019 (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, NLPF and NLPG (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. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses.

(continued)

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Notes to Combined Financial Statements, Continued

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

Financial Statement Presentation. The Company is required to report information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions. Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Company.

Net Assets With Donor Restrictions. Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by the actions of the Company or by the passage of time.

Restricted Cash. At March 31, 2019, restricted cash represented \$2,982,128 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, \$199,212 was restricted for future loan programs related to the note payable to bank. Also, restricted cash included \$8,764,166 of escrow payments received from borrowers. Restricted cash related to the Neighborhood Stabilization Program was \$6,414,161. At March 31, 2019, restricted cash includes \$500,440 on deposit as a requirement of certain revolving lines of credit.

At March 31, 2018, restricted cash represented \$1,330,902 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, \$45,754 was restricted for future loan programs related to the note payable to bank. Also, restricted cash included \$9,572,646 of escrow payments received from borrowers. Restricted cash related to the Neighborhood Stabilization Program was \$5,085,354. At March 31, 2018, restricted cash includes \$250,235 on deposit as a requirement of certain revolving lines of credit.

Grants. Grants received are recognized as revenue in the period received at their fair values. The Company also distinguishes between grants received with donor restrictions and without donor restrictions. The expiration of donor imposed restrictions is 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, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 net assets with donor restrictions. CDFI program funds are required to be used primarily for affordable housing and economic development.

(continued)

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Notes to Combined Financial Statements, Continued

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

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, 2019 or 2018.

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

The historical loss component of the allowance is determined by losses recognized. 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.

(continued)

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Notes to Combined Financial Statements, Continued

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

Loans, Continued. 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.

Loan Facilitation Fees. Loan facilitation fees totaled \$653,787 and \$391,123 for the years ended March 31, 2019 and 2018, respectively on loans originated by the Company.

Loan Servicing Fees. Loan servicing fees totaled \$609,098 and \$590,468 for the years ended March 31, 2019 and 2018, respectively. The servicing portfolio totaled approximately \$75,163,202 and \$80,186,000 at March 31, 2019 and 2018, respectively.

Functional Expenses. The costs of providing program services and supporting activities have been summarized on a functional basis in the combined statements of activities. Accordingly, certain costs have been allocated among program services and supporting services. Such allocations are determined by management based on an equitable basis. Salaries and employee benefits are allocated on the basis of employee time records. Other expenses are assigned to specific activities as expenditures are made.

(continued)

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Notes to Combined Financial Statements, Continued

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

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

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

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

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

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

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

(continued)

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Notes to Combined Financial Statements, Continued

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

Recent Pronouncements. In August 2016, Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which is intended to simplify and improve how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. The new guidance simplifies and improves the face of the financial statements and enhances the disclosures in the notes—which will enable not-for-profits to better communicate their financial performance and condition to their stakeholders while also reducing certain costs and complexities in preparing the financial statements. The ASU requires improved presentation and disclosures to help not-for-profits provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the following areas: Net Asset Classes, Investment Return, Expenses, Liquidity and Availability of Resources and Presentation of Operating Cash Flows. The amendments in the standard are effective for the Company's fiscal year beginning April 1, 2018. The ASU has been adopted and applied retrospectively to all periods presented. The impact of the new standard related primarily to financial statement presentation.

(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 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. Certain commercial loans are also made under the SBA Community Advantage Program.

(continued)

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Notes to Combined Financial Statements, Continued

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

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

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

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

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

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

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

(continued)

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Notes to Combined Financial Statements, Continued

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

Loans are summarized as follows:

	<u>At March 31,</u>	
	<u>2019</u>	<u>2018</u>
Commercial real estate	\$ 11,230,150	14,413,974
Commercial	<u>1,185,153</u>	<u>1,248,308</u>
	12,415,303	15,662,282
Less:		
Allowance for loan losses	(152,953)	(78,573)
Deferred loan fees, net	<u>(37,204)</u>	<u>(68,483)</u>
Total	\$ <u>12,225,146</u>	<u>15,515,226</u>

The following summarizes the loan credit quality:

	<u>At March 31,</u>	
	<u>2019</u>	<u>2018</u>
<i>Credit Risk Profile by Internally Assigned Grade:</i>		
Grade:		
Pass	\$ 12,270,790	15,185,932
Special mention	11,502	284,824
Substandard	<u>133,011</u>	<u>191,526</u>
Total	\$ <u>12,415,303</u>	<u>15,662,282</u>

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

	<u>Year Ended March 31,</u>	
	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 78,573	97,616
Provision (credit) for loan losses	251,533	(19,043)
Charge-offs	<u>(177,153)</u>	<u>-</u>
Ending balance ^{(1) (2)}	\$ <u>152,953</u>	<u>78,573</u>

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

(continued)

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Notes to Combined Financial Statements, Continued

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

⁽²⁾ Includes the allowance for loan losses for loans originated under the SBA Community Advantage Program ("SBA"). As a Community Advantage Lender, the Company is required to maintain minimum reserves equal to 5% of the unguaranteed portion of their portfolio plus an additional 3% of the guaranteed portion of each loan sold. As of March 31, 2019, the Company maintained \$18,005 in reserves based on an unguaranteed portion of \$202,275 or 8.9%. As of March 31, 2019, the Company also maintained reserves of 17,450 based on 3% the guaranteed portion of loans sold in the secondary market. As of March 31, 2018, the Company maintained \$3,725 in reserves based on an unguaranteed portion of \$69,000 or 5.4%. No loans had been sold in the secondary market as of March 31, 2018. As required by the SBA, the Company maintains these reserves in a loan loss reserve deposit account.

At March 31, 2019, all loans were current and the Company had no impaired loans. At March 31, 2018, all loans were current except for one impaired loan with an outstanding balance of \$4,962. The loan was fully reserved as of March 31, 2018.

(3) Property and Equipment, Net

Property and equipment consists of the following:

	<u>At March 31,</u>	
	<u>2019</u>	<u>2018</u>
Land	\$ 153,032	153,032
Building	1,076,511	1,072,220
Furniture and fixtures	150,234	150,234
Equipment	<u>42,260</u>	<u>35,984</u>
Total, at cost	1,422,037	1,411,470
Less accumulated depreciation	<u>(553,623)</u>	<u>(521,010)</u>
Property and equipment, net	\$ <u>868,414</u>	<u>890,460</u>

(continued)

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Notes to Combined Financial Statements, Continued

(3) Property and Equipment, Net, Continued

The Company entered into leases certain office facilities under operating lease agreements. Rent expense was approximately \$15,000 for the years ended March 31, 2019 and 2018. The estimated future lease commitments at March 31, 2019 are as follows:

<u>Year Ending March 31,</u>	<u>Amount</u>
2020	\$ 13,225
2021	7,752
2022	<u>3,915</u>
	\$ <u>24,892</u>

(4) Note Payable to Bank and Lines of Credit

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, 2019 and 2018 was \$500,000. In addition, the balance outstanding of loans funded through the note totaled \$299,404 and \$461,472 at March 31, 2019 and 2018, respectively.

In addition, the Company had a \$5.0 million revolving line of credit with a bank which is no longer active. The remaining balance outstanding at March 31, 2019 and 2018 was \$309,401 and \$473,176, respectively. The line of credit bears interest at three month LIBOR plus 3.50%, subject to an overall floor interest rate of 4.00% (6.10% at March 31, 2019). 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. The Company was in compliance with the restrictive covenants at March 31, 2019.

The Company has a \$750,000 line of credit that bears interest at LIBOR plus 2% (4.38% at March 31, 2019). The line of credit matures August 3, 2020 and is collateralized by loans funded under the Agreement. At March 31, 2019 and 2018, the outstanding balance was \$100,000 and \$148,238, respectively. Funds advanced to the Company in connection with the Agreement are recorded to be used to fund loans made in connection with the Florida Minority Impact Housing Fund.

(continued)

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Notes to Combined Financial Statements, Continued

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

Also, the Company has a \$1.0 million revolving line of credit with a bank bearing interest at LIBOR plus 3.25% (5.75% at March 31, 2019). The line of credit has a maturity date of July 1, 2022 and requires the maintenance of a minimum depository relationship of \$250,000. The balance outstanding at March 31, 2019 and 2018 was \$510,000 and \$602,684, respectively.

In addition, the Company entered into a \$1 million revolving line of credit with a bank on January 29, 2018 bearing interest equal to the lender's prime rate minus .5% (5% at March 31, 2019) with a floor of 4% and ceiling of 16%. The note matures on January 28, 2023 and is collateralized by the assigned interest in the loans the Company funds through the line. As of March 31, 2019 and 2018, the balance outstanding was \$374,172 and \$250,000, respectively. The Company is required to maintain a minimum depository relationship of \$250,000.

(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, 2019 and 2018, the balance of this note payable was \$586,151 and \$619,753, 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 \$708,011 at March 31, 2019.

The estimated future principal commitments at March 31, 2019 on the mortgage note payable are as follows:

<u>Year Ending March 31,</u>	<u>Mortgage Payments</u>
2020	\$ 35,734
2021	<u>550,417</u>
	\$ <u>586,151</u>

(6) Related Party Transactions and Concentrations of Credit Risk

The Company had \$21,384,106 and \$17,325,692 on deposit with member banks in general operating accounts, payroll accounts, escrow accounts and short-term investment accounts as of March 31, 2019 and 2018, respectively.

(continued)

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Notes to Combined Financial Statements, Continued

(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, 2018, 2017 and 2016 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, 2019 or 2018.

(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 \$34,194 and \$34,132 to the plan during the years ended March 31, 2019 and 2018, 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.

Mortgage loans, CDFI, are as follows:

	At March 31,	
	2019	2018
Mortgage loans	\$ 5,245,310	6,847,308
Less:		
Allowance for loan losses	(11,277)	(24,916)
Unamortized loan fees and costs, net	(37,204)	(64,357)
	\$ 5,196,829	6,758,035

(continued)

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Notes to Combined Financial Statements, Continued

(10) Net Assets With Donor Restrictions

Net assets with donor restrictions are as follows:

Name	At March 31,	
	2019	2018
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>
CDFI grants	\$ <u>5,225,206</u>	<u>5,225,206</u>
Riviera Beach CRA grant	-	100,000
Polk county – HHRP	<u>2,472,289</u>	<u>2,472,289</u>
Other grants	\$ <u>2,472,289</u>	<u>2,572,289</u>
Total net assets with donor restrictions	\$ <u>7,697,495</u>	<u>7,797,495</u>

(continued)

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Notes to Combined Financial Statements, Continued

(10) Net Assets With Donor Restrictions, 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 net assets with donor restrictions. 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, 2019 and 2018, 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.

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 was 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. The grant funds were returned to the City of Riviera Beach during the year ended March 31, 2019.

During the years ended March 31, 2019 and 2018, all net assets released from restriction were subject to expenditure for a specified purpose.

(continued)

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Notes to Combined Financial Statements, Continued

(11) 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 administered the funds and oversaw the NSP 2 activities as defined by the grant. The purpose of NSP 2 was 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 grant had a term of five years which ended in fiscal 2016. Program income earned subsequent to the grant period was \$70,382 and \$356,321 during the years ended March 31, 2019 and 2018, respectively.

(12) Liquidity

The Company's financial assets available within one year of the statement of March 31, 2019 for general expenditures are as follows:

	<u>At March 31,</u> <u>2019</u>
Cash - unrestricted	\$ 1,784,707
Short-term investments-money market funds	739,292
Accrued interest receivable	128,868
Servicing fees receivable	29,681
Other receivables	<u>33,845</u>
	<u>\$ 2,716,393</u>

The Company's financial assets have been reduced by amounts not available for general use because of donor imposed restrictions within one year of March 31, 2019. The Company is required to obtain approval from the board of directors prior to expending short-term investments-money market funds.

The Company's liquidity management policy provides for structuring financial assets to be available as its general expenditures, liabilities and other obligations come due.

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Combining Statement of Financial Position

At March 31, 2019

Assets	NLP of Florida, Inc.				Eliminations	Combined
	NLP	NSP	NLP of Florida, Inc.	Total NLP of Florida, Inc.		
Cash:						
Restricted	\$ 258,675	6,414,161	12,187,271	18,601,432	-	18,860,107
Unrestricted	-	-	1,784,707	1,784,707	-	1,784,707
Total cash	258,675	6,414,161	13,971,978	20,386,139	-	20,644,814
Short-term investments	-	-	739,292	739,292	-	739,292
Cash and cash equivalents	258,675	6,414,161	14,711,270	21,125,431	-	21,384,106
Commercial loans, net	-	-	1,064,694	1,064,694	-	1,064,694
Mortgage loans, net	-	-	1,309,174	1,309,174	-	1,309,174
Mortgage loans, CDFI, net	-	-	5,196,829	5,196,829	-	5,196,829
Mortgage loans, HHRP	-	-	4,654,449	4,654,449	-	4,654,449
Accrued interest receivable	-	-	128,868	128,868	-	128,868
Servicing fees receivable	-	-	29,681	29,681	-	29,681
Other receivables	-	-	413,935	413,935	(380,090) ^(b)	33,845
Property and equipment, net	868,414	-	-	-	-	868,414
Investment in affiliates	13,713,557	-	-	-	(13,713,557) ^(a)	-
Other assets	358,338	-	75,437	75,437	-	433,775
Total assets	\$ 15,198,984	6,414,161	27,584,337	33,998,498	(14,093,647)	35,103,835
Liabilities and Net Assets						
Liabilities:						
Accounts payable and accrued expenses	736,202	-	280,673	280,673	(380,090) ^(b)	636,785
Neighborhood Stabilization Program ("NSP") payables	-	6,414,161	-	6,414,161	-	6,414,161
Note payable to bank	-	-	500,000	500,000	-	500,000
Escrow deposits	-	-	8,722,755	8,722,755	-	8,722,755
Due to the City of St. Petersburg	-	-	52,895	52,895	-	52,895
Due to Desoto County	-	-	3,004,529	3,004,529	-	3,004,529
Due to member banks	-	-	16,355	16,355	-	16,355
Mortgage note payable	586,151	-	-	-	-	586,151
Line of credit	-	-	1,293,573	1,293,573	-	1,293,573
Total liabilities	1,322,353	6,414,161	13,870,780	20,284,941	(380,090) ^(b)	21,227,204
Net assets:						
Without donor restrictions	6,179,136	-	6,016,063	6,016,063	(6,016,063) ^(a)	6,179,136
With donor restrictions	7,697,495	-	7,697,494	7,697,494	(7,697,494) ^(a)	7,697,495
Total net assets	13,876,631	-	13,713,557	13,713,557	(13,713,557) ^(a)	13,876,631
Total liabilities and net assets	\$ 15,198,984	6,414,161	27,584,337	33,998,498	(14,093,647)	35,103,835

^(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, 2019

	<u>NLP of Florida, Inc.</u>				<u>Eliminations</u>	<u>Combined</u>
	<u>NLP</u>	<u>NSP</u>	<u>NLP of Florida, Inc.</u>	<u>Total NLP of Florida, Inc.</u>		
Revenues:						
Neighborhood Stabilization Program income	\$ -	179,419	-	179,419	-	179,419
Grant revenue	25,000	-	138,000	138,000	-	163,000
Loan servicing fees	-	-	609,098	609,098	-	609,098
Loan facilitation fees	-	-	653,787	653,787	-	653,787
Loan prepayment fees	-	-	610,925	610,925	-	610,925
Interest income loans	-	-	322,076	322,076	-	322,076
Interest income and other	<u>104,355</u>	<u>-</u>	<u>43,072</u>	<u>43,072</u>	<u>(104,355)^(c)</u>	<u>43,072</u>
Total revenues	<u>129,355</u>	<u>179,419</u>	<u>2,376,958</u>	<u>2,556,377</u>	<u>(104,355)</u>	<u>2,581,377</u>
Expenses:						
Program services:						
Single family	-	-	1,205,147	1,205,147	-	1,205,147
Multifamily	-	-	516,553	516,553	-	516,553
Small business	-	-	(227)	(227)	-	(227)
NSP2	-	179,419	-	179,419	-	179,419
Supporting services:						
Management and general	25,000	-	365,830	365,830	-	390,830
Fundraising	<u>-</u>	<u>-</u>	<u>185,300</u>	<u>185,300</u>	<u>-</u>	<u>185,300</u>
Total expenses	<u>25,000</u>	<u>179,419</u>	<u>2,272,603</u>	<u>2,452,022</u>	<u>-</u>	<u>2,477,022</u>
Increase in net assets	104,355	-	104,355	104,355	(104,355) ^(a)	104,355
Net assets at beginning of year	<u>13,772,276</u>	<u>-</u>	<u>13,609,201</u>	<u>13,609,201</u>	<u>(13,609,201)^(b)</u>	<u>13,772,276</u>
Net assets at end of year	\$ <u>13,876,631</u>	<u>-</u>	<u>13,713,556</u>	<u>13,713,556</u>	<u>(13,713,556)^(b)</u>	<u>13,876,631</u>

(a) to eliminate 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 24, 2019

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, 2018.

**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, 2019, and the related combined statements of activities, functional expenses 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 24, 2019.

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 24, 2019

Schedule of Findings and Questioned Costs



Neighborhood Lending Partners, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended March 31, 2019

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

X Material weaknesses identified? ___ yes X no
X Significant deficiency(s) identified? ___ 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 ___ no N/A
X Significant deficiency(s) identified? ___ yes ___ no N/A

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ___ yes ___ no N/A

Identification of major program:

CFDA Number *Name of Federal Program*

N/A N/A

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? ___ yes ___ no N/A

State Awards

Internal control over major state project:

X Material weaknesses identified? yes no N/A
X Significant deficiency(s) identified? 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

Dollar threshold used to distinguish between type A and B program: \$300,000

Items to be reported in management letter yes no N/A

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



NEIGHBORHOOD LENDING
PARTNERS

Lifting Communities.

Corrective Action Plan

June 24, 2019

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, 2019.