

**State of Florida Audit Reporting Package
For**

NEIGHBORHOOD LENDING PARTNERS, INC.
Tampa, Florida

For the Year Ended March 31, 2021

Reports

The following reports were delivered on June 28, 2021 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, 2021 and 2020 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
Entity Address: 3615 West Spruce Street
Tampa, Florida 33607

Entity Contact Person:
Name: Debra Reyes
Title: President
Phone Number: 813-879-4525
E-mail Address: dreyes@nlp-inc.com

CPA Firm Contact Person:
Name: Stephen R. Kania
Title: Partner
Phone Number: 813-286-2424
E-mail Address: steve@hackerjohnson.com

Fiscal Year Audited: 4/1/20 - 3/31/21

Date the auditor delivered the audit report to the entity: June 29, 2021

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.

<u>Yes</u>	A corrective action plan as described in Section 10.656(3)(d)6., Rules of the Auditor General?
<u>N/A</u>	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.
<u>Yes</u>	Are all of the elements of the financial reporting package included in a single document as required by Section 10.656(3), Rules of the Auditor General?
<u>Yes</u>	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?
<u>Yes</u>	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? NOTE: There is no provision in law authorizing an extension for filing the financial reporting package.
<u>Yes</u>	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 2019-20 fiscal year for "Example Nonprofit" entity should be named 2020 example nonprofit.pdf.
<u>Required only for State single audits as defined by Section 215.97(2)(x), Florida Statutes:</u>	
<u>Yes</u>	The financial statements described in Section 10.655 (2) or (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)?
<u>Yes</u>	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 Sections 10.655(3) and Section 10.656(3)(f), Rules of the Auditor General)? NOTE: This applies only to nonprofit organizations that are determined to be governmental entities.
<u>Yes</u>	The auditor's report on the financial statements (see Section 10.656(3)(b), Rules of the Auditor General)?
<u>Yes</u>	The auditor's report on compliance and internal control based on an audit of the financial statements (see Section 10.656(3)(b), Rules of the Auditor General)?
<u>N/A</u>	If applicable, any other auditor's reports, related financial information, and auditee-prepared documents required pursuant to Title 2 U.S. Code of Federal Regulations Part 200, <i>Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards</i> (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, 2021 and 2020 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, 2021 and 2020 and For the Years Then Ended
With Supplementary Schedules for Fiscal 2021**

(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, 2021 and 2020, 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, 2021 and 2020, 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, 2021 and combining statement of activities for the year ended March 31, 2021 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 28, 2021 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 28, 2021

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Combined Statements of Financial Position

Assets	At March 31,	
	<u>2021</u>	<u>2020</u>
Cash:		
Restricted	\$ 16,653,435	18,517,855
Unrestricted	<u>2,525,326</u>	<u>1,232,547</u>
Total cash	19,178,761	19,750,402
Short-term investments - money market funds	<u>743,874</u>	<u>742,557</u>
Cash and cash equivalents	19,922,635	20,492,959
Commercial loans, net of allowance for loan losses of \$291,772 and \$238,728 in 2021 and 2020	434,803	676,415
Mortgage loans, net of allowance for loan losses of \$7,494 and \$10,251 in 2021 and 2020	1,332,298	987,064
Mortgage loans, CDFI, net of allowance for loan losses of \$7,083 and \$10,240 in 2021 and 2020	3,849,056	4,582,336
Mortgage loans, HHRP	4,596,019	4,625,503
Accrued interest receivable	120,290	122,528
Servicing fees receivable	42,235	37,544
Other receivables	22,569	38,944
Property and equipment, net	812,573	847,116
Other assets	<u>532,809</u>	<u>520,064</u>
Total assets	\$ <u>31,665,287</u>	<u>32,930,473</u>
 Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	826,021	551,326
Neighborhood Stabilization Program payables	6,033,707	6,378,237
Note payable to bank	500,000	500,000
Escrow deposits	7,062,738	7,955,253
Due to the City of St. Petersburg	-	48,523
Due to Desoto County	3,004,529	3,004,529
Due to member banks	77,978	38,033
Mortgage note payable	510,355	550,814
Lines of credit	<u>219,153</u>	<u>-</u>
Total liabilities	<u>18,234,481</u>	<u>19,026,715</u>
Commitments (Note 3)		
Net assets:		
Without donor restrictions	6,803,433	6,206,263
With donor restrictions	<u>6,627,373</u>	<u>7,697,495</u>
Total net assets	<u>13,430,806</u>	<u>13,903,758</u>
Total liabilities and net assets	\$ <u>31,665,287</u>	<u>32,930,473</u>

See accompanying Notes to Combined Financial Statements.

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Combined Statement of Activities

Year Ended March 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues:			
Neighborhood Stabilization Program income	\$ -	943,208	943,208
PPP loan forgiveness	170,017	-	170,017
Grant revenue	37,000	-	37,000
Loan servicing fees	705,237	-	705,237
Loan facilitation fees	464,163	-	464,163
Loan prepayment fees	770,337	-	770,337
Interest income loans	196,313	-	196,313
Interest income and other	10,261	-	10,261
Net assets released from restrictions	<u>2,013,330</u>	<u>(2,013,330)</u>	<u>-</u>
 Total revenues	 <u>4,366,658</u>	 <u>(1,070,122)</u>	 <u>3,296,536</u>
Expenses:			
Program services:			
Multifamily	1,093,897	-	1,093,897
Small business	35,561	-	35,561
NSP2	943,208	-	943,208
Single family	5,635	-	5,635
Supporting services:			
Management and general	1,601,187	-	1,601,187
Fundraising	<u>90,000</u>	<u>-</u>	<u>90,000</u>
 Total expenses	 <u>3,769,488</u>	 <u>-</u>	 <u>3,769,488</u>
 Increase (decrease) in net assets	 597,170	 (1,070,122)	 (472,952)
 Net assets at beginning of year	 <u>6,206,263</u>	 <u>7,697,495</u>	 <u>13,903,758</u>
 Net assets at end of year	 <u>\$ 6,803,433</u>	 <u>6,627,373</u>	 <u>13,430,806</u>

See accompanying Notes to Combined Financial Statements.

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Combined Statement of Activities

Year Ended March 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues:			
Neighborhood Stabilization Program income	\$ -	561,976	561,976
Grant revenue	149,000	-	149,000
Loan servicing fees	674,549	-	674,549
Loan facilitation fees	540,835	-	540,835
Loan prepayment fees	361,624	-	361,624
Interest income loans	246,879	-	246,879
Interest income and other	47,373	-	47,373
Net assets released from restrictions	<u>561,976</u>	<u>(561,976)</u>	<u>-</u>
 Total revenues	 <u>2,582,236</u>	 <u>-</u>	 <u>2,582,236</u>
Expenses:			
Program services:			
Multifamily	1,212,643	-	1,212,643
Small business	247,999	-	247,999
NSP2	561,976	-	561,976
Single family	6,896	-	6,896
Supporting services:			
Management and general	435,595	-	435,595
Fundraising	<u>90,000</u>	<u>-</u>	<u>90,000</u>
 Total expenses	 <u>2,555,109</u>	 <u>-</u>	 <u>2,555,109</u>
 Increase in net assets	 27,127	 -	 27,127
 Net assets at beginning of year	 <u>6,179,136</u>	 <u>7,697,495</u>	 <u>13,876,631</u>
 Net assets at end of year	 <u>\$ 6,206,263</u>	 <u>7,697,495</u>	 <u>13,903,758</u>

See accompanying Notes to Combined Financial Statements.

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Combined Statement of Functional Expenses

Year Ended March 31, 2021

	<u>Program Activities</u>					<u>Supporting Activities</u>			
	<u>Multi Family</u>	<u>Small Business</u>	<u>NSP2</u>	<u>Single Family</u>	<u>Total Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting</u>	<u>Total</u>
Salaries and employee benefits	\$ 776,763	14,393	-	4,222	795,378	461,332	90,000	551,332	1,346,710
Professional fees	88,890	-	-	-	88,890	16,932	-	16,932	105,822
Rental and maintenance	50,784	-	-	-	50,784	9,673	-	9,673	60,457
Office	65,437	149	-	-	65,586	12,315	-	12,315	77,901
Depreciation	29,748	-	-	-	29,748	4,795	-	4,795	34,543
Provision for loan losses	15,164	16,150	-	-	31,314	-	-	-	31,314
Interest expense	-	4,869	-	1,413	6,282	24,885	-	24,885	31,167
Travel	5,941	-	-	-	5,941	1,133	-	1,133	7,074
Return of grant funds	-	-	-	-	-	1,070,122	-	1,070,122	1,070,122
Other	<u>61,170</u>	<u>-</u>	<u>943,208</u>	<u>-</u>	<u>1,004,378</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,004,378</u>
Total expenses	\$ <u>1,093,897</u>	<u>35,561</u>	<u>943,208</u>	<u>5,635</u>	<u>2,078,301</u>	<u>1,601,187</u>	<u>90,000</u>	<u>1,691,187</u>	<u>3,769,488</u>

See accompanying Notes to Combined Financial Statements.

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Combined Statement of Functional Expenses

Year Ended March 31, 2020

	<u>Program Activities</u>					<u>Supporting Activities</u>			
	<u>Multi Family</u>	<u>Small Business</u>	<u>NSP2</u>	<u>Single Family</u>	<u>Total Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting</u>	<u>Total</u>
Salaries and employee benefits	\$ 850,621	34,753	-	3,292	888,666	354,804	90,000	444,804	1,333,470
Professional fees	74,790	-	-	-	74,790	14,246	-	14,246	89,036
Rental and maintenance	36,973	-	-	-	36,973	7,042	-	7,042	44,015
Office	69,657	6,537	-	-	76,194	6,731	-	6,731	82,925
Depreciation	15,034	-	-	-	15,034	15,742	-	15,742	30,776
(Credit) provision for loan losses	(15,953)	179,016	-	-	163,063	-	-	-	163,063
Interest expense	-	15,597	-	3,604	19,201	33,254	-	33,254	52,455
Travel	86,323	1,046	-	-	87,369	3,776	-	3,776	91,145
Other	<u>95,198</u>	<u>11,050</u>	<u>561,976</u>	<u>-</u>	<u>668,224</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>668,224</u>
Total expenses	<u>\$ 1,212,643</u>	<u>247,999</u>	<u>561,976</u>	<u>6,896</u>	<u>2,029,514</u>	<u>435,595</u>	<u>90,000</u>	<u>525,595</u>	<u>2,555,109</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>2021</u>	<u>2020</u>
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ (472,952)	27,127
Adjustments to reconcile (decrease) increase in net assets to net cash used in operating activities:		
Depreciation	34,543	30,776
Provision for loan losses	31,314	163,063
PPP loan forgiveness	(170,017)	-
Amortization of deferred loan fees and costs, net	(5,539)	(3,269)
Decrease in accrued interest receivable	2,238	6,340
Increase in servicing fees receivable	(4,691)	(7,863)
Decrease (increase) in other receivables	16,375	(5,099)
Decrease in Neighborhood Stabilization Program payables	(344,530)	(35,924)
Increase in other assets	(12,745)	(86,289)
Increase (decrease) in accounts payable and accrued expenses	274,695	(85,459)
Decrease in escrow deposits	<u>(892,515)</u>	<u>(767,502)</u>
Net cash used in operating activities	<u>(1,543,824)</u>	<u>(764,099)</u>
Cash flows from investing activities:		
Net commercial loan repayments	204,385	213,211
Net mortgage loan (originations) repayments	(342,477)	333,077
Net mortgage loan repayments - CDFI	741,975	618,800
Net mortgage loan repayments - HHRP	29,484	28,946
Purchase of property and equipment	<u>-</u>	<u>(9,478)</u>
Net cash provided by investing activities	<u>633,367</u>	<u>1,184,556</u>
Cash flows from financing activities:		
Proceeds from PPP loan	170,017	-
Repayment of loan from the City of St. Petersburg, net	(48,523)	(4,372)
Repayment of mortgage note payable	(40,459)	(35,337)
Increase in due to member banks	39,945	21,678
Increase (decrease) in lines of credit	<u>219,153</u>	<u>(1,293,573)</u>
Net cash provided by (used in) financing activities	<u>340,133</u>	<u>(1,311,604)</u>
Net decrease in cash and cash equivalents	(570,324)	(891,147)
Cash and cash equivalents at beginning of year	<u>20,492,959</u>	<u>21,384,106</u>
Cash and cash equivalents at end of year	\$ <u>19,922,635</u>	<u>20,492,959</u>
Supplemental disclosure of cash flow information -		
Cash paid for interest	\$ <u>31,167</u>	<u>52,455</u>

See accompanying Notes to Combined Financial Statements.

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Notes to Combined Financial Statements

At March 31, 2021 and 2020 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'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 28, 2021 (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, 2021, restricted cash represented \$2,946,463 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, \$51,961 was restricted for future loan programs related to the note payable to bank. Also, restricted cash included \$7,062,540 of escrow payments received from borrowers. Restricted cash related to the Neighborhood Stabilization Program was \$6,033,707. At March 31, 2021, restricted cash includes \$558,764 on deposit as a requirement of certain revolving lines of credit.

At March 31, 2020, restricted cash represented \$3,364,612 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, \$71,375 was restricted for future loan programs related to the note payable to bank. Also, restricted cash included \$8,143,489 of escrow payments received from borrowers. Restricted cash related to the Neighborhood Stabilization Program was \$6,378,237. At March 31, 2020, restricted cash includes \$560,142 on deposit as a requirement of certain revolving lines of credit.

Revenue Recognition. All revenues are recognized in accordance with Accounting Standards Codification ASC 606, Revenue from Contracts with Customers ("ASC 606"). Revenue is recognized when: (i) a contract with a customer has been identified, (ii) the performance obligation(s) in the contract have been identified, (iii) the transaction price has been determined, (iv) the transaction price has been allocated to each performance obligation in the contract, and (v) the Company has satisfied the applicable performance obligation over time or at a point in time. Substantially all of the Company's revenue is derived from financial assets which are outside the scope of ASC 606 except for loan facilitation fees which are recognized at loan closing which is the point in time when the performance obligation is satisfied.

(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 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 combined 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.

Cash and Cash Equivalents. Cash and cash equivalents consist of cash on deposit and money market funds 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, 2021 or 2020.

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 historical 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. The Company capitalizes property and equipment additions in excess of \$1,500.

Loan Facilitation Fees. Loan facilitation fees totaled \$464,163 and \$540,835 for the years ended March 31, 2021 and 2020, respectively on loans originated by the Company.

Loan Servicing Fees. Loan servicing fees totaled \$705,237 and \$674,549 for the years ended March 31, 2021 and 2020, respectively. The servicing portfolio totaled approximately \$94,709,120 and \$100,798,581 at March 31, 2021 and 2020, respectively.

(continued)

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Notes to Combined Financial Statements, Continued

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

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.

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 year amounts were made to conform to the current year presentation.

(continued)

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 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.

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.

(continued)

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Notes to Combined Financial Statements, Continued

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

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:

	<u>At March 31,</u>	
	<u>2021</u>	<u>2020</u>
Commercial real estate	\$ 9,820,346	10,249,328
Commercial	<u>726,575</u>	<u>915,143</u>
	10,546,921	11,164,471
Less:		
Allowance for loan losses	(306,349)	(259,219)
Deferred loan fees, net	<u>(28,396)</u>	<u>(33,934)</u>
Total	\$ <u>10,212,176</u>	<u>10,871,318</u>

The following summarizes the loan credit quality:

	<u>At March 31,</u>	
	<u>2021</u>	<u>2020</u>
<i>Credit Risk Profile by Internally Assigned Grade:</i>		
Grade:		
Pass	\$ 8,039,012	8,835,038
Special mention	1,292,897	1,368,849
Substandard	841,490	960,584
Doubtful	<u>373,522</u>	<u>-</u>
Total	\$ <u>10,546,921</u>	<u>11,164,471</u>

(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:

	Commercial		
	Real		
	Estate	Commercial	Total
<i>Year Ended March 31, 2021:</i>			
Beginning balance	\$ 20,491	238,728	259,219
(Credit) provision for loan losses	(5,914)	37,228	31,314
Recovery	<u>-</u>	<u>15,816</u>	<u>15,816</u>
Ending balance ^{(1) (2)}	\$ <u>14,577</u>	<u>291,772</u>	<u>306,349</u>
<i>Year Ended March 31, 2020:</i>			
Beginning balance	32,495	120,458	152,953
(Credit) provision for loan losses	(12,004)	175,067	163,063
Charge-offs	<u>-</u>	<u>(56,797)</u>	<u>(56,797)</u>
Ending balance ^{(1) (2)}	\$ <u>20,491</u>	<u>238,728</u>	<u>259,219</u>

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

⁽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, 2021, the Company maintained \$64,051 in reserves based on an unguaranteed portion of \$153,983 or 41.6%. As of March 31, 2021, the Company also maintained reserves of \$15,104 based on 3% of the guaranteed portion of loans sold in the secondary market. As of March 31, 2020, the Company maintained \$77,310 in reserves based on an unguaranteed portion of \$207,823 or 37.2%. As of March 31, 2020, the Company also maintained reserves of \$21,052 based on 3% of the guaranteed portion of loans sold in the secondary market. As required by the SBA, the Company maintains these reserves in a loan loss reserve deposit account.

At March 31, 2021, all loans were current except for seven nonaccrual and impaired loans with an outstanding balance of \$476,945 and \$212,617 of specific reserves. The average investment in impaired loans was approximately \$548,295 and \$36,855 of interest income was recognized and received with respect to impaired loans during the year ended March 31, 2021. At March 31, 2020, all loans were current and no loans were impaired.

(continued)

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Notes to Combined Financial Statements, Continued

(3) Property and Equipment, Net

Property and equipment consists of the following:

	<u>At March 31,</u>	
	<u>2021</u>	<u>2020</u>
Land	\$ 153,032	153,032
Building	1,076,511	1,076,511
Furniture and fixtures	146,110	146,110
Equipment	<u>54,991</u>	<u>54,991</u>
 Total, at cost	 1,430,644	 1,430,644
 Less accumulated depreciation	 <u>(618,071)</u>	 <u>(583,528)</u>
 Property and equipment, net	 <u>\$ 812,573</u>	 <u>847,116</u>

The Company leases certain office facilities under operating lease agreements. Rent expense was approximately \$8,500 and \$13,000 for the years ended March 31, 2021 and 2020, respectively. The estimated future lease commitments at March 31, 2021 are as follows:

<u>Year Ending March 31,</u>	<u>Amount</u>
2022	\$ <u>3,915</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, 2021 and 2020 was \$500,000. In addition, the balance outstanding of loans funded through the note totaled \$354,197 and \$251,810 at March 31, 2021 and 2020, respectively.

Also, the Company has a \$1.0 million revolving line of credit with a bank bearing interest at LIBOR plus 3.25% (3.33% at March 31, 2021). 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, 2021 was \$100,000.

(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 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% with a floor of 4% and ceiling of 16% (4% at March 31, 2021). 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, 2021, the balance outstanding was \$119,153. 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, 2021 and 2020, the balance of this note payable was \$510,355 and \$550,814, respectively. The note is payable in monthly principal and interest payments totaling \$5,215 through August 4, 2030 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 \$652,416 at March 31, 2021.

The estimated future principal commitments at March 31, 2021 on the mortgage note payable are as follows:

<u>Year Ending March 31,</u>	<u>Mortgage Payments</u>
2022	\$ 64,323
2023	64,323
2024	64,323
2025	64,323
2026	64,323
Thereafter	<u>188,740</u>
	<u>\$ 510,355</u>

(6) Related Party Transactions and Concentrations of Credit Risk

The Company had \$19,922,635 and \$20,492,959 on deposit with member banks in general operating accounts, payroll accounts, escrow accounts and short-term investment accounts as of March 31, 2021 and 2020, 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, 2020, 2019 and 2018 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, 2021 or 2020.

(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 \$29,810 and \$28,314 to the plan during the years ended March 31, 2021 and 2020, 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,	
	2021	2020
Mortgage loans	\$ 3,884,535	4,626,510
Less:		
Allowance for loan losses	(7,083)	(10,240)
Unamortized loan fees and costs, net	(28,396)	(33,934)
	\$ 3,849,056	4,582,336

(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,	
	<u>2021</u>	<u>2020</u>
CDFI - 1997	\$ -	-
Matching funds:		
Polk County	10,800	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>2,072,462</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>4,737,488</u>	\$ <u>5,225,206</u>
Polk county – HHRP	<u>1,889,885</u>	<u>2,472,289</u>
Other grants	\$ <u>1,889,885</u>	\$ <u>2,472,289</u>
Total net assets with donor restrictions	\$ <u>6,627,373</u>	\$ <u>7,697,495</u>

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.

(continued)

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Notes to Combined Financial Statements, Continued

(10) Net Assets With Donor Restrictions, Continued

At March 31, 2021 and 2020, 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 Hurricane Housing Recovery Program ("HHRP") program are classified as grants and will be maintained as revolving lines to be used for future lending under the program. All such subsequent loans will require approval of the specific County and must be in accordance with the provisions of the HHRP guidelines. Due to the requirement that the Counties approve all subsequent loans under these grants, such grants are recorded as temporarily restricted net assets. The Company retains 50% of all interest collected, a portion of which is to be used for future loan programs and a portion to cover administration costs. The remaining 50% is remitted to the Counties. All of the County agreements were modified to allow the Company's portion to be used entirely for administrative costs.

During the year ended March 31, 2021, net assets released from restriction totaling \$1,070,122 were returned to Polk County and \$943,208 was subject to expenditure for a specified purpose. During the year ended March 31, 2020, all net assets released from restriction were subject to expenditure for a specified purpose.

(11) Neighborhood Stabilization Program 2 ("NSP2")

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 \$943,208 and \$561,976 during the years ended March 31, 2021 and 2020, respectively.

(continued)

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Notes to Combined Financial Statements, Continued

(12) Liquidity

The Company's financial assets available within one year for general expenditures are as follows:

	<u>At March 31,</u>	
	<u>2021</u>	<u>2020</u>
Cash - unrestricted	\$ 2,525,326	1,232,547
Short-term investments-money market funds	743,874	742,557
Accrued interest receivable	120,290	122,528
Servicing fees receivable	42,235	37,544
Other receivables	<u>22,569</u>	<u>38,944</u>
	\$ <u>3,454,294</u>	<u>2,174,120</u>

The Company's financial assets have been reduced by amounts not available for general use because of donor imposed restrictions within one year. 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.

(13) Payroll Protection Program ("PPP") Loan

In April 2020, the Company received a \$176,017 loan under the PPP. On December 21, 2020, the Company received forgiveness of the PPP loan from the Small Business Administration. The loan forgiveness has been presented as PPP loan forgiveness in the accompanying combined statement of activities for the year ended March 31, 2021.

NEIGHBORHOOD LENDING PARTNERS, INC. AND AFFILIATES

Combining Statement of Financial Position

At March 31, 2021

Assets	NLP	NLPG	NLP of Florida, Inc.			Eliminations	Combined
			NSP	NLP of Florida, Inc.	Total NLP of Florida, Inc.		
Cash:							
Restricted	\$ 258,563	-	6,033,707	10,361,165	16,394,872	-	16,653,435
Unrestricted	-	-	-	2,525,326	2,525,326	-	2,525,326
Total cash	258,563	-	6,033,707	12,886,491	18,920,198	-	19,178,761
Short-term investments	-	-	-	743,874	743,874	-	743,874
Cash and cash equivalents	258,563	-	6,033,707	13,630,365	19,664,072	-	19,922,635
Commercial loans, net	-	-	-	434,803	434,803	-	434,803
Mortgage loans, net	-	-	-	1,332,298	1,332,298	-	1,332,298
Mortgage loans, CDFI, net	-	-	-	3,849,056	3,849,056	-	3,849,056
Mortgage loans, HHRP	-	-	-	4,596,019	4,596,019	-	4,596,019
Accrued interest receivable	-	-	-	120,290	120,290	-	120,290
Servicing fees receivable	-	-	-	42,235	42,235	-	42,235
Other receivables	31,170	-	-	473,132	473,132	(481,733) ^(b)	22,569
Property and equipment, net	812,573	-	-	-	-	-	812,573
Investment in affiliates	13,267,731	-	-	-	-	(13,267,731) ^(a)	-
Other assets	490,346	717	-	41,746	41,746	-	532,809
Total assets	\$ 14,860,383	717	6,033,707	24,519,944	30,553,651	(13,749,464)	31,665,287
Liabilities and Net Assets							
Liabilities:							
Accounts payable and accrued expenses	919,222	52,424	-	336,108	336,108	(481,733) ^(b)	826,021
Neighborhood Stabilization Program payables	-	-	6,033,707	-	6,033,707	-	6,033,707
Note payable to bank	-	-	-	500,000	500,000	-	500,000
Escrow deposits	-	-	-	7,062,738	7,062,738	-	7,062,738
Due to DeSoto County	-	-	-	3,004,529	3,004,529	-	3,004,529
Due to member banks	-	-	-	77,978	77,978	-	77,978
Mortgage note payable	510,355	-	-	-	-	-	510,355
Lines of credit	-	-	-	219,153	219,153	-	219,153
Total liabilities	1,429,577	52,424	6,033,707	11,200,506	17,234,213	(481,733) ^(b)	18,234,481
Net assets:							
Without donor restrictions	6,803,433	(51,707)	-	5,621,944	5,621,944	(5,570,237) ^(a)	6,803,433
With donor restrictions	6,627,373	-	-	7,697,494	7,697,494	(7,697,494) ^(a)	6,627,373
Total net assets	13,430,806	(51,707)	-	13,319,438	13,319,438	(13,267,731) ^(a)	13,430,806
Total liabilities and net assets	\$ 14,860,383	717	6,033,707	24,519,944	30,553,651	(13,749,464)	31,665,287

^(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, 2021

	<u>NLP of Florida, Inc.</u>					<u>Eliminations</u>	<u>Combined</u>
	<u>NLP</u>	<u>NLPG</u>	<u>NSP</u>	<u>NLP of Florida, Inc.</u>	<u>Total NLP of Florida, Inc.</u>		
Revenues:							
Neighborhood Stabilization Program income	\$ -	-	943,208	-	943,208	-	943,208
PPP loan forgiveness	-	-	-	170,017	170,017	-	170,017
Grant revenue	26,000	-	-	11,000	11,000	-	37,000
Loan servicing fees	-	1,500	-	703,737	703,737	-	705,237
Loan facilitation fees	-	-	-	464,163	464,163	-	464,163
Loan prepayment fees	-	-	-	770,337	770,337	-	770,337
Interest income loans	-	-	-	196,313	196,313	-	196,313
Interest income and other	<u>597,170</u>	<u>-</u>	<u>-</u>	<u>10,261</u>	<u>10,261</u>	<u>(597,170)^(c)</u>	<u>10,261</u>
Total revenues	<u>623,170</u>	<u>1,500</u>	<u>943,208</u>	<u>2,325,828</u>	<u>3,269,036</u>	<u>(597,170)^(c)</u>	<u>3,296,536</u>
Expenses:							
Program services:							
Multifamily	-	13,429	-	1,080,468	1,080,468	-	1,093,897
Small business	-	-	-	35,561	35,561	-	35,561
NSP2	-	-	943,208	-	943,208	-	943,208
Single family	-	-	-	5,635	5,635	-	5,635
Supporting services:							
Management and general	1,096,122	-	-	1,575,187	1,575,187	(1,070,122) ^(c)	1,601,187
Fundraising	<u>-</u>	<u>-</u>	<u>-</u>	<u>90,000</u>	<u>90,000</u>	<u>-</u>	<u>90,000</u>
Total expenses	<u>1,096,122</u>	<u>13,429</u>	<u>943,208</u>	<u>2,786,851</u>	<u>3,730,059</u>	<u>(1,070,122)^(c)</u>	<u>3,769,488</u>
(Decrease) increase in net assets	(472,952)	(11,929)	-	(461,023)	(461,023)	472,952 ^(a)	(472,952)
Net assets at beginning of year	<u>13,903,758</u>	<u>(39,778)</u>	<u>-</u>	<u>13,780,461</u>	<u>13,780,461</u>	<u>(13,740,683)^(b)</u>	<u>13,903,758</u>
Net assets at end of year	\$ <u>13,430,806</u>	<u>(51,707)</u>	<u>-</u>	<u>13,319,438</u>	<u>13,319,438</u>	<u>(13,267,731)</u>	<u>13,430,806</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 28, 2021

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, 2020.

**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, 2021, 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 28, 2021.

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 28, 2021

Schedule of Findings and Questioned Costs



Neighborhood Lending Partners, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended March 31, 2021

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.

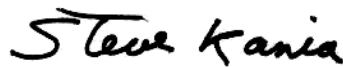
Section III – Federal and State Award Findings and Questioned Costs

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/yed

Corrective Action Plan



Corrective Action Plan

June 28, 2021

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, 2021.