

**COMMUNITY NEIGHBORHOOD HOUSING  
SERVICES, INC.**

**dba NEIGHBORWORKS HOME PARTNERS**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
SEPTEMBER 30, 2017**

**COMMUNITY NEIGHBORHOOD HOUSING SERVICES, INC.  
dba NEIGHBORWORKS HOME PARTNERS**

**CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended September 30, 2017  
(With Comparative Totals for 2016)

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Community Neighborhood Housing Services, Inc.  
Saint Paul, Minnesota

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Community Neighborhood Housing Services, Inc. dba NeighborWorks Home Partners (a nonprofit organization) and its subsidiary, which comprise the consolidated statement of financial position as of September 30, 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to consolidated financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 financial statements in order to design audit procedures that are appropriate in the circumstances, 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 financial statements.

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

(Continued)

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Community Neighborhood Housing Services, Inc. dba NeighborWorks Home Partners and its subsidiary as of September 30, 2017, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

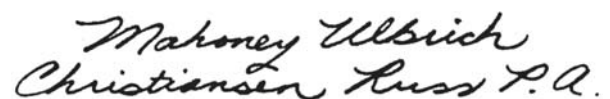
We have previously audited Community Neighborhood Housing Services, Inc.'s 2016 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 2, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Report on Consolidating and Other Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information shown on pages 23 and 24 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, activities, and changes in net assets of the individual entities, and it is not a required part of the consolidated financial statements. The supplementary information shown on pages 25 and 26 is presented for purposes of additional analysis as required by NeighborWorks America and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating and other information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating and other information is fairly stated in all material respects in relation to the consolidated 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 March 22, 2018, on our consideration of Community Neighborhood Housing Services, Inc.'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 solely 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 the effectiveness of Community Neighborhood Housing Services, Inc.'s 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 Community Neighborhood Housing Services, Inc.'s internal control over financial reporting and compliance.



March 22, 2018

**COMMUNITY NEIGHBORHOOD HOUSING SERVICES, INC.**  
**dba NEIGHBORWORKS HOME PARTNERS**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

September 30, 2017  
(With Comparative Totals for 2016)

	2017	2016
<b>ASSETS</b>		
Cash	\$ 4,161,900	\$ 3,107,116
Cash - restricted for programs	2,118,016	2,697,380
Accounts and government grants receivable	107,440	226,581
Pledges receivable	30,000	110,000
CDFI grant receivable	400,000	400,000
Prepaid expenses	19,134	25,023
Properties held for sale, net	422,740	152,028
Loans receivable, net	6,396,883	5,998,542
Investments in LLC's	-	48,794
Office buildings and equipment, net	281,845	472,561
Total assets	\$ 13,937,958	\$ 13,238,025
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued expenses	\$ 26,851	\$ 6,977
Payroll liabilities	84,047	76,215
Undisbursed loan commitments	322,697	385,595
Security deposits and escrow liabilities, net	5,493	5,496
Fiscal agency payable	-	208,283
Deferred NeighborhoodLIFT grant	296,300	1,434,500
Deferred revenue	-	2,477
Notes payable	304,682	107,265
Long-term debt	2,130,845	2,151,486
Total liabilities	3,170,915	4,378,294
Net assets:		
Unrestricted	3,346,067	2,245,950
Temporarily restricted	6,207,580	4,880,385
Permanently restricted	1,213,396	1,733,396
Total net assets	10,767,043	8,859,731
Total liabilities and net assets	\$ 13,937,958	\$ 13,238,025

See accompanying notes to consolidated financial statements.

**COMMUNITY NEIGHBORHOOD HOUSING SERVICES, INC.**  
**dba NEIGHBORWORKS HOME PARTNERS**

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2017  
(With Comparative Totals for 2016)

	2017			Total	2016
	Unrestricted	Temporarily restricted	Permanently restricted		
Support and revenue:					
Contributions:					
NeighborWorks® America	\$ 378,394	\$ 720,000	\$ -	\$ 1,098,394	\$ 485,182
CDFI grant	-	-	-	-	130,435
Government grants	342,005	-	-	342,005	1,014,795
Other contributions	55,971	-	-	55,971	233,795
Revenue:					
The NeighborhoodLIFT	2,738,200	-	-	2,738,200	965,500
Loan interest	157,498	-	-	157,498	138,965
Loan servicing and origination fees	116,780	-	-	116,780	47,579
Other earned fees	33,534	-	-	33,534	17,613
Sales of properties	-	-	-	-	1,077,100
Rental revenue	57,179	-	-	57,179	79,153
Investment income	5,042	-	-	5,042	5,143
Net assets released from time and usage restrictions	815,772	(295,772)	(520,000)	-	-
Total revenue and support	4,700,375	424,228	(520,000)	4,604,603	4,195,260
Expenses:					
Program services:					
Loan and grant program	3,307,242	-	-	3,307,242	1,616,642
Homebuyer education	202,811	-	-	202,811	315,136
Real estate development	82,166	-	-	82,166	1,296,645
Total program services	3,592,219	-	-	3,592,219	3,228,423
Management and general	469,036	-	-	469,036	266,058
Fundraising	28,757	-	-	28,757	28,845
Total expenses	4,090,012	-	-	4,090,012	3,523,326
Change in net assets before nonoperating activity	610,363	424,228	(520,000)	514,591	671,934
CDFI and government grants for loans	-	902,967	-	902,967	1,061,725
Gain on sale of 35 Water	241,765	-	-	241,765	-
LIFT fiscal agency funds released	296,783	-	-	296,783	-
Loss from investment in other entities	(48,794)	-	-	(48,794)	(22,000)
Change in net assets	1,100,117	1,327,195	(520,000)	1,907,312	1,711,659
Net assets:					
Beginning of year	2,245,950	4,880,385	1,733,396	8,859,731	7,148,072
End of year	\$ 3,346,067	\$ 6,207,580	\$ 1,213,396	\$ 10,767,043	\$ 8,859,731

See accompanying notes to consolidated financial statements.

**COMMUNITY NEIGHBORHOOD HOUSING SERVICES, INC.**  
**dba NEIGHBORWORKS HOME PARTNERS**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended September 30, 2017  
(With Comparative Totals for 2016)

	2017						2016
	Loan and grant program	Homebuyer education	Real estate development	Total program services	Management and general	Fundraising	Total
Salaries	\$ 301,888	\$ 130,995	\$ 51,989	\$ 484,872	\$ 277,118	\$ 18,700	\$ 780,690
Payroll taxes	22,430	9,733	3,863	36,026	20,590	1,390	58,006
Employee benefits	35,506	16,077	6,758	58,341	45,695	2,553	106,589
	<u>359,824</u>	<u>156,805</u>	<u>62,610</u>	<u>579,239</u>	<u>343,403</u>	<u>22,643</u>	<u>945,285</u>
Insurance	2,576	822	610	4,008	2,873	169	7,050
Occupancy	26,605	8,295	6,187	41,087	9,202	1,237	51,526
Equipment	2,336	1,043	1,145	4,524	2,364	169	7,057
Consulting and contracts	102,596	6,566	2,546	111,708	-	-	111,708
Professional fees	15,994	722	372	17,088	43,682	-	60,770
Board and publicity	1,214	584	370	2,168	1,128	-	3,296
Other operating costs (consumables)	32,731	8,425	4,422	45,578	28,179	1,813	75,570
Depreciation	10,374	7,613	2,364	20,351	4,373	608	25,332
Home improvement grants	2,599,186	-	-	2,599,186	-	-	2,599,186
Marketing expenses	3,636	1,432	606	5,674	52	141	5,867
Travel	2,312	2,540	581	5,433	9,306	-	14,739
Information technology	10,153	4,609	353	15,115	8,605	583	24,303
Loan/client processing expenses	22,453	3,355	-	25,808	-	-	25,808
HOME program funds returned	4,161	-	-	4,161	-	-	4,161
Provision for loan losses	70,289	-	-	70,289	-	-	70,289
Cost of houses sold	-	-	-	-	-	-	-
Interest expense	40,802	-	-	40,802	2,489	1,065	44,356
Property taxes	-	-	-	-	13,380	329	13,709
	<u>\$ 3,307,242</u>	<u>\$ 202,811</u>	<u>\$ 82,166</u>	<u>\$ 3,592,219</u>	<u>\$ 469,036</u>	<u>\$ 28,757</u>	<u>\$ 4,090,012</u>
							<u>\$ 3,523,326</u>

See accompanying notes to consolidated financial statements.

**COMMUNITY NEIGHBORHOOD HOUSING SERVICES, INC.**  
**dba NEIGHBORWORKS HOME PARTNERS**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended September 30, 2017  
(With Comparative Totals for 2016)

Increase (Decrease) in Cash

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 1,907,312	\$ 1,711,659
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation	25,332	23,225
Loss from investment in other entities	48,794	22,000
Provisions for loan losses, net	70,307	58,822
Accretion of discount on loans	(36,409)	(23,546)
Less grants for loans	(902,967)	(1,061,725)
Less permanently restricted grants	-	(210,000)
Gain on sale of building	(241,765)	-
LIFT fiscal agency funds released	(296,783)	-
Changes in operating assets and liabilities:		
Accounts receivable	119,141	(135,352)
Pledges receivable	80,000	(460,000)
Prepaid expenses	5,889	(15,551)
Properties held for sale, net	(270,712)	599,428
Accounts payable and accrued expenses	27,706	30,094
Change in security deposits and escrow liabilities, net	(3)	(20,244)
Fiscal agency payable	88,500	93,083
Deferred NeighborhoodLIFT	(1,138,200)	1,434,500
Deferred revenue	(2,477)	2,477
Net cash from operating activities	(516,335)	2,048,870
Cash flows from investing activities:		
New loans provided	(966,351)	(585,685)
Collections of loans receivable	471,214	184,651
Proceeds from sale of building	462,662	-
Purchase of building improvements and equipment	(55,513)	(12,765)
Net cash from investing activities	(87,988)	(413,799)
Cash flows from financing activities:		
Proceeds from notes payable	197,417	56,973
Payments of notes payable	-	(568,974)
Proceeds from issuance of long-term debt	-	1,000,000
Principal payments on long-term debt	(20,641)	(217,523)
Grants received for loans	902,967	1,061,725
Proceeds of permanently restricted grants	-	210,000
Net cash from financing activities	1,079,743	1,542,201
Net increase in cash	475,420	3,177,272
Cash at beginning of year	5,804,496	2,627,224
Cash at end of year	\$ 6,279,916	\$ 5,804,496
Reconciliation to the statement of financial position:		
Cash	\$ 4,161,900	\$ 3,107,116
Cash - restricted for programs	2,118,016	2,697,380
	\$ 6,279,916	\$ 5,804,496
Supplemental cash flow information:		
Cash paid for interest	\$ 44,356	\$ 40,147

See accompanying notes to consolidated financial statements.



**COMMUNITY NEIGHBORHOOD HOUSING SERVICES, INC.**  
**dba NEIGHBORWORKS HOME PARTNERS**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended September 30, 2017  
(With Comparative Information for 2016)

**1. ORGANIZATION**

Community Neighborhood Housing Services, Inc. (CNHS) is a community based nonprofit organization located in Saint Paul, Minnesota. CNHS was incorporated in 1980. CNHS serves the seven-county Saint Paul / Minneapolis metropolitan area with special program emphasis in Saint Paul.

On October 1, 2014, CNHS merged with Greater Frogtown Community Development Corporation (GFCDC). The merged organization began doing business as NeighborWorks Home Partners (NWHP).

NWHP's mission is to promote community development through education and affordable housing lending programs in the neighborhoods it serves. The target clients are households with incomes below the metropolitan median income and households whose credit histories may not afford them the opportunity to receive loans through conventional lenders.

Other activities include home improvement loans, forgivable loans (grants), and homebuyer education including foreclosure prevention services.

NWHP is an affiliate of NeighborWorks America (NWA) and a member of the NeighborWorks Network. NWA is a national nonprofit organization created by the U. S. Congress to provide financial and other support for community based revitalization. NWHP is also certified as a Community Development Financial Institution (CDFI).

The activities are supported primarily by contributions, government grants, rental revenue, interest income and fees for services. Should NWHP terminate operations, certain government funded assets would be returned to the respective government agency.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Principles of Consolidation** - The consolidated financial statements include Community Neighborhood Housing Services, Inc. (parent organization) and Greater Frogtown Community Development Corporation (subsidiary organization). CNHS controls GFCDC with the authority to appoint its board of directors. All significant intercompany accounts and transactions have been eliminated.

(Continued)

**COMMUNITY NEIGHBORHOOD HOUSING SERVICES, INC.**  
**dba NEIGHBORWORKS HOME PARTNERS**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended September 30, 2017  
(With Comparative Information for 2016)

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Financial Statement Presentation** - The accompanying financial statements have been prepared using the accrual basis of accounting. Net assets, revenues and support are classified based on the presence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Unrestricted Net Assets** - Net assets that are not subject to donor-imposed stipulations.
- **Temporarily Restricted Net Assets** - Temporarily restricted resources are those restricted by the donor, grantor, or other outside parties whose restrictions either expire by the passage of time or fulfillment of the purpose. Temporarily restricted net assets are primarily for a revolving loan fund. Community Development Block Grants from the City of Saint Paul (CDBG funds) and Community Development Financial Institutions (CDFI) Fund monies from the Department of the Treasury funded a substantial portion of the revolving loan fund. A significant portion of these assets would be returned to the City and Department of Treasury if NWHP were to terminate operations. NWHP also received significant funds from NWA for housing counseling and foreclosure prevention.
- **Permanently Restricted Net Assets** - Permanently restricted resources consist of Revolving Loan Funds, which includes support and revenues designated to provide loans and grants. Permanently restricted net assets are from NWA. A significant portion of these assets would be returned to NWA if NWHP were to terminate operations.

NWHP has presented CDFI and government grants for loans, release of fiscal agency funds, gain on sale of building, and losses from noncontrolling interests in LLC's separate from operating results because management believes the presentation better assists users of the financial statements in analyzing operating results.

**Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles 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 financial statements and the reported amounts of revenues and expense during the reporting period. Actual results could differ from those estimates.

The significant estimates used in preparation of the financial statements are the determination of the allowances for losses on loans receivable, the allowance for losses on properties held for sale, and the allocation of functional expenses.

(Continued)

**COMMUNITY NEIGHBORHOOD HOUSING SERVICES, INC.**  
**dba NEIGHBORWORKS HOME PARTNERS**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended September 30, 2017  
(With Comparative Information for 2016)

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Cash and Cash Equivalents** - NWHP considers all highly liquid investments purchased with original maturities of three months or less and any certificates of deposit that do not contain material early withdrawal penalties to be cash equivalents.

**Accounts, Government Grants, and Pledges Receivable** - Accounts, government grants, and pledges receivable are stated at the amount management expects to collect.

Management reviews receivable balances at year end and establishes an allowance for doubtful accounts based on expected collections. Receivables are written off against the allowance when management determines the receivable will not be collected. Management determined that no allowance was necessary at September 30, 2017 or 2016.

Pledges and CDFI grant receivables of \$430,000 are expected to be collected in the year ending September 30, 2018.

**Properties Held for Sale** - NWHP acquires properties either by foreclosure of delinquent loans or direct purchase. The properties are then rehabilitated and sold to buyers who meet NWHP's criteria. Properties held for sale are recorded at cost, capitalized interest, plus certain holding costs like insurance, and reduced by an allowance for estimated losses.

At times, NWHP operates property acquired through foreclosure as rental property to minimize holding costs until the property can be sold.

**Land Held in Trust** – NWHP owns two lots in its land trust program. The lots are recorded at \$0. NWHP maintains title to the land underlying the land trust homes. The homeowner mortgages the physical housing structure. The homeowner leases the land for 99 years and pays a monthly land lease fee of \$30. When the owner sells the house, the seller receives 40% of appreciation, making the price to the next homeowner more affordable.

**Loans Receivable and Allowance for Loan Losses** - Loans are stated at the amount of unpaid principal, reduced by an allowance for loan losses. The loan receivable and undisbursed loan commitments (payables) are recognized at the time the loan is approved. As NWHP makes loan disbursements, undisbursed loan commitments are reduced.

Interest on loans is calculated using the simple interest method on the unpaid principal amount. Interest rates range from 0% to 9%. Interest is recorded when received.

(Continued)

**COMMUNITY NEIGHBORHOOD HOUSING SERVICES, INC.**  
**dba NEIGHBORWORKS HOME PARTNERS**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended September 30, 2017  
(With Comparative Information for 2016)

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Due on sale loans are noninterest bearing and due upon sale of the property. The due on sale loans acquired from GFCDC have been recorded net of a discount to reflect the fair value using an interest rate of 7% and a 30 year term. The loans are adjusted during the term for accretion of the discount.

The allowance for loan losses is established through a provision charged to expense. Loans are charged against the allowance for loan losses when management believes that the collectability of the principal is unlikely. Foreclosed loan balances are transferred to properties held for sale net of the related allowance.

The allowance is an amount that management believes will be adequate to absorb possible losses on existing loans that may become uncollectible, based on evaluations of the collectability of loans, value of collateral and prior loan loss experience. The evaluations take into consideration such factors as overall portfolio quality, review of specific problem loans, and current economic conditions that may affect the borrowers' ability to pay. Past due status is determined based on contractual terms.

**Investments in LLC's** - NWHP has noncontrolling interests in LLC's. These investments are recorded using the equity method of accounting and are not recorded below \$0 because NWHP has no other investments in LLC's and has no obligation to provide further funding.

**Office Buildings and Equipment** - Office buildings and equipment are stated at cost or fair value at date of donation in the case of donated property. Equipment costing greater than \$1,000 with an estimated useful life of two years or longer is capitalized. Depreciation is computed on the straight-line basis over the estimated useful life of each asset. The cost of maintenance and repairs is charged to income as incurred; significant renewals or betterments are capitalized. Absent explicit donor restrictions regarding how long contributed assets must be used, NWHP reports expiration of donor restrictions when the donated or acquired assets are placed into service.

**Fiscal Agency Payable** - NWHP periodically acts as an agent for grantors. It accepts assets from grantors and agrees to use those amounts to benefit specified beneficiaries. These transactions are not included in the statement of activities since NWHP has no discretion in determining how the funds are used. Such agency amounts collected are recorded as liabilities until released to the beneficiaries. NWHP is acting as an agent on behalf of NWA for funds originally awarded to another organization.

(Continued)

**COMMUNITY NEIGHBORHOOD HOUSING SERVICES, INC.**  
**dba NEIGHBORWORKS HOME PARTNERS**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended September 30, 2017  
(With Comparative Information for 2016)

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Contributions** - Contributions are recognized when the donor makes an unconditional promise to give. Contributions are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions reported as temporarily restricted net assets are reclassified to unrestricted net assets upon expiration of the time or usage restriction. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

**Donated Services and Materials** - Donated services are recorded as contributions at their estimated fair value only if the services create or enhance a nonfinancial asset or if the services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

NWHP regularly receives donated services from many volunteers. Amounts for these services that do not meet the criteria described above have not been recognized. No donated services were recorded in 2017 or 2016.

Donated materials are recorded as contributions at their estimated fair value in the period received. Donated construction materials valued at \$- and \$25,215 were received in 2017 and 2016 and are recorded in other contributions.

**Government Grants and Contracts** - Except for revolving loan funds discussed below, government grants and contract funds are generally considered exchange transactions and are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are incurred. Funds received but not yet earned are recorded as deferred revenue.

CDFI grants are accounted for as contributions because they are nonreciprocal and are recognized as revenue when the Department of the Treasury makes an unconditional commitment. A portion of CDFI funds are used for revolving loans while the remaining cover administrative costs and are set aside as a loan loss reserve.

When government grants are for a revolving loan fund, a grant receivable and temporarily restricted revenue are recorded when a qualifying loan is approved and committed. Revenue does not necessarily match with a related expense because grant revenue is used to create loans receivable. CDBG and CDFI revolving loan funds are considered temporarily restricted net assets while NWA revolving loan funds are considered permanently restricted net assets.

(Continued)

**COMMUNITY NEIGHBORHOOD HOUSING SERVICES, INC.**  
**dba NEIGHBORWORKS HOME PARTNERS**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended September 30, 2017  
(With Comparative Information for 2016)

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Interest income and loan fees related to CDBG funds are reported as temporarily restricted net assets; all other income and loan fees are reported as unrestricted net assets. A percentage of principal and interest received on loan repayments and on loan sales (none in 2017 or 2016) represents program income to NWHP which is released from temporary restricted to unrestricted. This program income is used to defray program expenses and to generate additional loans.

**Sales of Properties** - Sales of properties are recorded at the time of closing of the sale, when title to and possession of the property are transferred to the buyer. Cost of sales is based on direct costs.

**Loan Fees** - Loan fees are recorded as revenue upon closing of the loan.

**Rental Revenue** - Revenue from rents is recognized in the period earned.

**Home Improvement Grants** - Home improvement grants are made to homeowners to assist in acquisition or home improvements. The grants will be forgiven in five or ten years if the homeowner remains the owner throughout the term of the contract. Grants to homeowners are recorded in the period of award, except for grants that are subject to conditions which are recorded when the conditions have been substantially met. Grants are expensed when awarded since repayment is unlikely. Recoveries of grants are recorded as revenue when received.

**Functional Expense Allocation** - The majority of expenses can be directly identified with the program or supporting services to which they relate and are charged accordingly. Other expenses have been allocated among program and supporting services on the basis of employee work efforts.

**Advertising** - NWHP follows the policy of charging the costs of advertising to expense as incurred.

**Income Taxes** - CNHS and GFCDC are classified as tax-exempt organizations under Minnesota Statute 290.05 and Section 501(c)(3) of the Internal Revenue Code, are exempt from private foundation status under Section 509(a)(1) of the Internal Revenue Code, and are subject to income taxes only on net unrelated business income. Each files their own information return.

Rental income on one of the office buildings is subject to unrelated business income taxes because the office building is debt financed. No income taxes were paid in 2017 or 2016. Management believes neither CNHS or GFCDC have any uncertain tax positions. See Note 13.

(Continued)

**COMMUNITY NEIGHBORHOOD HOUSING SERVICES, INC.  
dba NEIGHBORWORKS HOME PARTNERS**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended September 30, 2017  
(With Comparative Information for 2016)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fair Value Measurements** - NWHP determines fair value, when necessary, based on the assumptions that market participants would use when pricing the asset or liability. Valuation inputs are categorized using the following fair value hierarchy:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs that are observable, directly or indirectly, other than the quoted prices included in Level 1; and
- Level 3 - unobservable inputs.

Properties held for sale are valued using Level 2 inputs based on expected sale prices or values from the county real estate tax assessor, less estimated costs to sell.

**Comparative Totals** - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with NWHP's financial statements for the year ended September 30, 2016, from which the summarized information was derived.

**Reclassifications** - Reclassifications were made to the 2016 financial statements to be consistent with the current year financial statements. These reclassifications did not affect net assets or the change in net assets.

**3. CASH – RESTRICTED FOR PROGRAMS**

Cash – restricted for programs consist of:

	2017	2016
Home ownership and development	\$ 165,195	\$ 65,195
Down payment assistance	720,000	-
Loans and grants	1,232,821	2,632,185
	\$2,118,016	\$2,697,380

(Continued)

**COMMUNITY NEIGHBORHOOD HOUSING SERVICES, INC.**  
**dba NEIGHBORWORKS HOME PARTNERS**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended September 30, 2017  
(With Comparative Information for 2016)

**4. PROPERTIES HELD FOR SALE**

Properties held for sale consist of the following:

	2017	2016
Properties held for sale	\$ 473,223	\$ 202,511
Less allowance for estimated losses	(50,483)	(50,483)
	\$ 422,740	\$ 152,028
 Number of properties	 5	 4

NWHP capitalizes interest incurred on rehabilitation and construction projects. Interest of \$3,666 was capitalized on the properties held for sale in 2017. No interest was capitalized on the properties held for sale in 2016.

**5. LOANS RECEIVABLE**

The following table presents loans by portfolio segment:

	2017	2016
First mortgage loans	\$ 557,958	\$ 718,969
Second mortgage loans	105,970	234,446
Home improvement loans	2,719,998	2,465,594
Due on sale loans	3,973,628	3,576,613
 Total loans receivable	7,357,554	6,995,622
Less discount on GFCDC due on sale/MURL loans	(863,105)	(899,514)
Less allowance for loan losses	(97,566)	(97,566)
 Loans receivable, net	 \$ 6,396,883	 \$ 5,998,542

All loans are individually reviewed for impairment.

(Continued)



**COMMUNITY NEIGHBORHOOD HOUSING SERVICES, INC.**  
**dba NEIGHBORWORKS HOME PARTNERS**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended September 30, 2017  
(With Comparative Information for 2016)

**5. LOANS RECEIVABLE (Continued)**

The following table presents the aging of loans by portfolio segment:

	2017				Total	2016
	First Mortgage Loans	Second Mortgage Loans	Home Improvement Loans	Due on Sale Loans		
Current	\$ 557,958	\$ 81,149	\$ 2,579,532	\$ -	\$ 3,218,639	\$ 3,249,087
30 – 59 days	-	-	8,264	-	8,264	-
60 – 89 days	-	-	37,014	-	37,014	43,094
90 + days	-	24,821	95,188	-	120,009	126,828
Due on sale	-	-	-	3,973,628	3,973,628	3,576,613
<b>Total</b>	<u>\$ 557,958</u>	<u>\$ 105,970</u>	<u>\$ 2,719,998</u>	<u>\$ 3,973,628</u>	<u>\$ 7,357,554</u>	<u>\$ 6,995,622</u>

The following table presents the allowance for loan losses by portfolio segment:

	2017				Total	2016
	First Mortgage Loans	Second Mortgage Loans	Home Improvement Loans	Due on Sale Loans		
Beginning balance	\$ -	\$ 5,324	\$ 58,698	\$ 33,544	\$ 97,566	\$ 224,556
Provision	-	-	7,620	62,669	70,289	58,822
Recoveries	-	-	10,080	4,000	14,080	27,611
Loans charged off	-	-	(17,700)	(66,669)	(84,369)	(213,423)
<b>Ending balance</b>	<u>\$ -</u>	<u>\$ 5,324</u>	<u>\$ 58,698</u>	<u>\$ 33,544</u>	<u>\$ 97,566</u>	<u>\$ 97,566</u>

NWHP has two loans under the Minnesota Urban and Rural Homesteading Program (MURL). NWHP used the MURL funds to acquire homes. The homes were sold to a qualified low income individual on a contract for deed basis. Principal payments collected by NWHP are used to acquire additional properties, pay program related administrative expenses, bring a property back into code compliance, or refunded to the grantor if requested. The contracts for deed are included in First Mortgage loans receivable and temporarily restricted net assets on the accompanying financial statements.

(Continued)

**COMMUNITY NEIGHBORHOOD HOUSING SERVICES, INC.**  
**dba NEIGHBORWORKS HOME PARTNERS**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended September 30, 2017  
(With Comparative Information for 2016)

**6. INVESTMENTS IN OTHER ENTITIES**

NWHP owns a 50% investment in Frogtown Development, LLC. Frogtown Development, LLC provides affordable rental housing in Saint Paul, Minnesota. This investment is accounted for using the equity method. As of September 30, 2017 and 2016, the recorded amount of the investment was \$0 and \$48,794 and NWHP had no balances due from the LLC.

NWHP has a 30% ownership in NEDU, LLC. NEDU, LLC owns and operates a commercial building in Saint Paul, Minnesota. As of September 30, 2017 and 2016, the recorded amount of the investment was \$0 and NWHP had no balances due from the LLC.

NWHP does not have a controlling interest in these entities and, accordingly, NWHP has not consolidated these entities.

**7. OFFICE BUILDINGS AND EQUIPMENT**

Office buildings and equipment consist of the following:

	2017	2016	Estimated useful life in years
Land	\$ 115,300	\$ 165,300	-
Office buildings	122,500	355,709	5 - 39
Building and land improvements	31,279	99,033	5 - 39
Equipment	45,675	49,232	3 - 5
	314,754	669,274	
Less accumulated depreciation	(32,909)	(196,713)	
	\$ 281,845	\$ 472,561	

NWHP sold the land and office building located at 35 Water Street during 2017.

**8. REVOLVING TERM NOTE/LINE OF CREDIT**

NWHP had a revolving term note from Associated Bank for up to \$400,000 with interest at the prime rate plus 1.00% which matured September 24, 2017. The note was secured by deposits at Associated Bank.

(Continued)

**COMMUNITY NEIGHBORHOOD HOUSING SERVICES, INC.**  
**dba NEIGHBORWORKS HOME PARTNERS**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended September 30, 2017  
(With Comparative Information for 2016)

9. **NOTES PAYABLE**

Notes payable consists of the following:

	2017	2016
Saint Paul Housing and Redevelopment Authority (HRA)	\$ 57,265	\$ 57,265
Coulee Bank	197,417	-
Local Initiatives Support Corporation (LISC)	50,000	50,000
	\$ 304,682	\$ 107,265

**Saint Paul HRA** - NWHP has mortgage loans from the City of Saint Paul Housing and Redevelopment Authority (HRA) to finance the acquisition, construction, or rehabilitation of houses. Loans are non-interest bearing. Upon the sale of the houses to a qualified homebuyer, the loans are forgiven. This loan was forgiven in 2018 (See Note 19).

**Coulee Bank** - NWHP has a Line of Credit with Coulee Bank that enables them to borrow up to \$500,000 at an interest rate of prime + 1.75% (5.25% at September 30, 2017), and was due March 10, 2017. Advances are used for the acquisition, construction or rehabilitation of houses. The line of credit has a 12 month term with interest-only payments due monthly and is secured by the property. This loan was paid off in 2018 (See Note 19).

**LISC** - NWHP holds a \$20,000 non-interest bearing note from Local Initiatives Support Corporation (LISC) to be used for housing rehabilitation. The principal is due on the receipt of proceeds from the sale of the homes if requested by LISC.

NWHP holds a \$30,000 non-interest bearing note to be used for predevelopment costs associated with the GFCDC/PPL Frogtown Stabilization Partnership. GFCDC and PPL are 50% members of Frogtown Development LLC which purchases, rehabilitates, and sells homes located in the Frogtown neighborhood of Saint Paul. The principal is due upon closing of permanent funding for the project if requested by LISC.

**Greater Metropolitan Housing Corporation** - NWHP has a financing agreement with Greater Metropolitan Housing Corporation (GMHC) under the Inspiring Communities Program. GMHC will provide acquisition and construction financing and will be repaid at the time the home is sold. GMHC will jointly own the properties with GFCDC. The interest rate is at GMHC's normal borrowing rate. No funds are outstanding as of September 30, 2017 and 2016.

(Continued)

**COMMUNITY NEIGHBORHOOD HOUSING SERVICES, INC.**  
**dba NEIGHBORWORKS HOME PARTNERS**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended September 30, 2017  
(With Comparative Information for 2016)

**10. LONG-TERM DEBT**

Long-term debt consists of the following:

	2017	2016
Note payable to the U.S. Department of the Treasury with interest at 2.0%. Interest only is payable quarterly and the note matures June 17, 2023. Unsecured.	\$ 350,000	\$ 350,000
Equity equivalent note payable to Wells Fargo with interest at 2.0%. Interest is payable quarterly. The note matures October 4, 2022. The maturity date will automatically extend for two years unless NWHP delivers a written request not to extend. Upon extension, eight quarterly principal payments of \$43,750 will be due beginning January 15, 2023. Unsecured.	350,000	350,000
Note payable to Midwest Minnesota Community Development Corporation with interest at 2.5%. Interest is payable monthly beginning May 1, 2015. Principal and interest payments of \$2,001 are payable quarterly beginning September 1, 2016. The note matures April 1, 2030. Secured by the loans that NWHP has funded with the proceeds of the loan.	93,964	98,215
Note payable to the Otto Bremer Trust (a nonprofit organization) with interest at 1.5%. Interest payments of \$3,750 are payable quarterly beginning March 21, 2016. The note matures December 21, 2022. Unsecured.	1,000,000	1,000,000
Mortgage payable to Sunrise Banks. The mortgage is payable in monthly installments, including interest at an initial rate of 4.5% (adjusted on May 5 in the years 2013, 2018, 2023 and 2028 to a rate equal to 67% of the sum of 411 basis points plus the then current rate of the Treasury Constant Maturities Index for five year obligations as reported by the Federal Reserve for the preceding month, not to exceed 7.02% (effective rate of 3.223% at September 30, 2017)), maturing May 2033. The mortgage is secured by the Dale Street building.	336,881	353,271
	\$2,130,845	\$2,151,486

(Continued)

**COMMUNITY NEIGHBORHOOD HOUSING SERVICES, INC.**  
**dba NEIGHBORWORKS HOME PARTNERS**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended September 30, 2017  
(With Comparative Information for 2016)

**10. LONG-TERM DEBT (Continued)**

The following is a schedule of maturities of long-term debt as of September 30:

2018	\$	16,913
2019		17,447
2020		18,038
2021		18,628
2022		19,237
Thereafter		<u>2,040,582</u>
		<u><u>\$ 2,130,845</u></u>

**11. NET ASSETS**

**Temporarily restricted** - Temporarily restricted net assets are primarily restricted for programs and deferred loans to assist homeowners/buyers in acquisition or home improvements. Funding comes from the City of Saint Paul, NWA, and the Department of the Treasury. A significant portion of these assets would be returned to the respective agencies if NWHP were to terminate operations.

Temporarily restricted net assets consisted of the following:

	<u>2017</u>	<u>2016</u>
Time restricted pledges for general operations	\$ -	\$ 50,000
LISC Vacant Lot Reclamation Project	30,000	60,000
McKnight Foundation First Mortgage Lending Program	-	25,000
Down payment assistance	720,000	-
Affordable Home Ownership Expansion Project	15,195	15,195
Loan and grant program:		
MURL revolving loan fund	260,284	260,284
CDFI	881,768	910,000
City of Saint Paul lending program	<u>4,300,333</u>	<u>3,559,906</u>
	<u><u>\$ 6,207,580</u></u>	<u><u>\$ 4,880,385</u></u>

(Continued)

**COMMUNITY NEIGHBORHOOD HOUSING SERVICES, INC.**  
**dba NEIGHBORWORKS HOME PARTNERS**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended September 30, 2017  
(With Comparative Information for 2016)

**11. NET ASSETS (Continued)**

**Permanently restricted** - Net assets are permanently restricted for revolving loan funds. Permanently restricted net assets are from NWA. During 2017 and 2016, NWA approved the release of \$520,000 and \$335,932 from permanently restricted net assets. A significant portion of these assets would be returned to NWA if NWHP were to terminate operations.

**12. NEIGHBORHOODLIFT<sup>SM</sup>**

NWHP participates in the NeighborhoodLIFT<sup>SM</sup> program. The program is a collaboration between Wells Fargo Bank, N.A.; Wells Fargo Foundation; NeighborWorks America; and local non-profit organizations including NWHP.

NWHP received repayments from loans originated by another NeighborWorks America affiliate under this program. These funds were recorded as a fiscal agency payable at September 30, 2016. During 2017, NWHP collected \$88,500 in LIFT payoffs prior to NeighborWorks America releasing the funds to NWHP without any restrictions.

In 2016, NWHP entered into a \$4,000,000 grant agreement with NeighborWorks America to assist low-to-moderate income persons with down payment assistance grants through the NeighborhoodLIFT<sup>SM</sup> program. For each grant provided, NWHP receives a \$1,400 administrative fee. NeighborWorks America advanced \$4,000,000 (\$2,400,000 in 2016 and \$1,600,000 in 2017) from which \$811,500 in grants were provided and NWHP earned \$154,000 in administrative fees during 2016 and \$2,300,000 in grants were provided and NWHP earned \$438,200 in administrative fees during 2017. The remaining balance of \$296,300 is recorded as deferred revenue.

**13. LEASES RECEIVABLE**

NWHP rented portions of its buildings to tenants. All but one of these leases were month-to-month. Rental revenue from the office buildings was \$47,639 in 2017 and \$69,613 in 2016.

During 2017, NWHP sold the property at 35 Water Street for \$500,000. Prior to selling 35 Water Street, NWHP terminated the leases at 533 Dale and consolidated its office staff into one location.

NWHP operates foreclosed properties as rental property to minimize holding costs until the property can be sold. Lease terms do not exceed one year. Rental revenue from foreclosed properties was \$9,540 in 2017 and \$9,540 in 2016.

(Continued)

**COMMUNITY NEIGHBORHOOD HOUSING SERVICES, INC.**  
**dba NEIGHBORWORKS HOME PARTNERS**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended September 30, 2017  
(With Comparative Information for 2016)

**14. CONCENTRATIONS**

NWHP maintains its cash in accounts at seven financial institutions. At times balances may exceed federally insured limits. NWHP has not experienced any losses as a result of these deposits. At September 30, 2017, deposits exceeded the insured limit by \$681,767.

Loans receivable are primarily secured by properties located in Saint Paul, Minnesota. This geographic concentration subjects NWHP to a credit risk.

NWHP has entered into "Master Repurchase Agreements" (sweep accounts) with two banks, whereby amounts on deposit in the accounts are, at the close of each business day, used to purchase securities/bonds. These securities/bonds are not insured by the Federal Deposit Insurance Corporation; however, the banks agreed to repurchase these securities/bonds at cost and credit the general operating bank accounts the following business day. Sweep account balances were \$4,313,059 at September 30, 2017, and \$4,390,018 at September 30, 2016.

NWHP received 50% of total support and revenue from the NeighborhoodLIFT<sup>SM</sup> program, 18% from NWA, and 18% from the City of Saint Paul in 2017.

NWHP received 18% of total support and revenue from the NeighborhoodLIFT<sup>SM</sup> program, 19% from CDFI, and 9% from the City of Saint Paul in 2016.

**15. RELATED PARTY TRANSACTIONS**

Three board members are employees of banks that NWHP uses for deposits or borrowing.

**16. EMPLOYEE BENEFIT PLANS**

The Board of Directors has authorized an employer contribution of 4% of employee gross salary to each eligible employee's simplified employee pension plan. The plan covers permanent employees employed over six months who work over 30 hours per week. The contribution charged to expense was \$23,449 in 2017 and \$21,918 in 2016.

(Continued)

**COMMUNITY NEIGHBORHOOD HOUSING SERVICES, INC.**  
**dba NEIGHBORWORKS HOME PARTNERS**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended September 30, 2017  
(With Comparative Information for 2016)

**17. CONDITIONAL CONTRIBUTION**

During 2017, NWHP received a grant from NWA for the Project Reinvest: Homeownership program. The program will provide housing counseling and foreclosure prevention trainings. The total amount of the award is \$1,200,000. NWHP received \$720,000 in 2017. The remaining \$480,000 will be paid when NWHP meets certain conditions as stipulated in the grant agreement. Because of the conditional nature of the commitment, this payment has not been recorded in the financial statements.

**18. CONTINGENCIES AND COMMITMENTS**

**Compliance Regulations** - Governmental program activities are subject to financial and compliance regulations. To the extent that any expenditures are disallowed or other compliance features are not met, a liability to the grantor agency could result.

**Fidelity Bond** - NWHP has \$1,000,000 of directors and officer liability insurance, plus \$1,000,000 of employment practices liability insurance coverage.

NWHP has contracts with the Minnesota Home Ownership Center and the City of Woodbury HRA to provide lending program services. The contracts expire September 30, 2018, and December 31, 2020. In addition, NWHP has ongoing contracts with Minnesota Housing Finance Agency to provide services for its Rehabilitation, Emergency and Accessibility, and Fix Up Loan Programs.

**19. SUBSEQUENT EVENTS**

Effective December 1, 2017, NWHP outsourced the servicing of its amortizing loan portfolio to Sunrise Banks.

In January 2018, NWHP sold a property held for sale for \$325,000. The note payable to Coulee Bank was paid off with the proceeds and the note payable to the St. Paul HRA was forgiven.

Management has evaluated subsequent events through March 22, 2018, the date on which the financial statements were available for issue, and identified no further significant events or transactions to disclose.



## **SUPPLEMENTARY INFORMATION**

**COMMUNITY NEIGHBORHOOD HOUSING SERVICES, INC.**  
**dba NEIGHBORWORKS HOME PARTNERS**

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

September 30, 2017

	CNHS	GFCDC	Eliminations	Total
ASSETS				
Cash	\$ 3,802,019	\$ 359,881	\$ -	\$ 4,161,900
Cash - restricted for programs	2,118,016	-	-	2,118,016
Accounts and government grants receivable	207,440	-	(100,000)	107,440
Pledges receivable	30,000	-	-	30,000
CDFI grant receivable	400,000	-	-	400,000
Prepaid expenses	19,134	-	-	19,134
Properties held for sale, net	42,089	380,651	-	422,740
Loans receivable, net	6,396,883	-	-	6,396,883
Office buildings and equipment, net	56,295	225,550	-	281,845
	<u>\$ 13,071,876</u>	<u>\$ 966,082</u>	<u>\$ (100,000)</u>	<u>\$ 13,937,958</u>
LIABILITIES AND NET ASSETS				
Accounts payable and accrued expenses	\$ 26,851	\$ -	\$ -	\$ 26,851
Payroll liabilities	84,047	-	-	84,047
Undisbursed loan commitments	322,697	-	-	322,697
Security deposits and escrow liabilities, net	5,493	-	-	5,493
Deferred NeighborhoodLIFT grant	296,300	-	-	296,300
Notes payable	-	404,682	(100,000)	304,682
Long-term debt	1,793,964	336,881	-	2,130,845
Total liabilities	<u>2,529,352</u>	<u>741,563</u>	<u>(100,000)</u>	<u>3,170,915</u>
Net assets:				
Unrestricted	3,136,743	209,324	-	3,346,067
Temporarily restricted	6,192,385	15,195	-	6,207,580
Permanently restricted	1,213,396	-	-	1,213,396
Total net assets	<u>10,542,524</u>	<u>224,519</u>	<u>-</u>	<u>10,767,043</u>
Total liabilities and net assets	<u>\$ 13,071,876</u>	<u>\$ 966,082</u>	<u>\$ (100,000)</u>	<u>\$ 13,937,958</u>

See independent auditor's report.

**COMMUNITY NEIGHBORHOOD HOUSING SERVICES, INC.**  
**dba NEIGHBORWORKS HOME PARTNERS**

CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2017

	CNHS	GFCDC	Eliminations	Total
Support and revenue:				
Contributions:				
NeighborWorks® America	\$ 1,098,394	\$ -	\$ -	\$ 1,098,394
Government grants	342,005	-	-	342,005
Other contributions	55,971	-	-	55,971
Revenue:				
The NeighborhoodLIFT	2,738,200	-	-	2,738,200
Loan interest	157,498	-	-	157,498
Loan servicing and origination fees	116,780	-	-	116,780
Other revenue	33,534	-	-	33,534
Rental revenue	42,799	14,380	-	57,179
Investment income	5,042	-	-	5,042
	4,590,223	14,380	-	4,604,603
Total revenue and support				
Expenses:				
Program services:				
Loan and grant program	3,307,242	-	-	3,307,242
Homebuyer education	202,811	-	-	202,811
Real estate development	-	82,166	-	82,166
Total program services	3,510,053	82,166	-	3,592,219
Management and general	469,036	-	-	469,036
Fundraising	28,757	-	-	28,757
	4,007,846	82,166	-	4,090,012
Total expenses				
Change in net assets before nonoperating activity	582,377	(67,786)	-	514,591
CDFI and government grants for loans	902,967	-	-	902,967
Gain of sale of 35 Water	241,765	-	-	241,765
LIFT fiscal agency funds released	296,783	-	-	296,783
Transfer of assets between entities	(199,316)	199,316	-	-
Loss from investment in other entities	-	(48,794)	-	(48,794)
	1,824,576	82,736	-	1,907,312
Change in net assets				
Net assets:				
Beginning of year	8,717,948	141,783	-	8,859,731
End of year	\$10,542,524	\$ 224,519	\$ -	\$10,767,043

See independent auditor's report.

**COMMUNITY NEIGHBORHOOD HOUSING SERVICES, INC.**  
**dba NEIGHBORWORKS HOME PARTNERS**

STATEMENT OF FINANCIAL POSITION  
FOR NEIGHBORWORKS® AMERICA FUNDS

September 30, 2017

ASSETS

Cash and cash equivalents	\$ 677,235
Cash - restricted for programs	214,269
Loans receivable, net	<u>987,194</u>
Total assets	<u>\$ 1,878,698</u>

LIABILITIES AND NET ASSETS

Undisbursed loan proceeds and escrowed client funds	\$ 14,172
Total liabilities	<u>14,172</u>
Net assets:	
Unrestricted	651,130
Permanently restricted - NWA	<u>1,213,396</u>
Total net assets	<u>1,864,526</u>
Total liabilities and net assets	<u>\$ 1,878,698</u>

See independent auditor's report.

**COMMUNITY NEIGHBORHOOD HOUSING SERVICES, INC.**  
**dba NEIGHBORWORKS HOME PARTNERS**

STATEMENT OF ACTIVITIES  
FOR NEIGHBORWORKS® AMERICA FUNDS

For the Year Ended September 30, 2017

Support and revenue:	
Support:	
NWA capital grant	\$ -
NWA expendable grants	378,394
Total support	<u>378,394</u>
Revenue:	
Loan interest	68,398
Service and origination fees	989
Total revenue	<u>69,387</u>
Total support and revenue	<u>447,781</u>
Expenses:	
Revolving loan fund	589,387
Expendable grants	<u>378,394</u>
Total expenses	<u>967,781</u>
Change in net assets	(520,000)
Net assets:	
Beginning of year	<u>2,384,526</u>
End of year	<u><u>\$ 1,864,526</u></u>

See independent auditor's report.