

**COMMUNITY NEIGHBORHOOD HOUSING
SERVICES, INC.**

dba NEIGHBORWORKS HOME PARTNERS

CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
SEPTEMBER 30, 2019**

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

CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended September 30, 2019
(With Comparative Totals for 2018)

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Mahoney Ulbrich Christiansen Russ P.A.

CERTIFIED PUBLIC ACCOUNTANTS

10 River Park Plaza, Suite 800 | Saint Paul, MN 55107

Phone: 651.227.6695 Fax: 651.227.9796 | www.mucr.com

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. (a nonprofit organization) and its subsidiary, which comprise the consolidated statement of financial position as of September 30, 2019, 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. and its subsidiary as of September 30, 2019, 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.

Adoption of New Accounting Standard

As discussed in Note 2 to the financial statements, Community Neighborhood Housing Services, Inc. and its subsidiary, have adopted Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

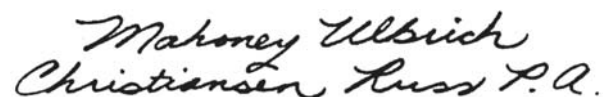
We have previously audited Community Neighborhood Housing Services, Inc.'s 2018 consolidated financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 27, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018, 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 25 and 26 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. 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 18, 2020, 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 18, 2020

COMMUNITY NEIGHBORHOOD HOUSING SERVICES, INC.
dba NEIGHBORWORKS HOME PARTNERS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

September 30, 2019
(With Comparative Totals for 2018)

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 5,026,542	\$ 4,721,997
Cash and cash equivalents - restricted for programs	1,577,854	1,480,907
Accounts and government grants receivable	649,296	151,575
Pledges receivable	50,000	-
Prepaid expenses	25,260	23,971
Properties held for sale, net	158,706	543,686
Loans receivable, net	9,046,510	7,752,310
Office buildings and equipment, net	285,908	273,265
Total assets	\$ 16,820,076	\$ 14,947,711
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 108,333	\$ 48,528
Payroll liabilities	119,680	111,706
Undisbursed loan commitments	635,062	725,263
Fiscal agency payable	-	8,750
NeighborhoodLIFT	13,950	4,100
Deferred revenue	1,000	-
Notes payable	195,000	237,666
Long-term debt	2,086,709	2,108,902
Total liabilities	3,159,734	3,244,915
Net assets:		
Without donor restrictions	7,042,045	5,385,703
With donor restrictions	6,618,297	6,317,093
Total net assets	13,660,342	11,702,796
Total liabilities and net assets	\$ 16,820,076	\$ 14,947,711

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, 2019
(With Comparative Totals for 2018)

	2019			2018
	Without donor restrictions	With donor restrictions	Total	
Support and revenue:				
Contributions:				
NeighborWorks® America	\$ 533,900	\$ -	\$ 533,900	\$ 468,638
CDFI grant	30,000	70,000	100,000	102,975
Government grants	473,489	-	473,489	419,651
Other contributions	156,453	115,000	271,453	67,312
Revenue:				
The NeighborhoodLIFT	-	-	-	292,200
Loan interest	244,195	-	244,195	182,019
Loan servicing and origination fees	50,410	-	50,410	112,182
Home improvement loan repayments	74,281	-	74,281	22,550
Other revenue	149,765	-	149,765	41,607
Sale of property	862,933	-	862,933	325,000
Rental revenue	-	-	-	7,950
Investment income	10,034	-	10,034	11,404
Net assets released from time and usage restrictions	355,082	(355,082)	-	-
Total revenue and support	2,940,542	(170,082)	2,770,460	2,053,488
Expenses:				
Program services:				
Loan and grant program	442,957	-	442,957	1,007,265
Homebuyer education	181,561	-	181,561	218,727
Real estate development	801,081	-	801,081	322,682
Total program services	1,425,599	-	1,425,599	1,548,674
Management and general	699,147	-	699,147	696,037
Fundraising	44,040	-	44,040	29,524
Total expenses	2,168,786	-	2,168,786	2,274,235
Change in net assets before nonoperating activity	771,756	(170,082)	601,674	(220,747)
CDFI and other government grants for loans	258,990	1,096,882	1,355,872	1,156,500
Net assets released from usage restrictions	625,596	(625,596)	-	-
Change in net assets	1,656,342	301,204	1,957,546	935,753
Net assets:				
Beginning of year	5,385,703	6,317,093	11,702,796	10,767,043
End of year	\$ 7,042,045	\$ 6,618,297	\$ 13,660,342	\$ 11,702,796

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, 2019
(With Comparative Totals for 2018)

	2019						2018
	Loan and grant program	Homebuyer education	Real estate development	Total program services	Management and general	Fundraising	Total
Salaries	\$ 253,325	\$ 128,418	\$ 43,159	\$ 424,902	\$ 434,662	\$ 29,227	\$ 888,791
Payroll taxes	19,423	8,850	3,502	31,775	36,682	1,931	70,388
Employee benefits	48,940	13,204	3,376	65,520	44,757	2,356	112,633
	<u>321,688</u>	<u>150,472</u>	<u>50,037</u>	<u>522,197</u>	<u>516,101</u>	<u>33,514</u>	<u>1,071,812</u>
Insurance	-	-	-	-	13,297	700	13,997
Other employee expenses	3,248	13,529	496	17,273	10,877	581	28,731
Occupancy	2,454	3,084	293	5,831	29,548	1,555	36,934
Consulting and contracts	5,150	2,080	-	7,230	17,618	927	25,775
Professional fees	661	262	105	1,028	27,869	1,467	30,364
Board and publicity	-	-	-	-	1,116	59	1,175
Other operating costs (consumables)	5,117	7,403	126	12,646	8,660	1,483	22,789
Depreciation	-	-	-	-	17,330	912	18,242
Home improvement grants	-	-	-	-	-	-	-
Marketing expenses	1,732	1,912	1,383	5,027	16,390	863	22,280
Information technology	5,786	2,070	553	8,409	21,939	1,155	31,503
Loan/client processing expenses	8,697	695	-	9,392	23	1	9,416
HOME program funds returned	3,938	-	-	3,938	-	-	3,938
Cost of houses sold	-	-	748,088	748,088	-	-	748,088
Interest expense	34,734	-	-	34,734	13,252	698	48,684
Provision for loan losses	49,689	-	-	49,689	-	-	49,689
Miscellaneous	63	54	-	117	5,127	125	5,369
Property taxes	-	-	-	-	-	-	-
	<u>\$ 442,957</u>	<u>\$ 181,561</u>	<u>\$ 801,081</u>	<u>\$ 1,425,599</u>	<u>\$ 699,147</u>	<u>\$ 44,040</u>	<u>\$ 2,168,786</u>
							<u>\$ 2,274,235</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, 2019
(With Comparative Totals for 2018)

Increase (Decrease) in Cash

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 1,957,546	\$ 935,753
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation	18,242	15,545
Provisions for loan losses	53,222	74,048
Accretion of discount on loans	(34,037)	(72,065)
Less grants for loans	(1,355,872)	(1,156,500)
Gain on note forgiveness	-	(57,265)
Changes in operating assets and liabilities:		
Accounts and government grants receivable	(497,721)	(44,135)
Pledges receivable	(50,000)	82,138
Prepaid expenses	(1,289)	(4,837)
Properties held for sale, net	382,606	(120,946)
Accounts payable and accrued expenses	67,779	48,448
Change in security deposits and escrow liabilities, net	-	(4,605)
Fiscal agency payable	(8,750)	8,750
NeighborhoodLIFT	9,850	(292,200)
Deferred revenue	1,000	-
Net cash from operating activities	542,576	(587,871)
Cash flows from investing activities:		
New loans provided	(1,904,217)	(1,311,154)
Collections of loans receivable	500,631	356,310
Purchase of office building and equipment	(28,511)	(6,965)
Net cash from investing activities	(1,432,097)	(961,809)
Cash flows from financing activities:		
Proceeds from notes payable	145,000	-
Payments of notes payable	(187,666)	(9,751)
Principal payments on long-term debt	(22,193)	(21,943)
Grants received for loans	1,355,872	1,504,362
Net cash from financing activities	1,291,013	1,472,668
Net increase (decrease) in cash and cash equivalents	401,492	(77,012)
Cash and cash equivalents - beginning of year	6,202,904	6,279,916
Cash and cash equivalents - end of year	\$ 6,604,396	\$ 6,202,904
Reconciliation to the statement of financial position:		
Cash and cash equivalents	\$ 5,026,542	\$ 4,721,997
Cash and cash equivalents - restricted for programs	1,577,854	1,480,907
	\$ 6,604,396	\$ 6,202,904
Supplemental cash flow information:		
Cash paid for interest	\$ 48,684	\$ 42,160

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, 2019
(With Comparative Information for 2018)

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.

Greater Frogtown Community Development Corporation (GFCDC) is a nonprofit organization controlled by the board of CNHS. Together, the organizations do 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.

The activities are supported primarily by contributions, government grants, 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, 2019
(With Comparative Information for 2018)

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

Accounting Pronouncement Adopted - FASB issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* to address the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. NWHP has adopted the pronouncement and adjusted the presentation of these statements accordingly. As a result, net assets previously reported as temporarily and permanently restricted are now called net assets with donor restrictions. The amount of such net assets did not change.

Footnote disclosures have been expanded as required by the ASU. NWHP opted not to disclose liquidity and availability information for 2018 as permitted under the ASU in the year of adoption.

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:

- **Net Assets Without Donor Restrictions** - Net assets that are not subject to donor-imposed stipulations.

- **Net Assets With Donor Restrictions** - Net assets that are restricted by the donor, grantor, or other outside parties for specific purposes or time periods. Net assets with donor restrictions are primarily for a revolving loan fund, which includes support and revenues designated to provide loans and grants. Community Development Block Grants from the City of Saint Paul (CDBG funds) and NWA funded a substantial portion of the revolving loan fund. A significant portion of these assets would be returned to the City and NWA if NWHP were to terminate operations. NWHP also received significant funds from the Community Development Financial Institutions (CDFI) Fund monies from the Department of the Treasury and NWA for lending, housing counseling, and foreclosure prevention.

NWHP has presented CDFI and other government grants for loans separate from operating results because management believes the presentation better assists users of the financial statements in analyzing operating results.

(Continued)

COMMUNITY NEIGHBORHOOD HOUSING SERVICES, INC.
dba NEIGHBORWORKS HOME PARTNERS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended September 30, 2019
(With Comparative Information for 2018)

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

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 and the allocation of functional expenses.

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, 2019 or 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 plus capitalized interest and certain holding costs such as 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.

Warranty Costs - NWHP provides its homebuyers a warranty of two years for new construction and one year for renovations. Based on past experience management believes no liability for warranty costs is necessary.

(Continued)

COMMUNITY NEIGHBORHOOD HOUSING SERVICES, INC.
dba NEIGHBORWORKS HOME PARTNERS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended September 30, 2019
(With Comparative Information for 2018)

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

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.

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. Amortization of the discount is reported in the Statement of Activities as interest income.

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 the LLC's and no obligation to provide further funding.

(Continued)

COMMUNITY NEIGHBORHOOD HOUSING SERVICES, INC.
dba NEIGHBORWORKS HOME PARTNERS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended September 30, 2019
(With Comparative Information for 2018)

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

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.

Contributions - Contributions are recognized when the donor makes an unconditional promise to give. Contributions are recorded as without donor restrictions and with donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions reported as net assets with donor restrictions are released to net assets without donor restrictions upon expiration of the time or usage restriction. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions 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 2019 or 2018.

Donated materials are recorded as contributions at their estimated fair value in the period received. No donated materials were recorded in 2019 or 2018.

(Continued)

COMMUNITY NEIGHBORHOOD HOUSING SERVICES, INC.
dba NEIGHBORWORKS HOME PARTNERS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended September 30, 2019
(With Comparative Information for 2018)

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

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. Accordingly, they are recognized as restricted revenue when the Department of the Treasury makes an unconditional commitment. The restriction is released when a qualifying loan is approved and committed. A portion of CDFI grants is used for loans while the remainder covers administrative costs and funds a loan loss reserve.

When other government grants are obtained for a revolving loan fund, a grant receivable and revenue with donor restrictions 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 NWA revolving loan funds are considered net assets with donor restrictions.

Interest income and loan fees related to CDBG funds are reported as net assets with donor restrictions; all other loan interest and loan fees are reported as net assets without donor restrictions. A percentage of principal and interest received on loan repayments represents program income to NWHP which is released from net assets with donor restrictions to net assets without donor restrictions. 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.

(Continued)

COMMUNITY NEIGHBORHOOD HOUSING SERVICES, INC.
dba NEIGHBORWORKS HOME PARTNERS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended September 30, 2019
(With Comparative Information for 2018)

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

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. Indirect expenses which include occupancy, equipment, other operating costs, marketing, travel, and information technology, 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 GFCDL 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 its own information return. Management believes neither CNHS or GFCDL have any uncertain tax positions.

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.

(Continued)

COMMUNITY NEIGHBORHOOD HOUSING SERVICES, INC.
dba NEIGHBORWORKS HOME PARTNERS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended September 30, 2019
(With Comparative Information for 2018)

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

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, 2018, from which the summarized information was derived.

Reclassifications - Reclassifications were made to the 2018 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. **AVAILABILITY AND LIQUIDITY OF RESOURCES**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, consist of the following:

Cash and cash equivalents	\$5,026,542
Accounts and grants receivable	649,296
Pledges receivable	50,000
Less: grants receivable – restricted for loans	(571,296)
Cash – restricted for capital improvements	(32,884)
Cash – operating reserve	(214,450)
Cash – loan loss reserve	(172,135)
	<u>\$4,735,073</u>

NWHP adopts an annual budget and anticipates collecting sufficient revenue to fund general expenditures. Brokerage expenses, lending program, and predevelopment expenditures are not considered general expenditures. Budget to actual results and working capital are monitored each month.

The operating and loan loss reserves have been established by management and not as a result of board action.

NWHP has a goal to maintain 30 days of cash on-hand. NWHP has aside funds for an operating reserve and a loan loss reserve.

(Continued)

COMMUNITY NEIGHBORHOOD HOUSING SERVICES, INC.
dba NEIGHBORWORKS HOME PARTNERS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended September 30, 2019
(With Comparative Information for 2018)

4. CASH – RESTRICTED FOR PROGRAMS

Cash – restricted for programs consist of:

	2019	2018
Home ownership and development	\$ 65,195	\$ 65,195
Down payment assistance	-	156,000
Loans and grants	1,512,659	1,259,712
	\$1,577,854	\$1,480,907

5. PROPERTIES HELD FOR SALE

Properties held for sale consist of the following:

	2019	2018
Properties held for sale	\$ 158,706	\$ 594,169
Less allowance for estimated losses	-	(50,483)
	\$ 158,706	\$ 543,686
Number of properties	5	6

NWHP capitalizes interest incurred on rehabilitation and construction projects. Interest of \$5,000 and \$10,674 was capitalized on the properties held for sale in 2019 and 2018.

(Continued)

COMMUNITY NEIGHBORHOOD HOUSING SERVICES, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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6. LOANS RECEIVABLE

The following table presents loans by portfolio segment:

	2019	2018
First mortgage loans	\$ 533,085	\$ 546,764
Second mortgage loans	90,963	99,505
Home improvement loans	3,193,301	2,990,165
Due on sale loans	6,048,906	5,004,482
Total loans receivable	9,866,255	8,640,916
Less discount on GFCDC due on sale/MURL loans	(757,003)	(791,040)
Less allowance for loan losses	(62,742)	(97,566)
Loans receivable, net	\$ 9,046,510	\$ 7,752,310

All loans are individually reviewed for impairment. As of September 30, 2019 and 2018, management has not identified any impaired loans.

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

	2019				Total	2018
	First Mortgage Loans	Second Mortgage Loans	Home Improvement Loans	Due on Sale Loans		
Current	\$ 533,085	\$ 66,600	\$2,993,264	\$ -	\$3,592,949	\$3,424,252
30 – 59 days	-	-	16,019	-	16,019	64,434
60 – 89 days	-	-	35,695	-	35,695	23,887
90 + days	-	24,363	148,323	-	172,686	123,861
Due on sale	-	-	-	6,048,906	6,048,906	5,004,482
Total	\$ 533,085	\$ 90,963	\$3,193,301	\$6,048,906	\$9,866,255	\$8,640,916

(Continued)

COMMUNITY NEIGHBORHOOD HOUSING SERVICES, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended September 30, 2019
(With Comparative Information for 2018)

6. LOANS RECEIVABLE (Continued)

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

	2019				Total	2018
	First Mortgage Loans	Second Mortgage Loans	Home Improvement Loans	Due on Sale Loans		
Beginning balance	\$ -	\$ 5,324	\$ 58,698	\$ 33,544	\$ 97,566	\$ 97,566
Provision	-	(4,424)	10,636	10,636	16,848	74,048
Recoveries	-	-	1,295	-	1,295	5,675
Loans charged off	-	-	(31,967)	(21,000)	(52,967)	(79,723)
Ending balance	<u>\$ -</u>	<u>\$ 900</u>	<u>\$ 38,662</u>	<u>\$ 23,180</u>	<u>\$ 62,742</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 qualified low income individuals 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 net assets with donor restrictions on the accompanying financial statements.

7. 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.

NWHP has a 30% ownership in NEDU, LLC. NEDU, LLC owns and operates a commercial building in Saint Paul, Minnesota.

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

(Continued)

COMMUNITY NEIGHBORHOOD HOUSING SERVICES, INC.
dba NEIGHBORWORKS HOME PARTNERS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended September 30, 2019
(With Comparative Information for 2018)

8. OFFICE BUILDINGS AND EQUIPMENT

Office buildings and equipment consist of the following:

	2019	2018	Estimated useful life in years
Land	\$115,300	\$115,300	-
Office buildings	126,695	122,500	5 - 39
Building and land improvements	34,200	31,279	5 - 39
Equipment	72,970	51,576	3 - 5
	349,165	320,655	
 Less accumulated depreciation	 (63,257)	 (47,390)	
	 \$285,908	 \$273,265	

9. NOTES PAYABLE

Notes payable consists of the following:

	2019	2018
Coulee Bank	\$ 145,000	\$ 187,666
Local Initiatives Support Corporation (LISC)	50,000	50,000
	 \$ 195,000	 \$ 237,666

Coulee Bank - NWHP has a line of credit with Coulee Bank that enables them to borrow up to \$500,000. Advances are used for the acquisition, construction or rehabilitation of houses. As of September 30, 2019, NWHP has one advance that is due December 31, 2020, with an interest rate at 6%. As of September 30, 2018, NWHP had two advances which were due October 19, 2018, and March 10, 2019. Advances were paid through the sale of properties during the year.

Each advance of the line of credit has an original 12-month term with interest-only payments due monthly and is secured by the property.

(Continued)

COMMUNITY NEIGHBORHOOD HOUSING SERVICES, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended September 30, 2019
(With Comparative Information for 2018)

9. **NOTES PAYABLE (Continued)**

City of St. Paul HRA - NWHP has a \$155,379 note payable to the Housing and Redevelopment Authority (HRA) of the City of St. Paul with no interest. The note matures December 31, 2020. The note is for the acquisition and development costs for a property. If the property is sold to a qualified buyer, the note will be forgiven. No funds have been advanced as of September 30, 2019. Secured by the property.

LISC - NWHP issued a \$20,000 non-interest bearing note to 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. This loan was consolidated into a new loan during 2019.

NWHP issued 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. This loan was consolidated into a new loan during 2019.

In July 2019, NWHP consolidated its two outstanding loans into a \$50,000 non-interest bearing note to Local Initiatives Support Corporation (LISC) to be used for to support the organization in creating affordable homeownership for low and moderate income families in the Frogtown neighborhood in St. Paul. The principal is due June 30, 2021, or on the receipt of proceeds from the sale of the homes if requested by LISC. Unsecured.

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, 2019 and 2018.

10. **LONG-TERM DEBT**

Long-term debt consists of the following:

	<u>2019</u>	<u>2018</u>
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

(Continued)

COMMUNITY NEIGHBORHOOD HOUSING SERVICES, INC.
dba NEIGHBORWORKS HOME PARTNERS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended September 30, 2019
(With Comparative Information for 2018)

10. LONG-TERM DEBT (Continued)

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.	82,518	88,287
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, 2019)), maturing May 2033. The mortgage is secured by the Dale Street building.	304,191	320,615
	<u>\$2,086,709</u>	<u>\$2,108,902</u>

(Continued)

COMMUNITY NEIGHBORHOOD HOUSING SERVICES, INC.
dba NEIGHBORWORKS HOME PARTNERS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended September 30, 2019
(With Comparative Information for 2018)

10. LONG-TERM DEBT (Continued)

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

2020	\$	24,071
2021		24,814
2022		25,579
2023		1,726,369
2024		27,183
Thereafter		<u>258,693</u>
		<u><u>\$ 2,086,709</u></u>

11. NET ASSETS

With donor restrictions - Net assets with donor restrictions 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.

Net assets with donor restrictions consists of the following:

	<u>2019</u>	<u>2018</u>
LISC Vacant Lot Reclamation Project	\$ 30,000	\$ 30,000
LISC Twin Cities Rehab Loan Fund	25,000	-
Home office remodel	32,884	-
Down payment assistance – Project Reinvest	-	156,000
Affordable Home Ownership Expansion project	15,195	15,195
McKnight home ownership assistance	50,000	-
Loan and grant program:		
NWA revolving loan funds	613,395	863,396
MURL revolving loan fund	260,284	260,284
CDFI	565,003	633,238
City of Saint Paul lending program	<u>5,026,536</u>	<u>4,358,980</u>
	<u><u>\$ 6,618,297</u></u>	<u><u>\$ 6,317,093</u></u>

(Continued)

COMMUNITY NEIGHBORHOOD HOUSING SERVICES, INC.
dba NEIGHBORWORKS HOME PARTNERS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended September 30, 2019
(With Comparative Information for 2018)

12. NEIGHBORHOODLIFTSM

NWHP participates in the NeighborhoodLIFTSM program. The program is a collaboration between Wells Fargo Bank, N.A.; Wells Fargo Foundation; NeighborWorks America; and local nonprofit organizations including NWHP.

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 NeighborhoodLIFTSM 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 \$2,300,000 in grants were provided and NWHP earned \$438,200 in administrative fees during 2017 and \$246,000 in grants were provided and NWHP earned \$46,200 in administrative fees during 2018. The remaining balance of \$4,100 was recorded as deferred revenue as of September 30, 2018, and earned in 2019.

In addition, NWHP has received repayments from loans originated with LIFT funds. Those funds are recorded as liabilities on the balance sheet as of September 30, 2019, and are required to be used as their original purpose.

13. LEASES RECEIVABLE

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 \$- in 2019 and \$7,950 in 2018.

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, 2019 and 2018, deposits exceeded the insured limit by \$1,227,042 and \$971,417.

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

NWHP received 17% of total support and revenue from NWA, 16% from the City of Saint Paul, and 15% from the CDFI in 2019.

NWHP received 28% of total support and revenue from NWA and 22% from the CDFI in 2018.

(Continued)

COMMUNITY NEIGHBORHOOD HOUSING SERVICES, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended September 30, 2019
(With Comparative Information for 2018)

14. CONCENTRATIONS (Continued)

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 \$4,026,868 at September 30, 2019, and \$4,019,040 at September 30, 2018.

15. RELATED PARTY TRANSACTIONS

Three board members are employees of banks that NWHP uses for deposits or borrowing. Two board members work for major funders of NWHP.

16. EMPLOYEE BENEFIT PLAN

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 \$30,646 in 2019 and \$30,250 in 2018.

17. CONTINGENCIES AND COMMITMENTS

Compliance Regulations - Governmental program activities are subject to financial and other 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 local governmental agencies to provide lending program services. These contracts expire at various dates through 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.

(Continued)

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended September 30, 2019
(With Comparative Information for 2018)

18. SUBSEQUENT EVENTS

In January 2020, NWHP obtained a line of credit of \$1,000,000 at an interest rate of 4.1% from BankCherokee. The line of credit was obtained to fund first mortgage loans. As of March 18, 2020 the line of credit has not been drawn on.

Management has evaluated subsequent events through March 18, 2020, the date on which the financial statements were available for issue.

SUPPLEMENTARY INFORMATION

COMMUNITY NEIGHBORHOOD HOUSING SERVICES, INC.
dba NEIGHBORWORKS HOME PARTNERS

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

September 30, 2019

	<u>CNHS</u>	<u>GF CDC</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 4,582,264	\$ 444,278	\$ -	\$ 5,026,542
Cash and cash equivalents - restricted for programs	1,562,659	15,195	-	1,577,854
Accounts and government grants receivable	749,296	-	(100,000)	649,296
Pledges receivable	50,000	-	-	50,000
Prepaid expenses	25,260	-	-	25,260
Properties held for sale, net	-	158,706	-	158,706
Loans receivable, net	9,046,510	-	-	9,046,510
Office buildings and equipment, net	38,626	247,282	-	285,908
	<u>\$ 16,054,615</u>	<u>\$ 865,461</u>	<u>\$ (100,000)</u>	<u>\$ 16,820,076</u>
LIABILITIES AND NET ASSETS				
Accounts payable and accrued expenses	\$ 108,333	\$ -	\$ -	\$ 108,333
Payroll liabilities	119,680	-	-	119,680
Undisbursed loan commitments	635,062	-	-	635,062
NeighborhoodLIFT	13,950	-	-	13,950.00
Deferred revenue	1,000	-	-	1,000
Notes payable	-	295,000	(100,000)	195,000
Long-term debt	1,782,518	304,191	-	2,086,709
Total liabilities	<u>2,660,543</u>	<u>599,191</u>	<u>(100,000)</u>	<u>3,159,734</u>
Net assets:				
Without donor restrictions	6,790,970	251,075	-	7,042,045
With donor restrictions	6,603,102	15,195	-	6,618,297
Total net assets	<u>13,394,072</u>	<u>266,270</u>	<u>-</u>	<u>13,660,342</u>
Total liabilities and net assets	<u>\$ 16,054,615</u>	<u>\$ 865,461</u>	<u>\$ (100,000)</u>	<u>\$ 16,820,076</u>

See independent auditor's report.

COMMUNITY NEIGHBORHOOD HOUSING SERVICES, INC.
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CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2019

	<u>CNHS</u>	<u>GFCDC</u>	<u>Eliminations</u>	<u>Total</u>
Support and revenue:				
Contributions:				
NeighborWorks® America	\$ 533,900	\$ -	\$ -	\$ 533,900
CDFI operations grant	100,000	-	-	100,000
Government grants	473,489	-	-	473,489
Other contributions	271,453	-	-	271,453
Revenue:				
Loan interest	244,195	-	-	244,195
Loan servicing and origination fees	50,410	-	-	50,410
Home improvement loan repayments	74,281	-	-	74,281
Other revenue	149,765	-	-	149,765
Sale of property	123,102	739,831	-	862,933
Developer fees	74,257	-	(74,257)	-
Investment income	10,034	-	-	10,034
Total revenue and support	<u>2,104,886</u>	<u>739,831</u>	<u>(74,257)</u>	<u>2,770,460</u>
Expenses:				
Program services:				
Loan and grant program	442,957	-	-	442,957
Homebuyer education	181,561	-	-	181,561
Real estate development	104,574	770,764	(74,257)	801,081
Total program services	<u>729,092</u>	<u>770,764</u>	<u>(74,257)</u>	<u>1,425,599</u>
Management and general	699,147	-	-	699,147
Fundraising	44,040	-	-	44,040
Total expenses	<u>1,472,279</u>	<u>770,764</u>	<u>(74,257)</u>	<u>2,168,786</u>
Change in net assets before nonoperating activity	632,607	(30,933)	-	601,674
CDFI and government grants for loans	1,355,872	-	-	1,355,872
Transfer of assets between entities	<u>(155,420)</u>	<u>155,420</u>	<u>-</u>	<u>-</u>
Change in net assets	1,833,059	124,487	-	1,957,546
Net assets:				
Beginning of year	<u>11,561,013</u>	<u>141,783</u>	<u>-</u>	<u>11,702,796</u>
End of year	<u>\$ 13,394,072</u>	<u>\$ 266,270</u>	<u>\$ -</u>	<u>\$ 13,660,342</u>

See independent auditor's report.