

**COMMUNITY NEIGHBORHOOD HOUSING  
SERVICES, INC.**

**dba NEIGHBORWORKS HOME PARTNERS**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
SEPTEMBER 30, 2020**

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

CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended September 30, 2020  
(With Comparative Totals for 2019)

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# Mahoney Ulbrich Christiansen Russ P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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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. (a nonprofit organization) and its subsidiary, which comprise the consolidated statement of financial position as of September 30, 2020, 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, 2020, 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 Standards**

As discussed in Note 2 to the financial statements, Community Neighborhood Housing Services, Inc. has adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)* and the related ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

**Report on Summarized Comparative Information**

We have previously audited Community Neighborhood Housing Services, Inc.'s 2019 consolidated financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 18, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2019, 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 26 and 27 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, 2021, 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.

*Mahoney Ulbrich  
Christiansen Russ P.A.*

March 18, 2021

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

September 30, 2020  
(With Comparative Totals for 2019)

	2020	2019
<b>ASSETS</b>		
Cash and cash equivalents	\$ 5,544,850	\$ 5,026,542
Cash and cash equivalents - restricted for programs	1,390,122	1,577,854
Investments	778,078	-
Accounts receivable	294,688	398,412
Government grants receivable	723,318	250,884
Pledges receivable	-	50,000
Prepaid expenses	36,529	25,260
Properties held for sale, net	383,545	158,706
Loans receivable, net	9,204,913	9,046,510
Property and equipment, net	286,725	285,908
Total assets	\$ 18,642,768	\$ 16,820,076
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued expenses	\$ 150,256	\$ 108,333
Payroll liabilities	157,631	119,680
Undisbursed loan commitments	523,094	635,062
NeighborhoodLIFT	2,700	13,950
Deferred revenue	400	1,000
PPP loan	209,200	-
Notes payable	348,850	195,000
Long-term debt	2,562,460	2,086,709
Total liabilities	3,954,591	3,159,734
Net assets:		
Without donor restrictions	8,125,343	7,042,045
With donor restrictions	6,562,834	6,618,297
Total net assets	14,688,177	13,660,342
Total liabilities and net assets	\$ 18,642,768	\$ 16,820,076

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, 2020  
(With Comparative Totals for 2019)

	2020			2019
	Without donor restrictions	With donor restrictions	Total	
Support and revenue:				
Contributions:				
NeighborWorks® America	\$ 648,232	\$ 55,000	\$ 703,232	\$ 533,900
CDFI grant	23,234	55,516	78,750	100,000
Government grants	352,836	-	352,836	385,946
Other contributions	94,653	-	94,653	271,453
Revenue:				
Loan interest	149,889	-	149,889	244,195
Loan servicing and origination fees	13,779	-	13,779	50,410
Home improvement loan repayments	47,750	-	47,750	74,281
Contracts	156,066	-	156,066	87,543
Sale of properties	487,000	-	487,000	862,933
Other revenue	29,322	-	29,322	149,765
Investment income	34,885	-	34,885	10,034
Net assets released from time and usage restrictions	353,867	(353,867)	-	-
Total revenue and support	2,391,513	(243,351)	2,148,162	2,770,460
Expenses:				
Program services:				
Loan and grant program	430,747	-	430,747	442,957
Homebuyer education	276,296	-	276,296	181,561
Real estate development	537,058	-	537,058	801,081
Total program services	1,244,101	-	1,244,101	1,425,599
Management and general	785,564	-	785,564	699,147
Fundraising	42,936	-	42,936	44,040
Total expenses	2,072,601	-	2,072,601	2,168,786
Change in net assets before nonoperating activity	318,912	(243,351)	75,561	601,674
CDFI and other government grants for loans	150,990	801,284	952,274	1,355,872
Net assets released from usage restrictions	613,396	(613,396)	-	-
Change in net assets	1,083,298	(55,463)	1,027,835	1,957,546
Net assets:				
Beginning of year	7,042,045	6,618,297	13,660,342	11,702,796
End of year	\$ 8,125,343	\$ 6,562,834	\$ 14,688,177	\$ 13,660,342

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, 2020  
(With Comparative Totals for 2019)

	2020						Total	2019
	Loan and grant program	Homebuyer education	Real estate development	Total program services	Management and general	Fundraising		
Salaries	\$ 286,341	\$ 147,932	\$ 47,968	\$ 482,241	\$ 463,872	\$ 24,414	\$ 970,527	\$ 888,791
Payroll taxes	20,420	10,626	3,616	34,662	40,642	2,139	77,443	70,388
Employee benefits	57,898	17,246	3,050	78,194	53,948	2,839	134,981	112,633
	<u>364,659</u>	<u>175,804</u>	<u>54,634</u>	<u>595,097</u>	<u>558,462</u>	<u>29,392</u>	<u>1,182,951</u>	<u>1,071,812</u>
Insurance	-	-	-	-	14,810	779	15,589	13,997
Other employee expenses	2,736	2,484	24	5,244	4,687	255	10,186	28,731
Occupancy	3,534	8,266	708	12,508	26,353	1,387	40,248	36,934
Consulting and contracts	1,763	-	-	1,763	31,148	1,639	34,550	25,775
Professional fees	1,341	3,099	210	4,650	36,424	1,917	42,991	30,364
Board and publicity	-	-	-	-	2,365	124	2,489	1,175
Other operating costs (consumables)	5,601	14,836	300	20,737	14,155	654	35,546	22,789
Depreciation	-	-	-	-	20,350	1,250	21,600	18,242
Home improvement grants	-	64,588	-	64,588	14,000	2,250	80,838	-
Marketing expenses	1,398	3,835	60	5,293	20,878	1,007	27,178	22,280
Information technology	7,626	2,726	509	10,861	28,057	1,477	40,395	31,503
Loan/client processing expenses	9,027	658	-	9,685	103	5	9,793	9,416
HOME program funds returned	722	-	-	722	-	-	722	3,938
Cost of houses sold	-	-	480,613	480,613	-	-	480,613	748,088
Interest expense	27,480	-	-	27,480	13,158	693	41,331	48,684
Provision for loan losses	3,246	-	-	3,246	-	-	3,246	49,689
Miscellaneous	1,614	-	-	1,614	614	107	2,335	5,369
	<u>\$ 430,747</u>	<u>\$ 276,296</u>	<u>\$ 537,058</u>	<u>\$ 1,244,101</u>	<u>\$ 785,564</u>	<u>\$ 42,936</u>	<u>\$ 2,072,601</u>	<u>\$ 2,168,786</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, 2020  
(With Comparative Totals for 2019)

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 1,027,835	\$ 1,957,546
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation	21,600	18,242
Provisions for loan losses	-	53,222
Accretion of discount on loans	(102,786)	(34,037)
Grants for loans	(952,274)	(1,355,872)
Gain on investment income	(20,580)	-
Changes in operating assets and liabilities:		
Accounts receivable	103,724	(497,721)
Government grants and pledges receivable	(422,434)	(50,000)
Prepaid expenses	(11,269)	(1,289)
Properties held for sale, net	(224,839)	382,606
Accounts payable and accrued expenses	79,874	67,779
Fiscal agency payable	-	(8,750)
NeighborhoodLIFT	(11,250)	9,850
Deferred revenue	(600)	1,000
Net cash from operating activities	(512,999)	542,576
Cash flows from investing activities:		
New loans provided	(1,061,104)	(1,904,217)
Collections of loans receivable	893,519	500,631
Purchase of investments	(757,498)	-
Purchase of property and equipment	(22,417)	(28,511)
Net cash from investing activities	(947,500)	(1,432,097)
Cash flows from financing activities:		
Proceeds from notes payable	298,850	145,000
Payments of notes payable	(145,000)	(187,666)
Proceeds from PPP loan	209,200	-
Principal payments on long-term debt	(24,249)	(22,193)
Grants received for loans	952,274	1,355,872
Net cash from financing activities	1,791,075	1,291,013
Net increase in cash and cash equivalents	330,576	401,492
Cash and cash equivalents - beginning of year	6,604,396	6,202,904
Cash and cash equivalents - end of year	\$ 6,934,972	\$ 6,604,396
Reconciliation to the consolidated statement of financial position:		
Cash and cash equivalents	\$ 5,544,850	\$ 5,026,542
Cash and cash equivalents - restricted for programs	1,390,122	1,577,854
	\$ 6,934,972	\$ 6,604,396
Supplemental cash flow information:		
Cash paid for interest	\$ 41,331	\$ 48,684

See accompanying notes to consolidated financial statements.



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

For the Year Ended September 30, 2020  
(With Comparative Information for 2019)

**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, sale of properties, 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, 2020  
(With Comparative Information for 2019)

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

**Accounting Standards Adopted** - Effective October 1, 2019, NWHP adopted Accounting Standards Update (ASU) 2018-08, *Not-for-Profit-Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)* using the modified retrospective approach. The ASU provides guidance on distinguishing between contributions and exchange transactions and clarifies whether contributions are conditional. Accordingly, there was no impact on previously reported net assets. The presentation and disclosures of contributions have been enhanced in accordance with the standard.

Effective October 1, 2019, NWHP adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* using the full retrospective approach. The ASU clarifies the accounting for revenue arising from contracts with customers and specifies disclosures that an entity should include in the financial statements. The adoption of this ASU had no effect on the financial statements.

**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, 2020  
(With Comparative Information for 2019)

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.

**Investments** - NWHP invested in a professionally managed portfolio that consisted of brokered certificates of deposit. Such investments were carried at fair value. Realized and unrealized gains and losses were reported as changes in net assets without donor restrictions unless their use was restricted by explicit donor stipulation or by law.

**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, 2020 or 2019. Government grants receivable are all due to be collected in the year ending September 30, 2021.

**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 at September 30, 2020 and 2019.

(Continued)

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended September 30, 2020  
(With Comparative Information for 2019)

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, 2020  
(With Comparative Information for 2019)

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 2020 or 2019.

Donated materials are recorded as contributions at their estimated fair value in the period received. No donated materials were recorded in 2020 or 2019.

(Continued)

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended September 30, 2020  
(With Comparative Information for 2019)

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

**Government Grants and Contracts** - Except for revolving loan funds discussed below, government grants and contract funds are accounted for as contributions and are recorded as revenue when they become unconditional. Revenue is recognized when eligible expenditures, as defined in each grant or contract, are incurred. Funds received but not yet earned are recorded as refundable advances.

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.

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

**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.

**Contracts** - NWHP acts as a loan servicing agent for various municipalities. NWHP is paid a fee for each loan it closes which is recorded as revenue at the time of closing. NWHP also advances the loan funds to the borrowers on behalf of the municipalities. These advances are included in accounts receivable and reimbursed when paid.

(Continued)

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended September 30, 2020  
(With Comparative Information for 2019)

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.

**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 consolidated financial statements for the year ended September 30, 2019, from which the summarized information was derived.

(Continued)

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended September 30, 2020  
(With Comparative Information for 2019)

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

**Reclassifications** - Reclassifications were made to the 2019 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:

	2020	2019
Cash and cash equivalents	\$5,544,850	\$5,026,542
Accounts receivable	294,688	398,412
Government grants receivable	723,318	250,884
Pledges receivable	-	50,000
Less: grants receivable – restricted for loans	(506,024)	(571,296)
Cash – restricted for capital improvements	-	(32,884)
Cash – operating reserve	(24,487)	(214,450)
Cash – loan loss reserve	(172,207)	(172,135)
	\$5,860,138	\$4,735,073

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.

NHWP has a goal to maintain 30 days of cash on-hand. Management of NWHP has set 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, 2020  
(With Comparative Information for 2019)

**4. CASH AND CASH EQUIVALENTS – RESTRICTED FOR PROGRAMS**

Cash and cash equivalents – restricted for programs consist of:

	2020	2019
Home ownership and development	\$ 120,195	\$ 65,195
Loans and grants	1,269,927	1,512,659
	\$1,390,122	\$1,577,854

**5. FAIR VALUE MEASUREMENTS**

NWHP measures its investments at fair value on a recurring basis.

The fair values of certificates of deposit are provided by the investment broker based on a market value pricing model. Certificates of deposit held at September 30, 2020, have a face value of \$750,000; mature through January 17, 2023; and have interest rates ranging from 1.75% to 1.55%. All certificates of deposit are subject to Securities Investor Protection Corporation (SPIC) coverage.

The following table presents the category of inputs used to measure fair values of investments:

	Level 1	Level 2	Level 3	Total
<u>September 30, 2020:</u>				
Cash (at cost)	\$ -	\$ -	\$ -	\$ 7,488
Certificates of deposit	-	770,590	-	770,590
	\$ -	\$ 770,590	\$ -	\$ 778,078

The method used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the NWHP believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of the investments could result in a different fair value measurement at the reporting date.

(Continued)

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended September 30, 2020  
(With Comparative Information for 2019)

**6. PROPERTIES HELD FOR SALE**

Properties held for sale consist of the following:

	2020	2019
Properties held for sale	\$ 383,545	\$ 158,706
Number of properties	5	5

NWHP capitalizes interest incurred on rehabilitation and construction projects. Interest of \$7,385 and \$5,000 was capitalized on the properties held for sale in 2020 and 2019.

**7. LOANS RECEIVABLE**

The following table presents loans by portfolio segment:

	2020	2019
First mortgage loans	\$ 517,166	\$ 533,085
Second mortgage loans	44,086	90,963
Home improvement loans	2,914,539	3,193,301
Due on sale loans	6,449,327	6,048,906
Total loans receivable	9,925,118	9,866,255
Less discount on GFDC due on sale/MURL loans	(654,217)	(757,003)
Less allowance for loan losses	(65,988)	(62,742)
Loans receivable, net	\$ 9,204,913	\$ 9,046,510

All loans are individually reviewed for impairment. As of September 30, 2020 and 2019, management has not identified any impaired loans.

(Continued)

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended September 30, 2020  
(With Comparative Information for 2019)

**7. LOANS RECEIVABLE (Continued)**

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

	2020				Total	2019
	First Mortgage Loans	Second Mortgage Loans	Home Improvement Loans	Due on Sale Loans		
Current	\$ 517,166	\$ 44,086	\$2,842,694	\$ -	\$3,403,946	\$3,592,252
30 – 59 days	-	-	11,543	-	11,543	16,019
60 – 89 days	-	-	5,307	-	5,307	35,695
90 + days	-	-	54,995	-	54,995	172,686
Due on sale	-	-	-	6,449,327	6,449,327	6,048,906
<b>Total</b>	<u>\$ 517,166</u>	<u>\$ 44,086</u>	<u>\$2,914,539</u>	<u>\$6,449,327</u>	<u>\$9,925,118</u>	<u>\$9,866,255</u>

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

	2020				Total	2019
	First Mortgage Loans	Second Mortgage Loans	Home Improvement Loans	Due on Sale Loans		
Beginning balance	\$ -	\$ 900	\$ 38,662	\$ 23,180	\$ 62,742	\$ 97,566
Provision	-	-	-	3,246	3,246	16,848
Recoveries	-	-	-	-	-	1,295
Loans charged off	-	-	-	-	-	(52,967)
<b>Ending balance</b>	<u>\$ -</u>	<u>\$ 900</u>	<u>\$ 38,662</u>	<u>\$ 23,180</u>	<u>\$ 65,988</u>	<u>\$ 62,742</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.

(Continued)

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended September 30, 2020  
(With Comparative Information for 2019)

**8. INVESTMENTS IN LLC'S**

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.

**9. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	<u>2020</u>	<u>2019</u>	<u>Estimated useful life in years</u>
Land	\$115,300	\$115,300	-
Land improvements	21,794	3,261	20
Office building	126,695	126,695	5 - 39
Building improvements	30,939	30,939	5 - 39
Equipment	67,346	72,970	3 - 5
	<u>362,074</u>	<u>349,165</u>	
Less accumulated depreciation	<u>(75,349)</u>	<u>(63,257)</u>	
	<u><u>\$286,725</u></u>	<u><u>\$285,908</u></u>	

(Continued)

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended September 30, 2020  
(With Comparative Information for 2019)

**10. PAYCHECK PROTECTION PROGRAM LOAN**

In April 2020, NWHP received an unsecured note payable to BankCherokee in the original amount of \$209,200, with interest at 1%. The note is funded through the Paycheck Protection Program (PPP), a program developed by the Federal government in response to the COVID-19 pandemic. All or a portion of this note may be forgiven if NWHP uses the proceeds from the note for payroll costs and other expenses in accordance with the requirements of the PPP. If the proceeds are not used in accordance with the PPP guidelines, the note will be required to be repaid with monthly principal and interest payments through April 20, 2022, the date all outstanding principal and interest is due. NWHP expects the note to be forgiven in 2021.

**11. NOTES PAYABLE**

Notes payable consists of the following:

	2020	2019
Coulee Bank	\$ 138,850	\$ 145,000
City of St. Paul HRA	160,000	-
Local Initiatives Support Corporation (LISC)	50,000	50,000
	\$ 348,850	\$ 195,000

**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, 2020, NWHP has one advance that is due October 2, 2020, with an interest rate at 5.5%. As of September 30, 2019, 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.

**City of St. Paul HRA** - NWHP has a \$160,000 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. Secured by the property.

(Continued)

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended September 30, 2020  
(With Comparative Information for 2019)

**11. NOTES PAYABLE (Continued)**

**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, 2020 and 2019.

**BankCherokee** - In November 2020, NWHP obtained a line of credit of \$1,000,000 at an interest rate of 4.1%. The line of credit was obtained to fund first mortgage loans. The Line of Credit matures January 9, 2022. As of September 30, 2020, the line of credit has not been drawn on.

**12. LONG-TERM DEBT**

Long-term debt consists of the following:

	<u>2020</u>	<u>2019</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, 2020  
(With Comparative Information for 2019)

**12. 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.	74,745	82,518
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
Note payable to the Otto Bremer Trust (a nonprofit organization) with interest at 2.0%. Interest payments of \$10,000 are payable annually beginning September 25, 2021. Principle and interest are due at maturity. The note matures September 25, 2025. Unsecured.	500,000	-
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, 2020)), maturing May 2033. The mortgage is secured by the Dale Street building.	287,715	304,191
	<u>\$2,562,460</u>	<u>\$2,086,709</u>

(Continued)

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended September 30, 2020  
(With Comparative Information for 2019)

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

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

2021	\$	24,814
2022		25,579
2023		1,726,369
2024		27,183
2025		528,023
Thereafter		<u>230,492</u>
		<u><u>\$ 2,562,460</u></u>

**13. 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>2020</u>	<u>2019</u>
LISC Vacant Lot Reclamation Project	\$ 30,000	\$ 30,000
LISC Twin Cities Rehab Loan Fund	25,000	25,000
Home office remodel	-	32,884
Shared equity housing	55,000	-
Affordable Home Ownership Expansion project	15,195	15,195
McKnight home ownership assistance	-	50,000
Loan and grant program:		
NWA revolving loan fund	-	613,395
MURL revolving loan fund	260,284	260,284
CDFI	565,695	565,003
City of Saint Paul lending program	<u>5,611,660</u>	<u>5,026,536</u>
	<u><u>\$ 6,562,834</u></u>	<u><u>\$ 6,618,297</u></u>

(Continued)



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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended September 30, 2020  
(With Comparative Information for 2019)

**14. 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 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 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 \$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, 2020 and 2019, and are required to be used as their original purpose.

**15. 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, 2020 and 2019, deposits exceeded the insured limit by \$2,393,773 and \$1,227,042.

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

NWHP received 23% of total support and revenue from NWA, 22% from the City of Saint Paul, and 17% from the CDFI in 2020.

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

(Continued)

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended September 30, 2020  
(With Comparative Information for 2019)

**15. 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 \$4,029,815 at September 30, 2020, and \$4,026,868 at September 30, 2019.

**16. 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.

**17. 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 \$32,618 in 2020 and \$30,646 in 2019.

**18. 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, 2021. 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.

NWHP has government grants commitments totaling approximately \$935,000 at September 30, 2020, that are conditional upon incurring eligible expenditures. Conditional government grants are recognized in the financial statements when conditions have been substantially met.

(Continued)

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended September 30, 2020  
(With Comparative Information for 2019)

**19. SUBSEQUENT EVENTS**

In October 2020, it was announced \$7,000,000 in additional funding was awarded for the NeighborhoodLIFT<sup>SM</sup> program. NWHP received a payment of \$4,200,00.

In November 2020, NWHP sold the property held for sale at 1883 Nevada for \$215,000. The Coulee Bank note with associated was paid at the time of closing.

Management has evaluated subsequent events through March 18, 2021, 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, 2020

	<u>CNHS</u>	<u>GF CDC</u>	<u>Eliminations</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 5,083,127	\$ 461,723	\$ -	\$ 5,544,850
Cash and cash equivalents - restricted for programs	1,374,927	15,195	-	1,390,122
Investments	778,078	-	-	778,078
Accounts receivable	394,688	-	(100,000)	294,688
Government grants receivable	657,197	66,121	-	723,318
Prepaid expenses	36,529	-	-	36,529
Properties held for sale, net	-	383,545	-	383,545
Loans receivable, net	9,204,913	-	-	9,204,913
Property and equipment, net	29,716	257,009	-	286,725
	<u>\$ 17,559,175</u>	<u>\$ 1,183,593</u>	<u>\$ (100,000)</u>	<u>\$ 18,642,768</u>
<b>LIABILITIES AND NET ASSETS</b>				
Accounts payable and accrued expenses	\$ 150,256	\$ -	\$ -	\$ 150,256
Payroll liabilities	157,631	-	-	157,631
Undisbursed loan commitments	523,094	-	-	523,094
NeighborhoodLIFT	2,700	-	-	2,700
Deferred revenue	400	-	-	400
PPP loan	209,200	-	-	209,200
Notes payable	-	448,850	(100,000)	348,850
Long-term debt	2,274,745	287,715	-	2,562,460
Total liabilities	<u>3,318,026</u>	<u>736,565</u>	<u>(100,000)</u>	<u>3,954,591</u>
Net assets:				
Without donor restrictions	7,678,315	447,028	-	8,125,343
With donor restrictions	6,562,834	-	-	6,562,834
Total net assets	<u>14,241,149</u>	<u>447,028</u>	<u>-</u>	<u>14,688,177</u>
Total liabilities and net assets	<u>\$ 17,559,175</u>	<u>\$ 1,183,593</u>	<u>\$ (100,000)</u>	<u>\$ 18,642,768</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, 2020

	<u>CNHS</u>	<u>GFDCDC</u>	<u>Eliminations</u>	<u>Total</u>
Support and revenue:				
Contributions:				
NeighborWorks® America	\$ 703,232	\$ -	\$ -	\$ 703,232
CDFI operations grant	78,750	-	-	78,750
Government grants	286,715	66,121	-	352,836
Other contributions	94,653	-	-	94,653
Revenue:				
Loan interest	149,889	-	-	149,889
Loan servicing and origination fees	13,779	-	-	13,779
Home improvement loan repayments	47,750	-	-	47,750
Contracts	156,066	-	-	156,066
Sale of properties	-	487,000	-	487,000
Other revenue	29,322	-	-	29,322
Investment income	34,885	-	-	34,885
Total revenue and support	<u>1,595,041</u>	<u>553,121</u>	<u>-</u>	<u>2,148,162</u>
Expenses:				
Program services:				
Loan and grant program	430,747	-	-	430,747
Homebuyer education	276,296	-	-	276,296
Real estate development	-	537,058	-	537,058
Total program services	<u>707,043</u>	<u>537,058</u>	<u>-</u>	<u>1,244,101</u>
Management and general	785,564	-	-	785,564
Fundraising	42,936	-	-	42,936
Total expenses	<u>1,535,543</u>	<u>537,058</u>	<u>-</u>	<u>2,072,601</u>
Change in net assets before nonoperating activity	59,498	16,063	-	75,561
CDFI and government grants for loans	952,274	-	-	952,274
Transfer of assets between entities	<u>(164,695)</u>	<u>164,695</u>	<u>-</u>	<u>-</u>
Change in net assets	847,077	180,758	-	1,027,835
Net assets:				
Beginning of year	<u>13,394,072</u>	<u>266,270</u>	<u>-</u>	<u>13,660,342</u>
End of year	<u>\$ 14,241,149</u>	<u>\$ 447,028</u>	<u>\$ -</u>	<u>\$ 14,688,177</u>

See independent auditor's report.