



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

CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
SEPTEMBER 30, 2021**



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

CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended September 30, 2021
(With Comparative Totals for 2020)

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1
Consolidated Financial Statements:	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7
Supplementary Consolidating and Other Information:	
Consolidating Statement of Financial Position	26
Consolidating Statement of Activities	27



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, 2021, 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, 2021, 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.

Correction of an Error

As described in Note 19 to the consolidated financial statements, the beginning net assets with donor restrictions and without donor restrictions were restated to reflect the correction of an error in the prior year financial statements. The correction reclassified net assets from without donor restrictions to with donor restrictions. 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 2020 consolidated financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 18, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2020, is consistent, except as previously discussed, 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 16, 2022, 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 16, 2022

COMMUNITY NEIGHBORHOOD HOUSING SERVICES, INC.
dba NEIGHBORWORKS HOME PARTNERS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

September 30, 2021
(With Comparative Totals for 2020)

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 6,596,163	\$ 5,544,850
Cash and cash equivalents - restricted for programs	5,416,526	1,390,122
Investments	778,942	778,078
Accounts receivable	112,049	294,688
Government grants receivable	198,977	723,318
Prepaid expenses	39,130	36,529
Properties held for sale	174,217	383,545
Loans receivable, net	9,135,528	9,204,913
Property and equipment, net	285,976	286,725
Total assets	\$ 22,737,508	\$ 18,642,768
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 147,610	\$ 150,256
Payroll liabilities	196,956	157,631
Undisbursed loan commitments	511,145	523,094
NeighborhoodLIFT	2,700	2,700
Deferred revenue	400	400
PPP loan	210,295	209,200
Notes payable	50,000	348,850
Long-term debt	2,369,967	2,562,460
Total liabilities	3,489,073	3,954,591
Net assets:		
Without donor restrictions	8,040,771	6,917,843
With donor restrictions	11,207,664	7,770,334
Total net assets	19,248,435	14,688,177
Total liabilities and net assets	\$ 22,737,508	\$ 18,642,768

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, 2021
(With Comparative Totals for 2020)

	2021			2020
	Without donor restrictions	With donor restrictions	Total	
Support and revenue:				
Contributions:				
NeighborWorks® America	\$ 6,397,626	\$ 1,227,200	\$ 7,624,826	\$ 703,232
CDFI grant	-	126,000	126,000	78,750
Government grants	277,332	-	277,332	352,836
Other contributions	350,933	73,539	424,472	94,653
Revenue:				
Loan interest	113,840	-	113,840	149,889
Loan servicing and origination fees	126,853	-	126,853	13,779
Grant and loan repayments	-	43,000	43,000	47,750
Contracts	54,137	-	54,137	156,066
Sale of properties	215,000	-	215,000	487,000
Other revenue	43,525	-	43,525	29,322
Loan forgiveness	369,200	-	369,200	-
Investment income	5,565	-	5,565	34,885
Net assets released from time and usage restrictions	95,195	(95,195)	-	-
Total revenue and support	<u>8,049,206</u>	<u>1,374,544</u>	<u>9,423,750</u>	<u>2,148,162</u>
Expenses:				
Program services:				
Loan and grant program	5,992,598	-	5,992,598	430,747
Homebuyer education	329,384	-	329,384	276,296
Real estate development	393,003	-	393,003	537,058
Total program services	6,714,985	-	6,714,985	1,244,101
Management and general	881,275	-	881,275	785,564
Fundraising	46,383	-	46,383	42,936
Total expenses	<u>7,642,643</u>	<u>-</u>	<u>7,642,643</u>	<u>2,072,601</u>
Change in net assets before nonoperating activity	406,563	1,374,544	1,781,107	75,561
CDFI and other government grants for loans	179,370	2,599,781	2,779,151	952,274
Net assets released from usage restrictions	536,995	(536,995)	-	-
Change in net assets	1,122,928	3,437,330	4,560,258	1,027,835
Net assets:				
Beginning of year	<u>6,917,843</u>	<u>7,770,334</u>	<u>14,688,177</u>	<u>13,660,342</u>
End of year	<u>\$ 8,040,771</u>	<u>\$ 11,207,664</u>	<u>\$ 19,248,435</u>	<u>\$ 14,688,177</u>

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, 2021
(With Comparative Totals for 2020)

	2021						Total	2020
	Loan and grant program	Homebuyer education	Real estate development	Total program services	Management and general	Fundraising		
Salaries	\$ 426,142	\$ 174,010	\$ 47,852	\$ 648,004	\$ 536,628	\$ 28,244	\$ 1,212,876	\$ 970,527
Payroll taxes	30,705	12,388	3,774	46,867	46,589	2,452	95,908	77,443
Employee benefits	74,713	18,970	3,232	96,915	52,724	2,775	152,414	134,980
	<u>531,560</u>	<u>205,368</u>	<u>54,858</u>	<u>791,786</u>	<u>635,941</u>	<u>33,471</u>	<u>1,461,198</u>	<u>1,182,950</u>
Grants provided	5,307,780	98,686	-	5,406,466	-	-	5,406,466	80,838
Cost of houses sold	-	-	336,236	336,236	-	-	336,236	480,613
HOME program funds returned	38,447	-	-	38,447	-	-	38,447	722
Loan/client processing expenses	2,111	979	-	3,090	107	6	3,203	9,794
Consulting and contracts	24,716	-	-	24,716	73,263	3,856	101,835	34,550
Professional fees	6,062	1,305	212	7,579	31,059	1,635	40,273	42,991
Occupancy	5,461	8,087	686	14,234	23,151	1,218	38,603	40,248
Board and publicity	-	-	-	-	132	7	139	2,489
Other operating costs (consumables)	3,847	7,890	226	11,963	10,013	527	22,503	35,546
Marketing expenses	481	1,409	-	1,890	38,701	2,037	42,628	27,178
Information technology	12,073	4,876	623	17,572	19,175	1,009	37,756	40,395
Other employee expenses	3,728	766	162	4,656	4,113	216	8,985	10,186
Insurance	1,603	-	-	1,603	11,776	620	13,999	15,589
Interest expense	42,065	-	-	42,065	12,678	667	55,410	41,331
Depreciation	-	-	-	-	17,987	947	18,934	21,600
Provision for loan losses	-	-	-	-	-	-	-	3,246
Bank fees	128	18	-	146	3,179	167	3,492	2,335
Miscellaneous	12,536	-	-	12,536	-	-	12,536	-
	<u>\$ 5,992,598</u>	<u>\$ 329,384</u>	<u>\$ 393,003</u>	<u>\$ 6,714,985</u>	<u>\$ 881,275</u>	<u>\$ 46,383</u>	<u>\$ 7,642,643</u>	<u>\$ 2,072,601</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, 2021
(With Comparative Totals for 2020)

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 4,560,258	\$ 1,027,835
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation	18,934	21,600
Accretion of discount on loans	(102,786)	(102,786)
Grants for loans	(2,779,151)	(952,274)
Loan forgiveness	(369,200)	-
Loss (gain) on investment income	12,631	(20,580)
Changes in operating assets and liabilities:		
Accounts receivable	182,639	103,724
Government grants and pledges receivable	524,341	(422,434)
Prepaid expenses	(2,601)	(11,269)
Properties held for sale, net	209,328	(224,839)
Accounts payable and accrued expenses	36,679	79,874
NeighborhoodLIFT	-	(11,250)
Deferred revenue	-	(600)
Net cash from operating activities	2,291,072	(512,999)
Cash flows from investing activities:		
New loans provided	(1,237,042)	(1,061,104)
Collections of loans receivable	1,397,264	893,519
Purchase of investments	(13,495)	(757,498)
Purchase of property and equipment	(18,185)	(22,417)
Net cash from investing activities	128,542	(947,500)
Cash flows from financing activities:		
Proceeds from notes payable	-	298,850
Payments of notes payable	(138,850)	(145,000)
Proceeds from PPP loan	210,295	209,200
Proceeds from issuance of long-term debt	-	500,000
Principal payments on long-term debt	(192,493)	(24,249)
Grants received for loans	2,779,151	952,274
Net cash from financing activities	2,658,103	1,791,075
Net increase in cash and cash equivalents	5,077,717	330,576
Cash and cash equivalents - beginning of year	6,934,972	6,604,396
Cash and cash equivalents - end of year	\$ 12,012,689	\$ 6,934,972
Reconciliation to the consolidated statement of financial position:		
Cash and cash equivalents	\$ 6,596,163	\$ 5,544,850
Cash and cash equivalents - restricted for programs	5,416,526	1,390,122
	\$ 12,012,689	\$ 6,934,972
Supplemental cash flow information:		
Cash paid for interest	\$ 55,410	\$ 41,331

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, 2021
(With Comparative Information for 2020)

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.

Reclassifications - Reclassifications were made to the 2020 financial statements to be consistent with the current year financial statements. These reclassifications did not affect net assets or the change in net assets, except as discussed in Note 19.

(Continued)

COMMUNITY NEIGHBORHOOD HOUSING SERVICES, INC.
dba NEIGHBORWORKS HOME PARTNERS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended September 30, 2021
(With Comparative Information for 2020)

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

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

- **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.

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.

(Continued)

COMMUNITY NEIGHBORHOOD HOUSING SERVICES, INC.
dba NEIGHBORWORKS HOME PARTNERS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended September 30, 2021
(With Comparative Information for 2020)

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

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 and Government Grants Receivable – Accounts and government grants 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, 2021 or 2020. Government grants receivable are all due to be collected in the year ending September 30, 2022.

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, 2021 and 2020.

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.

(Continued)

COMMUNITY NEIGHBORHOOD HOUSING SERVICES, INC.
dba NEIGHBORWORKS HOME PARTNERS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended September 30, 2021
(With Comparative Information for 2020)

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

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.

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.

(Continued)

COMMUNITY NEIGHBORHOOD HOUSING SERVICES, INC.
dba NEIGHBORWORKS HOME PARTNERS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended September 30, 2021
(With Comparative Information for 2020)

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

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 2021 or 2020.

Donated materials are recorded as contributions at their estimated fair value in the period received. No donated materials were recorded in 2021 or 2020.

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.

(Continued)

COMMUNITY NEIGHBORHOOD HOUSING SERVICES, INC.
dba NEIGHBORWORKS HOME PARTNERS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended September 30, 2021
(With Comparative Information for 2020)

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

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 revolving loan funds are considered net assets with donor restrictions. NWA Project Reinvest funds for down payment assistance grants are revolving in that that are required to be used twice. Upon receipt of payment from the first recipient, the funds are required to be used a second time for another down payment assistance grant. After awarded for a second time, the funds are released from 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.

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

(Continued)

COMMUNITY NEIGHBORHOOD HOUSING SERVICES, INC.
dba NEIGHBORWORKS HOME PARTNERS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended September 30, 2021
(With Comparative Information for 2020)

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.

Income Taxes - CNHS and GFCDC are classified as tax-exempt organizations under Minnesota Statute 290.05 and Section 501(c)(3) of the Internal Revenue Code, are exempt from private foundation status under Section 509(a)(1) of the Internal Revenue Code, and are subject to income taxes only on net unrelated business income. Each files its own information return. Management believes neither CNHS or GFCDC 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 or functional expense. 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, 2020, 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, 2021
(With Comparative Information for 2020)

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:

	2021	2020
Cash and cash equivalents	\$6,596,163	\$5,544,850
Investments	778,942	778,078
Accounts receivable	112,049	294,688
Government grants receivable	198,977	723,318
Less: grants receivable – restricted for loans	(175,348)	(506,024)
Cash – operating reserve	(24,490)	(24,487)
Cash – loan loss reserve	(172,241)	(172,207)
	\$7,314,052	\$6,638,216

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.

4. CASH AND CASH EQUIVALENTS – RESTRICTED FOR PROGRAMS

Cash and cash equivalents – restricted for programs consist of:

	2021	2020
Home ownership and development	\$ 223,589	\$ 120,195
Loans and grants	5,192,937	1,269,927
	\$ 5,416,526	\$ 1,390,122

(Continued)

COMMUNITY NEIGHBORHOOD HOUSING SERVICES, INC.
dba NEIGHBORWORKS HOME PARTNERS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended September 30, 2021
(With Comparative Information for 2020)

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, 2021, 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 (SIPC) 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, 2021:</u>				
Cash (at cost)	\$ -	\$ -	\$ -	\$ 20,989
Certificates of deposit	-	757,953	-	757,953
	\$ -	\$ 757,953	\$ -	\$ 778,942
	Level 1	Level 2	Level 3	Total
<u>September 30, 2020:</u>				
Cash (at cost)	\$ -	\$ -	\$ -	\$ 7,488
Certificates of deposit	-	770,590	-	770,590
	\$ -	\$ 770,078	\$ -	\$ 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, 2021
(With Comparative Information for 2020)

6. PROPERTIES HELD FOR SALE

Properties held for sale consist of the following:

	2021	2020
Properties held for sale	\$ 174,217	\$ 383,545
Number of properties	5	5

NWHP capitalizes interest incurred on rehabilitation and construction projects. Interest of \$801 and \$7,385 was capitalized on the properties held for sale in 2021 and 2020.

7. LOANS RECEIVABLE

The following table presents loans by portfolio segment:

	2021	2020
First mortgage loans	\$ 409,225	\$ 517,166
Second mortgage loans	39,763	44,086
Home improvement loans	2,405,249	2,914,539
Due on sale loans	6,974,237	6,449,327
Total loans receivable	9,828,474	9,925,118
Less discount on GFCDC due on sale/MURL loans	(626,958)	(654,217)
Less allowance for loan losses	(65,988)	(65,988)
Loans receivable, net	\$ 9,135,528	\$ 9,204,913

All loans are individually reviewed for impairment. As of September 30, 2021 and 2020, 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, 2021
(With Comparative Information for 2020)

7. LOANS RECEIVABLE (Continued)

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

	2021				Total	2020
	First Mortgage Loans	Second Mortgage Loans	Home Improvement Loans	Due on Sale Loans		
Current	\$ 409,225	\$ 39,763	\$2,248,028	\$ -	\$2,697,016	\$3,403,946
30 – 59 days	-	-	12,642	-	12,642	11,543
60 – 89 days	-	-	-	-	-	5,307
90 + days	-	-	144,579	-	144,579	54,995
Due on sale	-	-	-	6,974,237	6,974,237	6,449,327
Total	<u>\$ 409,225</u>	<u>\$ 39,763</u>	<u>\$2,914,539</u>	<u>\$6,974,237</u>	<u>\$9,828,474</u>	<u>\$9,925,118</u>

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

	2021				Total	2020
	First Mortgage Loans	Second Mortgage Loans	Home Improvement Loans	Due on Sale Loans		
Beginning balance	\$ -	\$ 900	\$ 38,662	\$ 26,426	\$ 65,988	\$ 62,742
Provision	-	-	-	-	-	3,246
Recoveries	-	-	-	-	-	-
Loans charged off	-	-	-	-	-	-
Ending balance	<u>\$ -</u>	<u>\$ 900</u>	<u>\$ 38,662</u>	<u>\$ 26,426</u>	<u>\$ 65,988</u>	<u>\$ 65,988</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, 2021
(With Comparative Information for 2020)

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:

	2021	2020	Estimated useful life in years
Land	\$115,300	\$115,300	-
Land improvements	28,381	21,794	20
Office building	126,695	126,695	5 - 39
Building improvements	30,939	30,939	5 - 39
Equipment	80,677	67,346	3 - 5
	381,992	362,074	
Less accumulated depreciation	(96,016)	(75,349)	
	\$285,976	\$286,725	

(Continued)

COMMUNITY NEIGHBORHOOD HOUSING SERVICES, INC.
dba NEIGHBORWORKS HOME PARTNERS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended September 30, 2021
(With Comparative Information for 2020)

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 was 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 was forgivable if NWHP used the proceeds from the note for payroll costs and other expenses in accordance with the requirements of the PPP. This note was forgiven in July, 27 2021.

In March 2021, NWHP received an unsecured note payable to BankCherokee in the original amount of \$210,295, 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 March 18, 2026, the date all outstanding principal and interest is due. NWHP expects this note to be forgiven in 2022.

11. NOTES PAYABLE

Notes payable consists of the following:

	2021	2020
Coulee Bank	\$ -	\$ 138,850
City of St. Paul HRA	-	160,000
Local Initiatives Support Corporation (LISC)	50,000	50,000
	\$ 50,000	\$ 348,850

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 had one advance that was due October 2, 2020, with an interest rate at 5.5%. 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.
dba NEIGHBORWORKS HOME PARTNERS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended September 30, 2021
(With Comparative Information for 2020)

11. NOTES PAYABLE (Continued)

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. This note was forgiven during 2021.

LISC - NWHP has 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 March 31, 2022, 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, 2021 and 2020.

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, 2021, no funds had been advanced on the line of credit.

12. LONG-TERM DEBT

Long-term debt consists of the following:

	2021	2020
U.S. Department of Treasury	\$ 350,000	\$ 350,000
Wells Fargo	350,000	350,000
MMCDC	-	74,745
Otto Bremer Trust	1,000,000	1,000,000
Otto Bremer Trust	500,000	500,000
Sunrise Banks	169,967	287,715
	\$ 2,369,967	\$ 2,562,460

(Continued)

COMMUNITY NEIGHBORHOOD HOUSING SERVICES, INC.
dba NEIGHBORWORKS HOME PARTNERS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended September 30, 2021
(With Comparative Information for 2020)

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

U.S. Department of the Treasury - Note payable to the U.S. Department of Treasury with interest at 2.0%. Interest only is payable quarterly and the note matures June 17, 2023. Unsecured.

Wells Fargo - 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

MMCDC - Note payable to Midwest Minnesota Community Development Corporation (MMCDC) with interest at 2.5%. Interest was payable monthly beginning May 1, 2015. Principal and interest payments of \$2,001 were payable quarterly beginning September 1, 2016. The note was scheduled to mature April 1, 2030. Secured by the loans that NWHP has funded with the proceeds of the loan. The loan was paid in full during 2021.

Otto Bremer Trust - 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.

Otto Bremer Trust - 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. Principal and interest are due at maturity. The note matures September 25, 2025. Unsecured.

Sunrise Banks - 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, 2021)), maturing May 2033. The mortgage is secured by the Dale Street building.

(Continued)

COMMUNITY NEIGHBORHOOD HOUSING SERVICES, INC.
dba NEIGHBORWORKS HOME PARTNERS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended September 30, 2021
(With Comparative Information for 2020)

12. LONG-TERM DEBT (Continued)

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

2022	\$	20,558
2023		1,720,632
2024		21,944
2025		522,978
2026		24,062
Thereafter		<u>59,793</u>
		<u><u>\$ 2,369,967</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>2021</u>	<u>2020</u>
LISC Vacant Lot Reclamation Project	\$ 50,000	\$ 30,000
LISC Twin Cities Rehab Loan Fund	-	25,000
Wells Fargo CHRI	3,539	-
Shared equity housing	-	55,000
Affordable Home Ownership Expansion project	-	15,195
Accessory dwelling units project	50,000	-
Loan and grant program:		
NeighborhoodLIFT	1,270,200	-
Project Reinvest	1,207,500	1,207,500
MURL revolving loan fund	260,284	260,284
CDFI	2,554,700	565,695
City of Saint Paul lending program	<u>5,811,441</u>	<u>5,611,660</u>
	<u><u>\$11,207,664</u></u>	<u><u>\$ 7,770,334</u></u>

(Continued)

COMMUNITY NEIGHBORHOOD HOUSING SERVICES, INC.
dba NEIGHBORWORKS HOME PARTNERS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended September 30, 2021
(With Comparative Information for 2020)

14. NEIGHBORHOODLIFTSM

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

In 2016, NWHP received a \$4,000,000 grant from NeighborWorks America to assist low-to-moderate income persons with down payment assistance grants through the NeighborhoodLIFTSM program. Any repayments received from this award are considered net assets with donor restrictions until formally released by NWA.

In 2020, NWHP entered into a \$7,050,000 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 \$7,050,000 in 2021, from which \$7,000,000 in grants were provided and NWHP earned \$500,000 in administrative fees during 2021.

In addition, NWHP has received repayments from loans originated with other LIFT funds. Those funds are recorded as liabilities on the balance sheet as of September 30, 2021 and 2020, and are required to be used as their original purpose.

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 \$32,254 in 2021 and \$32,618 in 2020.

(Continued)

COMMUNITY NEIGHBORHOOD HOUSING SERVICES, INC.
dba NEIGHBORWORKS HOME PARTNERS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended September 30, 2021
(With Comparative Information for 2020)

17. 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, 2021 and 2020, deposits exceeded the insured limit by \$3,886,344 and \$2,393,773.

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

NWHP received 63% of total support and revenue from NWA and 21% from the CDFI in 2021.

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 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 \$7,031,937 at September 30, 2021, and \$4,029,815 at September 30, 2020.

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, 2022. 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 \$720,000 at September 30, 2021, 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, 2021
(With Comparative Information for 2020)

19. CORRECTION OF AN ERROR AND RESTATEMENT

Upon review of the terms of the NeighborWorks America Project Reinvest award agreement, management realized that the funds used for Down Payment Assistance grants were required to be used twice before the donor restrictions are released. In prior financial statements, the restrictions were released as the original awards were made. Under the terms of the agreement, when those awards are paid back to NWHP by the original recipient, they are required to be awarded to another recipient under the same terms of the award. When the funds are awarded for a second time, that is when the donor restrictions are released.

Net assets as of September 30, 2020, have been restated as follows:

	<u>Previously Reported</u>	<u>Adjustment</u>	<u>Restated</u>
Net assets without donor restrictions	\$ 8,125,343	\$(1,207,500)	\$ 6,917,843
Net assets with donor restrictions	\$ 6,562,834	\$ 1,207,500	\$ 7,770,334

The correction had no impact on the change in net assets for the year ending September 30, 2020.

20. SUBSEQUENT EVENTS

Effective January 9, 2022, the line of credit with BankCherokee was amended with interest at Wall Street Journal prime minus 1% and maturing January 9, 2024.

Management has evaluated subsequent events through March 16, 2022, 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, 2021

	<u>CNHS</u>	<u>GF CDC</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 6,564,383	\$ 31,780	\$ -	\$ 6,596,163
Cash and cash equivalents - restricted for programs	5,366,526	50,000	-	5,416,526
Investments	778,942	-	-	778,942
Accounts receivable	212,049	-	(100,000)	112,049
Government grants receivable	198,977	-	-	198,977
Prepaid expenses	39,130	-	-	39,130
Properties held for sale	-	174,217	-	174,217
Loans receivable, net	9,135,528	-	-	9,135,528
Property and equipment, net	31,844	254,132	-	285,976
	<u>\$ 22,327,379</u>	<u>\$ 510,129</u>	<u>\$ (100,000)</u>	<u>\$ 22,737,508</u>
LIABILITIES AND NET ASSETS				
Accounts payable and accrued expenses	\$ 147,410	\$ 200	\$ -	\$ 147,610
Payroll liabilities	196,956	-	-	196,956
Undisbursed loan commitments	511,145	-	-	511,145
NeighborhoodLIFT	2,700	-	-	2,700
Deferred revenue	400	-	-	400
PPP loan	210,295	-	-	210,295
Notes payable	-	150,000	(100,000)	50,000
Long-term debt	2,199,599	170,368	-	2,369,967
Total liabilities	<u>3,268,505</u>	<u>320,568</u>	<u>(100,000)</u>	<u>3,489,073</u>
Net assets:				
Without donor restrictions	7,851,210	189,561	-	8,040,771
With donor restrictions	11,207,664	-	-	11,207,664
Total net assets	<u>19,058,874</u>	<u>189,561</u>	<u>-</u>	<u>19,248,435</u>
Total liabilities and net assets	<u>\$ 22,327,379</u>	<u>\$ 510,129</u>	<u>\$ (100,000)</u>	<u>\$ 22,737,508</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, 2021

	<u>CNHS</u>	<u>GFCDC</u>	<u>Eliminations</u>	<u>Total</u>
Support and revenue:				
Contributions:				
NeighborWorks® America	\$ 7,624,826	\$ -	\$ -	\$ 7,624,826
CDFI operations grant	126,000	-	-	126,000
Government grants	277,332	-	-	277,332
Other contributions	424,472	-	-	424,472
Revenue:				
Loan interest	113,840	-	-	113,840
Loan servicing and origination fees	126,853	-	-	126,853
Grant and loan repayments	43,000	-	-	43,000
Contracts	54,137	-	-	54,137
Sale of properties	-	215,000	-	215,000
Other revenue	43,525	-	-	43,525
Loan forgiveness	209,200	160,000	-	369,200
Investment income	5,565	-	-	5,565
Total revenue and support	<u>9,048,750</u>	<u>375,000</u>	<u>-</u>	<u>9,423,750</u>
Expenses:				
Program services:				
Loan and grant program	5,992,598	-	-	5,992,598
Homebuyer education	329,384	-	-	329,384
Real estate development	-	393,003	-	393,003
Total program services	<u>6,321,982</u>	<u>393,003</u>	<u>-</u>	<u>6,714,985</u>
Management and general	881,275	-	-	881,275
Fundraising	46,383	-	-	46,383
Total expenses	<u>7,249,640</u>	<u>393,003</u>	<u>-</u>	<u>7,642,643</u>
Change in net assets before nonoperating activity	1,799,110	(18,003)	-	1,781,107
CDFI and government grants for loans	2,779,151	-	-	2,779,151
Transfer of assets between entities	239,464	(239,464)	-	-
Change in net assets	4,817,725	(257,467)	-	4,560,258
Net assets:				
Beginning of year	<u>14,241,149</u>	<u>447,028</u>	<u>-</u>	<u>14,688,177</u>
End of year	<u>\$ 19,058,874</u>	<u>\$ 189,561</u>	<u>\$ -</u>	<u>\$ 19,248,435</u>

See independent auditor's report.