

**Neighborhood Housing Partnership
of Greater Springfield, Inc. and Subsidiary**

Financial Statements

December 31, 2018 and 2017

with Independent Auditors' Report



CLARK SCHAEFER HACKETT
CPAs & ADVISORS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Neighborhood Housing Partnership of Greater Springfield, Inc. and Subsidiary
Springfield, Ohio

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Neighborhood Housing Partnership of Greater Springfield, Inc. (a nonprofit organization) and Subsidiary, which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated 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 Organization'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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Neighborhood Housing Partnership of Greater Springfield, Inc. and Subsidiary as of December 31, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Consolidating Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules on pages 18-19 are presented for purposes of additional analysis and are 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 information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
May 22, 2019

Neighborhood Housing Partnership of Greater Springfield, Inc. and Affiliate
Consolidated Statements of Financial Position
December 31, 2018 and 2017

Assets

	2018	2017
Current assets:		
Cash	\$ 145,070	167,449
Certificates of deposit	942,509	1,180,272
Accounts receivable	3,430	581
Development fee receivable, current	322,782	81,416
Mortgages receivable, current	38,270	27,944
Grants receivable	27,331	73,483
Prepaid expenses	10,260	9,301
	1,489,652	1,540,446
Noncurrent assets:		
Development fee receivable, long-term	261,011	-
Mortgages receivable, long-term, net	359,857	293,983
Notes receivable	689,002	57,592
Assets held for rehabilitation	5,731	63,981
Property and equipment, net	1,637,510	1,666,347
Investment in The Community Gardens	92,932	93,012
	3,046,043	2,174,915
	\$ 4,535,695	3,715,361
Liabilities and Net Assets		
Current liabilities:		
Accounts payable, trade	\$ 9,345	32,879
Accrued wages and benefits payable	31,465	32,547
Accrued liabilities	83,743	84,670
Current portion of capital lease obligation	3,676	3,533
Security deposits and prepaid rent	5,625	6,175
Contractor fees payable	27,855	-
	161,709	159,804
Noncurrent liabilities:		
Mortgage notes payable	2,012,645	1,496,837
Capital lease obligation, long term	1,623	5,502
	2,014,268	1,502,339
Net assets:		
Without donor restrictions	1,820,528	1,274,018
Without donor restrictions - board designated	50,000	50,000
With donor restrictions	489,190	729,200
	2,359,718	2,053,218
	\$ 4,535,695	3,715,361

See accompanying notes to financial statements.

Neighborhood Housing Partnership of Greater Springfield, Inc. and Affiliate
Consolidated Statement of Activities and Changes in Net Assets
Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue, gains and support:			
Contributions	\$ 45,622	-	45,622
Neighborhood Reinvestment Corporation grants	149,073	-	149,073
Other federal grants	254,876	-	254,876
Other grants	22,275	-	22,275
Interest income from loans issued	-	11,961	11,961
Program fees	35,381	-	35,381
Rental income	64,350	-	64,350
Development fee	502,377	-	502,377
Miscellaneous income	19,505	-	19,505
	<u>1,093,459</u>	<u>11,961</u>	<u>1,105,420</u>
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>251,971</u>	<u>(251,971)</u>	<u>-</u>
	<u>1,345,430</u>	<u>(240,010)</u>	<u>1,105,420</u>
Expenses:			
Program services	645,669	-	645,669
Management and general	100,886	-	100,886
	<u>746,555</u>	<u>-</u>	<u>746,555</u>
Loss on sale of real estate	<u>52,365</u>	<u>-</u>	<u>52,365</u>
	<u>798,920</u>	<u>-</u>	<u>798,920</u>
Change in net assets	546,510	(240,010)	306,500
Net assets, beginning of year	<u>1,324,018</u>	<u>729,200</u>	<u>2,053,218</u>
Net assets, end of year	<u>\$ 1,870,528</u>	<u>489,190</u>	<u>2,359,718</u>

See accompanying notes to financial statements.

Neighborhood Housing Partnership of Greater Springfield, Inc. and Affiliate
Consolidated Statement of Activities and Changes in Net Assets
Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and support:			
Contributions	\$ 68,210	-	68,210
Neighborhood Reinvestment Corporation grants	187,506	-	187,506
Other federal grants	83,401	-	83,401
Other grants	131,725	-	131,725
Income from loan activity	2,622	-	2,622
Interest income from loans issued	-	9,415	9,415
Program fees	24,042	-	24,042
Rental income	64,800	-	64,800
Development fee	167,460	-	167,460
Miscellaneous income	10,177	-	10,177
Gain on sale of real estate	3,243	-	3,243
	743,186	9,415	752,601
Net assets released from restrictions:			
Satisfaction of program restrictions	226,644	(226,644)	-
	969,830	(217,229)	752,601
Expenses:			
Program services	653,833	-	653,833
Management and general	89,308	-	89,308
	743,141	-	743,141
Change in net assets	226,689	(217,229)	9,460
Net assets, beginning of year, restated	1,097,329	946,429	2,043,758
Net assets, end of year	\$ 1,324,018	729,200	2,053,218

See accompanying notes to financial statements.

Neighborhood Housing Partnership of Greater Springfield, Inc. and Affiliate
Consolidated Statement of Functional Expenses
Year Ended December 31, 2018

	<u>Lending</u>	<u>Education & Counseling</u>	<u>Foreclosure</u>	<u>Real Estate Development</u>	<u>Total Programs</u>	<u>Management and General</u>	<u>Total</u>
Payroll and related expenses:							
Salaries	\$ 126,812	133,838	35,460	47,567	343,677	52,978	396,655
Employee benefits	26,869	32,464	10,189	4,568	74,090	16,898	90,988
Payroll taxes	9,640	10,164	2,743	3,617	26,164	4,188	30,352
	<u>163,321</u>	<u>176,466</u>	<u>48,392</u>	<u>55,752</u>	<u>443,931</u>	<u>74,064</u>	<u>517,995</u>
Operating expenses:							
Advertising	969	1,107	316	-	2,392	1,089	3,481
Bad debt expense	28,000	-	-	-	28,000	-	28,000
Contractor payments	21,881	-	-	-	21,881	-	21,881
Credit reports	368	2,018	25	-	2,411	43	2,454
Depreciation and amortization	2,333	-	-	33,661	35,994	6,276	42,270
Downpayment assistance	10,534	-	-	2,200	12,734	-	12,734
Dues, subscriptions and licenses	2,387	1,546	588	-	4,521	1,163	5,684
Fees and interest	1,025	86	24	100	1,235	366	1,601
Liability insurance	1,930	2,252	643	1,961	6,786	1,608	8,394
Meetings and training	1,935	2,649	636	-	5,220	1,817	7,037
Office expenses	3,580	4,067	1,174	275	9,096	4,062	13,158
Professional services	8,211	11,171	2,770	730	22,882	5,584	28,466
Real estate taxes	-	-	-	4,335	4,335	-	4,335
Rent	3,429	4,121	1,279	-	8,829	2,487	11,316
Repairs and maintenance	899	1,045	313	13,554	15,811	943	16,754
Software expense	2,868	2,473	1,448	-	6,789	-	6,789
Utilities	1,661	1,938	553	8,670	12,822	1,384	14,206
	<u>92,010</u>	<u>34,473</u>	<u>9,769</u>	<u>65,486</u>	<u>201,738</u>	<u>26,822</u>	<u>228,560</u>
Total expenses	\$ <u>255,331</u>	<u>210,939</u>	<u>58,161</u>	<u>121,238</u>	<u>645,669</u>	<u>100,886</u>	<u>746,555</u>

See accompanying notes to financial statements.

Neighborhood Housing Partnership of Greater Springfield, Inc. and Affiliate
Consolidated Statement of Functional Expenses
Year Ended December 31, 2017

	<u>Lending</u>	<u>Education & Counseling</u>	<u>Foreclosure</u>	<u>Real Estate Development</u>	<u>Total Programs</u>	<u>Management and General</u>	<u>Total</u>
Payroll and related expenses:							
Salaries	\$ 102,507	111,928	79,835	56,000	350,270	45,286	395,556
Employee benefits	20,730	22,240	16,419	4,503	63,892	11,371	75,263
Payroll taxes	8,263	9,177	6,586	3,532	27,558	4,258	31,816
	<u>131,500</u>	<u>143,345</u>	<u>102,840</u>	<u>64,035</u>	<u>441,720</u>	<u>60,915</u>	<u>502,635</u>
Operating expenses:							
Advertising	117	117	1,017	-	1,251	175	1,426
Bad debt expense	10,824	-	-	-	10,824	-	10,824
Contractor payments	61,319	-	-	-	61,319	-	61,319
Credit reports	-	1,821	446	-	2,267	18	2,285
Depreciation and amortization	2,333	-	-	33,661	35,994	5,405	41,399
Downpayment assistance	-	-	-	2,200	2,200	-	2,200
Dues, subscriptions and licenses	1,809	777	777	-	3,363	777	4,140
Fees and interest	1,074	75	75	50	1,274	91	1,365
Liability insurance	1,989	1,989	1,989	5,412	11,379	1,987	13,366
Meetings and training	1,092	3,471	1,092	-	5,655	1,257	6,912
Office expenses	2,871	2,862	2,714	300	8,747	3,164	11,911
Professional services	8,242	9,010	9,645	-	26,897	7,254	34,151
Real estate taxes	-	-	-	4,363	4,363	-	4,363
Rent	3,076	3,095	3,660	-	9,831	2,144	11,975
Repairs and maintenance	659	659	659	13,009	14,986	1,001	15,987
Software expense	600	-	-	-	600	3,883	4,483
Utilities	1,239	1,239	1,239	7,446	11,163	1,237	12,400
	<u>97,244</u>	<u>25,115</u>	<u>23,313</u>	<u>66,441</u>	<u>212,113</u>	<u>28,393</u>	<u>240,506</u>
Total expenses	\$ <u>228,744</u>	<u>168,460</u>	<u>126,153</u>	<u>130,476</u>	<u>653,833</u>	<u>89,308</u>	<u>743,141</u>

See accompanying notes to financial statements.

Neighborhood Housing Partnership of Greater Springfield, Inc. and Affiliate
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 306,500	9,460
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Amortization	2,333	2,333
Depreciation	39,937	39,066
Bad debts	28,000	10,824
Loss (gain) on sale of real estate	52,365	(3,243)
Effects of changes in operating assets and liabilities:		
Accounts receivable	(2,849)	2,072
Development fee receivable	(502,377)	(81,416)
Mortgage receivable	(106,533)	(48,340)
Grants receivable	46,152	(33,786)
Prepaid expenses	(959)	(1,371)
Accounts payable	(23,534)	30,758
Accrued wages and benefits payable	(1,082)	4,784
Accrued liabilities	(927)	(12,933)
Security deposits	(550)	100
Contractor fees payable	27,855	-
Net cash used in operating activities	<u>(135,669)</u>	<u>(81,692)</u>
Cash flows from investing activities:		
Proceeds from sale of homes held for rehabilitation	135,548	53,716
Rehabilitation costs	(129,663)	(114,454)
Investment in The Community Gardens	80	(112,714)
Reimbursement of predevelopment costs	-	175,100
Proceeds from sale of land	-	99,900
Net purchase and reinvestment of certificates of deposit	237,763	(124,295)
Purchase of property and equipment	(11,100)	(5,689)
Draws on note receivable	(631,410)	(57,592)
Net cash used in investing activities	<u>(398,782)</u>	<u>(86,028)</u>
Cash flows from financing activities:		
Proceeds from mortgage notes payable	515,808	115,602
Payments for capital leases	(3,736)	(3,400)
Net cash provided by financing activities	<u>512,072</u>	<u>112,202</u>
Net decrease in cash	(22,379)	(55,518)
Cash, beginning of year	<u>167,449</u>	<u>222,967</u>
Cash, end of year	\$ <u><u>145,070</u></u>	<u><u>167,449</u></u>
<u>Supplemental disclosure of cash flow information:</u>		
Cash paid for interest	\$ <u>202</u>	<u>300</u>

See accompanying notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Description of Organization

Neighborhood Housing Partnership of Greater Springfield, Inc. (NHP), an Ohio not-for-profit organization, is the result of a merger between the Springfield Community Redevelopment Corporation and Springfield Hope in 2002. NHP provides community service in Springfield, Ohio by addressing deteriorating housing stock through the provision of affordable, quality housing and strong neighborhoods through partnerships of residents, businesses and government. Programs offered by the NHP include emergency repair loans, home repair loans, home improvement loans, special exterior incentives, down payment assistance, foreclosure counseling, homebuyer education and credit counseling. These programs are either available to residents citywide or to residents located in a specifically targeted area depending on program criteria. Revenues are generated primarily through government grants, development fees, income from loan activities and general contributions.

On September 1, 2016, NHP formed and became the sole shareholder of NHP Senior, Inc., an Ohio corporation. NHP Senior, Inc. is the 0.051% general partner of The Community Gardens L.P., an Ohio limited partnership, which was formed to develop, construct and operate a 50-unit senior housing development.

Principles of consolidation

The consolidated financial statements include the accounts of Neighborhood Housing Partnership of Greater Springfield, Inc. and NHP Senior, Inc. All significant intercompany transactions and balances have been eliminated in consolidation.

Method of accounting

The consolidated financial statements of Neighborhood Housing Partnership of Greater Springfield, Inc. and Subsidiary (the Organization) have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Adoption of new accounting standards

During 2018, the Organization adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. This standard addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about investment return and functional expenses, including allocation methodologies. The Organization has implemented this guidance and applied retrospectively to all periods presented, except for not presenting the liquidity disclosures for the year ended December 31, 2017, as permitted under the ASU. Certain amounts from 2017 have been reclassified to conform to the 2018 presentation.

Financial statement presentation

The Organization is required to report, where applicable, information regarding its financial position and activities according to three classes of net assets:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the Board of Directors (See Note 11).

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions that are likely to be met by actions of the Organization or by the passage of time. Some donor restrictions are permanent in nature whereby the principal is to be maintained intact in perpetuity and that only the income from investment thereof be expended either for the general purpose of the Organization, or purposes specified by the donor. Revolving loan and capital projects funds represent funds provided by Neighborhood Reinvestment Corporation for making loans and for capital projects. All resources granted to this fund must be maintained perpetually. The Organization is permitted to transfer or expend the income derived from capital assets in excess of the relevant perpetual funds (see Note 12).

Contributions

Contributions received are recorded as support with or without donor restrictions depending on the existence and/or nature of any donor restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions upon satisfaction of the time or purpose of restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

Cash and cash equivalents

For the purpose of determining cash flows, management deems cash on hand and amounts in demand deposits and certificate of deposit with an original maturity of three months or less to be cash and cash equivalents. All other highly liquid instruments, which are used for long term purposes by the Organization, are classified as investments or certificates of deposit. Certificates of deposit are carried at cost.

Accounts and loans receivable

Accounts receivable are stated at the amount management expect to collect from outstanding balances. Loans are stated at unpaid principal balances, less an allowance for uncollectible loans. Loans are granted to low and middle-income residents of the City of Springfield, Ohio for the purchase of homes and rehabilitation of existing homes. These loans are approved by the loan committee. Interest rates range from 0% to prevailing market rate and loan terms vary. Interest income is recognized based upon the contractual terms of the interest-bearing mortgage notes. All loans more than \$1,000 are secured by mortgages. Non-interest bearing mortgages are payable at the time the mortgagee sells the property.

Forgivable loans are given to clients in amounts up to \$3,000 to enable them to get current with their mortgage. If the client stays current with the mortgage throughout the compliance period (3 years) and remains in the home, the loan is forgiven at the end of the 3-year period.

Management provides for probable uncollectible loans through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual loans. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to loans receivable.

Property and equipment and depreciation

Property and equipment is stated at cost, if purchased, or fair value at the date of the gift, if donated. Acquisitions of property and equipment in excess of \$1,000 are capitalized. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which range from 3 to 40 years.

Income taxes and uncertain tax positions

NHP is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the NHP's tax-exempt purpose is subject to taxation as unrelated business income. NHP's reporting returns are subject to audit by federal and state taxing authorities. No income tax provision has been included in the consolidated financial statements as NHP has determined it does not have unrelated business income subject to taxation. NHP Senior, Inc. is subject to income taxes.

Advertising

The Organization uses advertising to promote its programs among the community it serves. Advertising costs are expensed as incurred. Advertising expense recognized for the years ending December 31, 2018 and 2017 was \$3,481 and \$1,426, respectively.

Functional allocation of expenses

The costs of providing various program and supporting activities have been summarized on a functional basis in the consolidated statements of activities and changes in net assets and functional expenses. The Organization charges identifiable costs directly to programs benefited. Indirect costs not specifically attributable to a program are allocated based on an appropriate basis for the cost amongst all programs and management and general. Personnel and related benefit costs are allocated according to programs based upon employee input into timesheets. Rental property expenses are allocated to the appropriate individual unit. Expenses for construction or rehabilitation are applied to assets held for rehabilitation identified by property and then transferred to cost of sales once sold.

Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosure of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investment in subsidiary

The Organization accounts for its investment in entities, for which it does not exercise significant control, under the equity method of accounting where the investment is initially recorded at cost, and the Organization's share of earnings is reflected in income as earned and distributions are credited against the investment when received.

Subsequent events

The Organization evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying consolidated financial statements consider events through May 22, 2019, the date which the consolidated financial statements were available to be issued.

2. CONCENTRATIONS OF RISK:

Financial instruments that potentially subject the Organization to a concentration of credit risk consist principally of cash, certificates of deposit and accounts and notes receivable. The Organization maintains its cash and certificates of deposit accounts in various financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Organization's uninsured cash balances were \$0 at both December 31, 2018 and 2017.

Concentrations of credit risk with respect to accounts and grants receivable is limited due to the contractual relationship with grantors and other funding sources. There is a concentration of credit risk related to mortgages receivable to the extent the fair values of mortgaged properties exceed loan balances for any past due loan balances and due to the low-income nature of the mortgages.

The Organization receives a significant portion of its revenues from federal grants that are dependent on continued funding.

3. MORTGAGES RECEIVABLE:

Mortgages receivable consisted of the following at December 31:

	2018		2017	
	<u>Balance</u>	<u>Number of Loans</u>	<u>Balance</u>	<u>Number of Loans</u>
Neighborworks America funds	\$ 176,592	27	196,359	28
HOME funds	123,815	4	129,389	4
NSP-2 funds	3,960	1	-	-
NSP-3 loan pool	103,074	17	20,829	4
NHP unrestricted funds	99,984	3	56,942	2
Other funds	702	1	408	1
	508,127	53	403,927	39
Less: Allowance for uncollectible loans	110,000		82,000	
	\$ 398,127		321,927	

Three and one loan(s) were delinquent greater than thirty days as of December 31, 2018 and 2017, respectively. Delinquent loans greater than 90 days past due were \$54,415 and \$0 at December 31, 2018 and 2017, respectively. The Organization does not place any past due loans on nonaccrual status.

4. PROPERTY AND EQUIPMENT:

Property and equipment of the Organization and its related depreciation are as follows at December 31:

	2018	2017
Land, buildings and improvements - City View	\$ 1,820,091	1,820,091
Furniture and fixtures	24,628	24,628
Equipment	32,263	36,430
Office equipment	26,704	26,704
Software	29,691	29,691
Leasehold improvements	87,633	87,633
	2,021,010	2,025,177
Less: Accumulated depreciation	383,500	358,830
	\$ 1,637,510	1,666,347

City View is a low income senior multi-unit residential project. The Organization contracts with a third party to manage the property.

Depreciation expense for the years ended December 31, 2018 and 2017 was \$39,937 and \$39,066, respectively.

5. THE COMMUNITY GARDENS:

During 2017, the Organization incurred development costs of \$20,214 related to The Community Gardens. During 2017, The Community Gardens L.P. paid the Organization \$99,900 for The Community Gardens land and \$175,100 for reimbursable development costs. The Community Gardens was completed and placed in service during 2018.

6. NOTE RECEIVABLE:

As of December 31, 2018 and 2017, the Organization had a 2.00% interest note receivable from The Community Gardens L.P. in the amount of \$389,002 and \$57,592, respectively. Interest will accrue upon project completion.

As of December 31, 2018 and 2017, the Organization had a 0.50% interest note receivable from The Community Gardens L.P. in the amount of \$300,000 and \$0, respectively. Unpaid principal and interest are due and payable at maturity on August 22, 2047.

7. MORTGAGE NOTES PAYABLE:

	<u>2018</u>	<u>2017</u>
Mortgage notes payable consisted of the following at December 31:		
An open end HOME / NSP-2 funded demand promissory note secured by a \$1,340,000 mortgage at zero percent interest was executed between the City of Springfield, Ohio and NHP for the construction of the City View residential project.	\$ 1,323,643	1,323,643
Two open end HOME funded demand promissory notes secured by mortgages totaling \$389,002 at zero percent interest were executed between the City of Springfield, Ohio and NHP for the construction of The Community Gardens project.	389,002	57,592
An open end promissory note secured by a \$300,000 mortgage at 0.50% interest was executed between the Ohio Housing Finance Agency and NHP for the construction of The Community Gardens project. Principal and interest are due annually based on available cash flow, as defined, maturing on August 22, 2047.	300,000	-
An open end HOME funded demand promissory note secured by a \$107,552 mortgage at zero percent interest was executed between the City of Springfield, Ohio and NHP for repairs to the properties at 1937 Ohio Avenue and 1034-1036 Lagonda Avenue.	-	93,259
An open end NSP-2 funded demand promissory note secured by a \$146,350 mortgage at zero percent interest was executed between the City of Springfield, Ohio and NHP for the repairs to the property at 804 Clifton Avenue.	-	<u>22,343</u>
Total mortgage notes payable	2,012,645	1,496,837
Less current portion of mortgage notes payable	-	-
Mortgage notes payable, long term	<u>\$ 2,012,645</u>	<u>1,496,837</u>

8. LEASES:

Operating lease:

- Office space – In May 2017, a new lease was signed for a 24-month term with monthly payments of \$943, ending June 30, 2019.

Capitalized lease:

- The Organization leases a copier with an acquisition cost of \$17,250. Accumulated depreciation related to this asset was \$12,363 and \$8,913 at December 31, 2018 and 2017, respectively.

8. LEASES (CONTINUED):

A schedule of future minimum lease payments is as follows:

2019	\$	4,058
2020		<u>1,633</u>
		5,691
Amount representing interest		<u>(392)</u>
	\$	<u><u>5,299</u></u>

9. PENSION PLAN:

The Organization maintains a 401(K) Profit Sharing Plan that covers all employees with six months of service with the Organization. The Plan provides for partial vesting after one year and full vesting after three years of service, and benefits are principally based on employees' earnings and/or length of service. The Organization follows the policy of funding the retirement plan contributions as accrued. The amount of pension cost recognized during the years ended December 31, 2018 and 2017 was \$37,931 and \$38,903, respectively.

10. CONTINGENCY:

Under the terms of federal grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount or expenditures which may be disallowed by the grantor cannot be determined at this time, although the Organization expects such amounts, if any, to be immaterial.

11. NET ASSETS WITHOUT DONOR RESTRICTIONS – BOARD DESIGNATED:

The Organization designated \$150,000 in unrestricted net assets to be used towards development costs for City View, a senior multi-unit residential project. The Organization applied the sum of \$100,000 of program income resulting from the 2011 sale of a residential home where construction costs were funded and \$50,000 escrowed in a money market account held jointly with the City of Springfield, Ohio, to be distributed in accordance with the City View mortgage agreement. As of December 31, 2018 and 2017, the \$100,000 of program income has been released from board designation while \$50,000 remains in escrow and is included in net assets without donor restrictions – board designated.

12. NET ASSETS WITH DONOR RESTRICTIONS:

Purpose Restricted

Net assets with donor restrictions at December 31, 2018 and 2017 were available for the following purposes:

	<u>2018</u>	<u>2017</u>
CDBG deferred loans	\$ 19,390	29,923
NSP 3 Clark County loan pool	<u>154,258</u>	<u>243,503</u>
	<u>173,648</u>	<u>278,426</u>

Perpetual

Net assets with donor restrictions that are perpetual in nature at December 31, 2018 and 2017 were restricted to:

Investment in perpetuity, income from which is expendable to support operations:		
NWA Capital Fund	60,400	83,366
Outstanding loans	176,592	196,358
The Community Gardens capital contribution	-	92,500
City View property	<u>78,550</u>	<u>78,550</u>
	<u>315,542</u>	<u>450,774</u>
	\$ <u>489,190</u>	<u>729,200</u>

13. NEIGHBORWORKS®AMERICA GRANTS:

The following NeighborWorks®America (NWA) grants were in effect during the years ended December 31, 2018 and 2017:

Support without NWA restrictions

NWA provided \$149,073 and \$187,506 in expendable grants during the years ended December 31, 2018 and 2017, respectively, to support program activities.

Support with NWA restrictions

NWA provided \$-0- capital grants during the years ended December 31, 2018 and 2017, for making affordable loans and capital projects. Capital grants are classified as net assets with donor restrictions although proceeds on capital projects, or interest earned, over and above the corpus may be transferred to net assets without donor restrictions for furthering the Organization's mission. NWA released from perpetual restriction \$135,232 and \$69,673 in 2018 and 2017, respectively.

14. RELATED PARTIES:

One board member is employed by the City of Springfield that contracts grant funding with the Organization. A board member is employed by a title company that provides title services to the Organization.

15. LIQUIDITY:

The Organization is substantially supported by grants and rental and interest income. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as general expenditures, liabilities and other obligations come due. The following table presents the financial assets available to meet cash needs for general expenditures within one year at December 31, 2018.

Financial assets:	
Cash	\$ 145,070
Certificates of deposit	942,509
Accounts receivable	3,430
Development fee receivable	322,782
Mortgages receivable, current	38,270
Grants receivable	<u>27,331</u>
Financial assets available at year end	1,479,392
Less limitations on available resources:	
Security deposits and prepaid rent	5,625
Net assets with donor restrictions	489,190
Board designations	<u>50,000</u>
Financial assets available to meet general expenditures over the next twelve months	\$ <u>934,577</u>

Neighborhood Housing Partnership of Greater Springfield, Inc. and Affiliate
Consolidating Schedule of Financial Position
December 31, 2018

Assets	NHP	NHP Senior, Inc.	Eliminations	Consolidated
	<u>NHP</u>	<u>Senior, Inc.</u>	<u>Eliminations</u>	<u>Consolidated</u>
Current assets:				
Cash	\$ 145,070	-	-	145,070
Certificates of deposit	942,509	-	-	942,509
Accounts receivable	3,430	-	-	3,430
Development fee receivable, current	322,782	-	-	322,782
Mortgages receivable, current	38,270	-	-	38,270
Grants receivable	27,331	-	-	27,331
Prepaid expenses	10,260	-	-	10,260
	<u>1,489,652</u>	<u>-</u>	<u>-</u>	<u>1,489,652</u>
Noncurrent assets:				
Development fee receivable, long-term	261,011	-	-	261,011
Mortgages receivable, long-term, net	359,857	-	-	359,857
Notes receivable	689,002	-	-	689,002
Assets held for rehabilitation	5,731	-	-	5,731
Property and equipment, net	1,637,510	-	-	1,637,510
Investment in The Community Gardens	432	92,500	-	92,932
Investment in Subsidiary	92,500	-	(92,500)	-
	<u>3,046,043</u>	<u>92,500</u>	<u>(92,500)</u>	<u>3,046,043</u>
	<u>\$ 4,535,695</u>	<u>92,500</u>	<u>(92,500)</u>	<u>4,535,695</u>
Liabilities and Net Assets				
Current liabilities:				
Accounts payable, trade	\$ 9,345	-	-	9,345
Accrued wages and benefits payable	31,465	-	-	31,465
Accrued liabilities	83,743	-	-	83,743
Current portion of capital lease obligation	3,676	-	-	3,676
Security deposits and prepaid rent	5,625	-	-	5,625
Contractor fees payable	27,855	-	-	27,855
	<u>161,709</u>	<u>-</u>	<u>-</u>	<u>161,709</u>
Noncurrent liabilities:				
Mortgage notes payable	2,012,645	-	-	2,012,645
Capital lease obligation, long term	1,623	-	-	1,623
	<u>2,014,268</u>	<u>-</u>	<u>-</u>	<u>2,014,268</u>
Net assets:				
Without donor restrictions	1,820,528	92,500	(92,500)	1,820,528
Without donor restrictions - board designated	50,000	-	-	50,000
With donor restrictions	489,190	-	-	489,190
	<u>2,359,718</u>	<u>92,500</u>	<u>(92,500)</u>	<u>2,359,718</u>
	<u>\$ 4,535,695</u>	<u>92,500</u>	<u>(92,500)</u>	<u>4,535,695</u>

Neighborhood Housing Partnership of Greater Springfield, Inc. and Affiliate
Consolidating Schedule of Financial Position
December 31, 2017

Assets	NHP	NHP Senior, Inc.	Eliminations	Consolidated
	<u>NHP</u>	<u>Senior, Inc.</u>	<u>Eliminations</u>	<u>Consolidated</u>
Current assets:				
Cash	\$ 167,449	-	-	167,449
Certificates of deposit	1,180,272	-	-	1,180,272
Accounts receivable	581	-	-	581
Development fee receivable	81,416	-	-	81,416
Mortgages receivable, current	27,944	-	-	27,944
Grants receivable	73,483	-	-	73,483
Prepaid expenses	9,301	-	-	9,301
	<u>1,540,446</u>	<u>-</u>	<u>-</u>	<u>1,540,446</u>
Noncurrent assets:				
Mortgages receivable, long-term, net	293,983	-	-	293,983
Note receivable	57,592	-	-	57,592
Assets held for rehabilitation	63,981	-	-	63,981
Property and equipment, net	1,666,347	-	-	1,666,347
Investment in The Community Gardens	512	92,500	-	93,012
Investment in Subsidiary	92,500	-	(92,500)	-
	<u>2,174,915</u>	<u>92,500</u>	<u>(92,500)</u>	<u>2,174,915</u>
	<u>\$ 3,715,361</u>	<u>92,500</u>	<u>(92,500)</u>	<u>3,715,361</u>
Liabilities and Net Assets				
Current liabilities:				
Accounts payable, trade	\$ 32,879	-	-	32,879
Accrued wages and benefits payable	32,547	-	-	32,547
Accrued liabilities	84,670	-	-	84,670
Current portion of capital lease obligation	3,533	-	-	3,533
Security deposits and prepaid rent	6,175	-	-	6,175
	<u>159,804</u>	<u>-</u>	<u>-</u>	<u>159,804</u>
Noncurrent liabilities:				
Mortgage note payable	1,496,837	-	-	1,496,837
Capital lease obligation, long term	5,502	-	-	5,502
	<u>1,502,339</u>	<u>-</u>	<u>-</u>	<u>1,502,339</u>
Net assets:				
Without donor restrictions	1,274,018	92,500	(92,500)	1,274,018
Without donor restrictions - board designated	50,000	-	-	50,000
With donor restrictions	729,200	-	-	729,200
	<u>2,053,218</u>	<u>92,500</u>	<u>(92,500)</u>	<u>2,053,218</u>
	<u>\$ 3,715,361</u>	<u>92,500</u>	<u>(92,500)</u>	<u>3,715,361</u>

