

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

Financial Statements

December 31, 2019 and 2018

with Independent Auditors' Report



CLARK SCHAEFER HACKETT
CPAs & ADVISORS

TABLE OF CONTENTS

Independent Auditors' Report.....	1 – 2
Financial Statements:	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities and Changes in Net Assets.....	4 – 5
Consolidated Statements of Functional Expenses	6 – 7
Consolidated Statements of Cash Flows	8
Notes to the Consolidated Financial Statements.....	9 – 17
Supplementary Information:	
Consolidating Schedule of Financial Position - 2019.....	18
Consolidating Schedule of Financial Position - 2018.....	19

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, 2019 and 2018, 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, 2019 and 2018, 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 27, 2020

Neighborhood Housing Partnership of Greater Springfield, Inc. and Affiliate
Consolidated Statements of Financial Position
December 31, 2019 and 2018

Assets	2019	2018
Current assets:		
Cash	\$ 142,856	145,070
Certificates of deposit	661,948	942,509
Accounts receivable	37,434	3,430
Development fee receivable, current	176,007	-
Mortgages receivable, current	41,287	38,270
Grants receivable	60,694	27,331
Prepaid expenses	4,560	10,260
	1,124,786	1,166,870
Noncurrent assets:		
Development fee receivable, long-term	407,786	583,793
Mortgages receivable, long-term, net	404,154	359,857
Notes receivable	689,002	689,002
Assets held for rehabilitation	139,933	5,731
Property and equipment, net	1,604,386	1,637,510
Investment in The Community Gardens	92,500	92,932
	3,337,761	3,368,825
	\$ 4,462,547	4,535,695
Liabilities and Net Assets		
Current liabilities:		
Accounts payable, trade	\$ 9,564	9,345
Accrued wages and benefits payable	33,240	31,465
Accrued liabilities	83,821	83,743
Current portion of capital lease obligation	3,410	3,676
Security deposits and prepaid rent	6,075	5,625
Contractor fees payable	16,045	27,855
	152,155	161,709
Noncurrent liabilities:		
Mortgage notes payable	2,085,214	2,012,645
Capital lease obligation, long term	6,506	1,623
	2,091,720	2,014,268
Net assets:		
Without donor restrictions	1,967,876	1,870,528
With donor restrictions	250,796	489,190
	2,218,672	2,359,718
	\$ 4,462,547	4,535,695

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, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue, gains and support:			
Contributions	\$ 54,488	-	54,488
Neighborhood Reinvestment Corporation grants	342,064	-	342,064
Other federal grants	101,983	-	101,983
Other grants	119,337	-	119,337
Interest income from loans issued	-	11,872	11,872
Program fees	16,031	-	16,031
Rental income	62,437	-	62,437
Miscellaneous income	23,118	-	23,118
	<u>719,458</u>	<u>11,872</u>	<u>731,330</u>
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>250,266</u>	<u>(250,266)</u>	<u>-</u>
	<u>969,724</u>	<u>(238,394)</u>	<u>731,330</u>
Expenses:			
Program services	769,139	-	769,139
Management and general	103,237	-	103,237
	<u>872,376</u>	<u>-</u>	<u>872,376</u>
Change in net assets	97,348	(238,394)	(141,046)
Net assets, beginning of year	<u>1,870,528</u>	<u>489,190</u>	<u>2,359,718</u>
Net assets, end of year	\$ <u>1,967,876</u>	<u>250,796</u>	<u>2,218,672</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, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
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
	1,093,459	11,961	1,105,420
Net assets released from restrictions:			
Satisfaction of program restrictions	251,971	(251,971)	-
	1,345,430	(240,010)	1,105,420
Expenses:			
Program services	645,669	-	645,669
Management and general	100,886	-	100,886
	746,555	-	746,555
Loss on sale of real estate	52,365	-	52,365
	798,920	-	798,920
Change in net assets	546,510	(240,010)	306,500
Net assets, beginning of year, restated	1,324,018	729,200	2,053,218
Net assets, end of year	\$ 1,870,528	489,190	2,359,718

See accompanying notes to financial statements.

Neighborhood Housing Partnership of Greater Springfield, Inc. and Affiliate
Consolidated Statement of Functional Expenses
Year Ended December 31, 2019

	<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	\$ 150,467	121,666	23,566	60,066	355,765	48,347	404,112
Employee benefits	35,507	35,028	8,326	5,936	84,797	19,578	104,375
Payroll taxes	11,279	9,163	1,785	4,493	26,720	3,531	30,251
	<u>197,253</u>	<u>165,857</u>	<u>33,677</u>	<u>70,495</u>	<u>467,282</u>	<u>71,456</u>	<u>538,738</u>
Operating expenses:							
Advertising	746	973	249	-	1,968	622	2,590
Bad debt expense	21,000	-	-	-	21,000	-	21,000
Contractor payments	61,686	-	-	-	61,686	-	61,686
Credit reports	1,081	1,564	17	33	2,695	48	2,743
Depreciation and amortization	3,125	-	-	33,661	36,786	10,464	47,250
Downpayment assistance	7,300	-	-	-	7,300	-	7,300
Dues, subscriptions and licenses	2,508	1,722	492	-	4,722	1,166	5,888
Fees and interest	998	143	41	25	1,207	446	1,653
Liability insurance	2,171	2,533	724	3,967	9,395	1,808	11,203
Meetings and training	1,394	1,903	452	-	3,749	1,287	5,036
Office expenses	3,548	4,062	1,204	185	8,999	3,062	12,061
Professional services	29,440	30,952	3,343	26,078	89,813	8,210	98,023
Real estate taxes	-	-	-	4,325	4,325	-	4,325
Rent	6,377	2,519	694	-	9,590	1,726	11,316
Repairs and maintenance	1,107	1,291	369	16,932	19,699	945	20,644
Software expense	2,806	1,454	415	-	4,675	560	5,235
Utilities	1,637	1,910	546	10,155	14,248	1,437	15,685
	<u>146,924</u>	<u>51,026</u>	<u>8,546</u>	<u>95,361</u>	<u>301,857</u>	<u>31,781</u>	<u>333,638</u>
Total expenses	\$ <u>344,177</u>	<u>216,883</u>	<u>42,223</u>	<u>165,856</u>	<u>769,139</u>	<u>103,237</u>	<u>872,376</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, 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 Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ (141,046)	306,500
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Amortization	3,125	2,333
Depreciation	44,125	39,937
Bad debts	21,000	28,000
Loss on sale of real estate	-	52,365
Effects of changes in operating assets and liabilities:		
Accounts receivable	(34,004)	(2,849)
Development fee receivable	-	(502,377)
Mortgage receivable	(71,439)	(106,533)
Grants receivable	(33,363)	46,152
Prepaid expenses	5,700	(959)
Accounts payable	219	(23,534)
Accrued wages and benefits payable	1,775	(1,082)
Accrued liabilities	78	(927)
Security deposits	450	(550)
Contractor fees payable	(11,810)	27,855
	<u>(215,190)</u>	<u>(135,669)</u>
Net cash used in operating activities		
Cash flows from investing activities:		
Proceeds from sale of homes held for rehabilitation	-	135,548
Rehabilitation costs	(134,202)	(129,663)
Investment in The Community Gardens	432	80
Net redemption of certificates of deposit	280,561	237,763
Purchase of property and equipment	(1,271)	(11,100)
Draws on note receivable	-	(631,410)
	<u>145,520</u>	<u>(398,782)</u>
Net cash provided by (used in) investing activities		
Cash flows from financing activities:		
Proceeds from mortgage notes payable	72,569	515,808
Payments for capital leases	(5,113)	(3,736)
	<u>67,456</u>	<u>512,072</u>
Net cash provided by financing activities		
Net decrease in cash	(2,214)	(22,379)
Cash, beginning of year	<u>145,070</u>	<u>167,449</u>
Cash, end of year	\$ <u><u>142,856</u></u>	<u><u>145,070</u></u>
<u>Supplemental disclosure of cash flow information:</u>		
Cash paid for interest	\$ <u><u>407</u></u>	<u><u>202</u></u>
Noncash investing and financing transactions:		
Acquisition of office equipment		
Additions of office equipment	\$ <u><u>9,730</u></u>	<u><u>-</u></u>
Less office equipment obtained under capital lease obligation	\$ <u><u>(9,730)</u></u>	<u><u>-</u></u>

See accompanying notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Description of organization

Neighborhood Housing Partnership of Greater Springfield, Inc. (the Organization or 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.

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.

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 11).

Contributions and grants

Contributions and grants 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 without donor restrictions.

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, grants and loans receivable

Accounts and unconditional grants receivable are stated at the amount management expects to collect from outstanding balances. Conditional grants receivable are recognized when the conditions have been met, which is likely when the related expenditures have been incurred. Grants awarded but not yet recognized due to conditions not being met were \$136,686 as of December 31, 2019.

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.

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 ended December 31, 2019 and 2018 was \$2,590 and \$3,481, respectively.

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 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.

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.

Adoption of new accounting standards

On January 1, 2019, the Organization adopted Accounting Standards Update (ASU) 2014-09 *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, "ASC 606"), which (i) creates a single framework for recognizing revenue from contracts with customers that fall within its scope and (ii) revises when it is appropriate to recognize a gain (loss) from the transfer of nonfinancial assets.

As part of the adoption of the ASU, NHP elected the following transition practical expedients: (i) to reflect the aggregate of all contract modifications that occurred prior to the date of initial application when identifying satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price; and (ii) to apply the standard only to contracts that are not completed at the initial date of application. Because contract modifications are minimal, there is not a significant impact as a result of electing these practical expedients.

NHP adopted ASC 606 using the modified retrospective method applied to all contracts not completed as of January 1, 2019. Results for reporting periods beginning after January 1, 2019 are presented under ASC 606 while prior period amounts continue to be reported in accordance with legacy generally accepted accounting principles. The adoption of ASC 606 did not result in a change to the accounting for any of the in-scope revenue streams; as such, no cumulative effect adjustment was recorded.

During 2019, NHP adopted FASB ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The standard assists entities in determining whether transactions should be recorded as a contribution (nonreciprocal transaction) or as an exchange (reciprocal transaction). The standard also provides expanded guidance on determining whether or not a contribution is conditional. The Organization has applied this standard on a modified prospective basis for the period beginning January 1, 2019. There was no material impact to the financial statements presented upon adoption of this ASU.

Revenue from contracts with customers

A majority of NHP's revenues come from grants, contributions, rental income and interest income that are outside the scope of ASC 606. Services within the scope of ASC 606 include development and program service fees that have performance obligations occurring over time as services are performed. There are no significant financing components related to program service fees, as payments are received at or near the time of the program or service; however, it could take over one year to receive payment of developer fees once earned.

Reclassifications

Certain amounts reported in 2018 have been reclassified to conform with 2019 presentation.

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 27, 2020, 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, 2019 and 2018.

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 mortgagees. 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:

	2019		2018	
	Balance	Number of Loans	Balance	Number of Loans
Neighborworks America funds	\$ 135,614	25	176,592	27
HOME funds	118,707	4	123,815	4
NSP-2 funds	3,168	1	3,960	1
NSP-3 loan pool	226,005	34	103,074	17
NHP unrestricted funds	92,947	3	99,984	3
Other funds	-	-	702	1
	576,441	67	508,127	53
Less: Allowance for uncollectible loans	131,000		110,000	
	\$ 445,441		398,127	

Three and one loan(s) were delinquent greater than thirty days as of December 31, 2019 and 2018, respectively. Delinquent loans greater than 90 days past due were \$50,127 and \$54,415 at December 31, 2019 and 2018, 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:

	2019	2018
Land, buildings and improvements - City View	\$ 1,820,091	1,820,091
Furniture and fixtures	24,628	24,628
Equipment	33,533	32,263
Office equipment	36,434	26,704
Software	29,691	29,691
Leasehold improvements	87,633	87,633
	2,032,010	2,021,010
Less: Accumulated depreciation	427,624	383,500
	\$ 1,604,386	1,637,510

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, 2019 and 2018 was \$44,125 and \$39,937, respectively.

5. NOTES RECEIVABLE:

As of December 31, 2019 and 2018, the Organization had a 2.00% interest note receivable from The Community Gardens L.P. in the amount of \$389,002. Interest will accrue upon project completion.

As of December 31, 2019 and 2018, the Organization had a 0.50% interest note receivable from The Community Gardens L.P. in the amount of \$300,000. Unpaid principal and interest are due and payable at maturity on August 22, 2047.

6. MORTGAGE NOTES PAYABLE:

Mortgage notes payable consisted of the following at December 31:	<u>2019</u>	<u>2018</u>
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	389,002
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	300,000
An open-end CHDO set-aside/HOME demand promissory note funded up to \$148,516 between the City of Springfield, Ohio and NHP for the construction of a house at 800 Clifton Avenue.	<u>72,569</u>	<u>-</u>
Total mortgage notes payable	2,085,214	2,012,645
Less current portion of mortgage notes payable	<u>-</u>	<u>-</u>
Mortgage notes payable, long term	\$ <u>2,085,214</u>	<u>2,012,645</u>

7. LEASES:

Operating lease:

- Office space – In May 2017, a new lease was signed for a 24-month term with monthly payments of \$943, which ended June 30, 2019.
- Office space – In June 2019, a new lease was signed for a 12-month term with monthly payments of \$943, ending June 30, 2020.

Capitalized leases:

- The Organization leases a copier with an acquisition cost of \$17,250. Accumulated depreciation related to this asset was \$15,813 and \$12,363 at December 31, 2019 and 2018, respectively.
- In May 2019, the Organization signed a new lease for a copier with an acquisition cost of \$9,730. Accumulated depreciation related to this asset was \$1,135 and \$-0- at December 31, 2019 and 2018.

A schedule of future minimum lease payments is as follows:

2020	\$	3,877
2021		2,244
2022		2,244
2023		2,244
2024		<u>935</u>
		11,544
Amount representing interest		<u>(1,628)</u>
	\$	<u>9,916</u>

8. 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, 2019 and 2018 was \$39,670 and \$37,931, respectively.

9. 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.

10. NET ASSETS WITH DONOR RESTRICTIONS:

Purpose Restricted

Net assets with donor restrictions at December 31, 2019 and 2018 were available for the following purposes:

	<u>2019</u>	<u>2018</u>
CDBG deferred loans	\$ 12,090	19,390
NSP 3 Clark County loan pool	<u>17,827</u>	<u>154,258</u>
	<u>29,917</u>	<u>173,648</u>

Perpetual

Net assets with donor restrictions that are perpetual in nature at December 31, 2019 and 2018 were restricted to:

Investment in perpetuity, income from which is expendable to support operations:		
NWA Capital Fund	85,265	60,400
Outstanding loans	135,614	176,592
City View property	<u>-</u>	<u>78,550</u>
	<u>220,879</u>	<u>315,542</u>
	\$ <u>250,796</u>	<u>489,190</u>

11. NEIGHBORWORKS@AMERICA GRANTS:

The following NeighborWorks@America (NWA) grants were in effect during the years ended December 31, 2019 and 2018:

Support without NWA restrictions

NWA provided \$342,064 and \$149,073 in expendable grants during the years ended December 31, 2019 and 2018, respectively, to support program activities.

Support with NWA restrictions

NWA provided \$-0- capital grants during the years ended December 31, 2019 and 2018, 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 \$94,663 and \$135,232 in 2019 and 2018, respectively.

12. 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.

13. 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:

	2019	2018
Financial assets:		
Cash	\$ 142,856	145,070
Certificates of deposit	661,948	942,509
Accounts receivable	37,434	3,430
Development fee receivable	176,007	-
Mortgages receivable, current	41,287	38,270
Grants receivable	60,694	27,331
Financial assets available at year end	1,120,226	1,156,610
Less limitations on available resources:		
Security deposits and prepaid rent	6,075	5,625
Net assets with donor restrictions	250,796	489,190
Financial assets available to meet general expenditures over the next twelve months	\$ 863,355	661,795

14. SUBSEQUENT EVENTS:

The effects of the pandemic resulting from the novel coronavirus, known as COVID-19, has had significant effects on all aspects of the economy. The extent of the impact of COVID-19 on NHP's activities and financial performance will depend on certain developments, including the duration and spread of the outbreak. The extent to which COVID-19 may impact NHP's financial condition or results of activities is uncertain at this time.

Additionally, on April 24, 2020, NHP received a \$96,095 loan under the U.S. Small Business Administration's Paycheck Protection Program (PPP). The loan bears interest at 1% and is due in April 2022. The PPP program allows for a portion of the loan (up to the full amount) to be forgiven based on qualifying expenses incurred during the eight weeks following receipt of the loan. The amount of the loan that will be forgiven will be determined after this eight-week period.

Neighborhood Housing Partnership of Greater Springfield, Inc. and Affiliate
Consolidating Schedule of Financial Position
December 31, 2019

Assets	NHP	NHP Senior, Inc.	Eliminations	Consolidated
	<u>NHP</u>	<u>Senior, Inc.</u>	<u>Eliminations</u>	<u>Consolidated</u>
Current assets:				
Cash	\$ 142,856	-	-	142,856
Certificates of deposit	661,948	-	-	661,948
Accounts receivable	37,434	-	-	37,434
Development fee receivable, current	176,007	-	-	176,007
Mortgages receivable, current	41,287	-	-	41,287
Grants receivable	60,694	-	-	60,694
Prepaid expenses	4,560	-	-	4,560
	<u>1,124,786</u>	<u>-</u>	<u>-</u>	<u>1,124,786</u>
Noncurrent assets:				
Development fee receivable, long-term	407,786	-	-	407,786
Mortgages receivable, long-term, net	404,154	-	-	404,154
Notes receivable	689,002	-	-	689,002
Assets held for rehabilitation	139,933	-	-	139,933
Property and equipment, net	1,604,386	-	-	1,604,386
Investment in The Community Gardens	-	92,500	-	92,500
Investment in Subsidiary	92,500	-	(92,500)	-
	<u>3,337,761</u>	<u>92,500</u>	<u>(92,500)</u>	<u>3,337,761</u>
	<u>\$ 4,462,547</u>	<u>92,500</u>	<u>(92,500)</u>	<u>4,462,547</u>
Liabilities and Net Assets				
Current liabilities:				
Accounts payable, trade	\$ 9,564	-	-	9,564
Accrued wages and benefits payable	33,240	-	-	33,240
Accrued liabilities	83,821	-	-	83,821
Current portion of capital lease obligation	3,410	-	-	3,410
Security deposits and prepaid rent	6,075	-	-	6,075
Contractor fees payable	16,045	-	-	16,045
	<u>152,155</u>	<u>-</u>	<u>-</u>	<u>152,155</u>
Noncurrent liabilities:				
Mortgage notes payable	2,085,214	-	-	2,085,214
Capital lease obligation, long term	6,506	-	-	6,506
	<u>2,091,720</u>	<u>-</u>	<u>-</u>	<u>2,091,720</u>
Net assets:				
Without donor restrictions	1,967,876	92,500	(92,500)	1,967,876
With donor restrictions	250,796	-	-	250,796
	<u>2,218,672</u>	<u>92,500</u>	<u>(92,500)</u>	<u>2,218,672</u>
	<u>\$ 4,462,547</u>	<u>92,500</u>	<u>(92,500)</u>	<u>4,462,547</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	-	-	-	-
Mortgages receivable, current	38,270	-	-	38,270
Grants receivable	27,331	-	-	27,331
Prepaid expenses	10,260	-	-	10,260
	<u>1,166,870</u>	<u>-</u>	<u>-</u>	<u>1,166,870</u>
Noncurrent assets:				
Development fee receivable, long-term	583,793	-	-	583,793
Mortgages receivable, long-term, net	359,857	-	-	359,857
Note 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>3,368,825</u>	<u>92,500</u>	<u>(92,500)</u>	<u>3,368,825</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 note 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	1,870,528	92,500	(92,500)	1,870,528
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>

