



FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Contents
June 30, 2018 and 2017

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Independent Auditor's Report

To the Board of Directors of
New Hampshire Community Loan Fund, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of New Hampshire Community Loan Fund, Inc. (a New Hampshire corporation, not for profit) (the Community Loan Fund) which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Hampshire Community Loan Fund, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As disclosed in Note 2, during fiscal year 2018, the Community Loan Fund adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954): Presentation of Financial Statements of Not-for-Profit Entities*, which aims to provide, among other items, clarity over the Community Loan Fund's classification of net assets, methods used to allocate costs to programmatic and support functions, as well as liquidity and availability of resources. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 31 through 34 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Alexander, Brown, Fenning & Co., P.C.

Boston, Massachusetts
September 27, 2018

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Statements of Financial Position
June 30, 2018 and 2017

| Assets | 2018 | 2017 |
|--|----------------|----------------|
| Current Assets: | | |
| Cash and cash equivalents | \$ 6,454,627 | \$ 7,013,344 |
| Cash and cash equivalents - pass-through | 471,156 | 677,525 |
| Marketable securities | 7,520,889 | 9,039,585 |
| Grants, contracts and other receivables | 668,324 | 929,241 |
| Current portion of pledges receivable | 119,100 | 226,632 |
| Current portion of loans receivable | 4,815,263 | 1,987,909 |
| Accrued interest receivable | 577,727 | 448,157 |
| Prepaid expenses and other | 179,230 | 151,806 |
| Total current assets | 20,806,316 | 20,474,199 |
| Loans Receivable, net of current portion and allowance for loan losses of \$1,984,188 and \$1,778,453 at June 30, 2018 and 2017, respectively | 109,846,326 | 97,406,168 |
| Pledges Receivable, net of current portion | 120,000 | 402,000 |
| Program-Related Development Investments, net | 2,240,980 | 1,964,959 |
| Equity Investments | 703,028 | 661,325 |
| Property and Equipment, net | 3,936,779 | 4,057,450 |
| Total assets | \$ 137,653,429 | \$ 124,966,101 |
| Liabilities and Net Assets | | |
| Current Liabilities: | | |
| Current portion of loans payable | \$ 10,663,640 | \$ 8,611,084 |
| Accounts payable and accrued expenses | 358,317 | 721,557 |
| Accrued interest payable | 1,180,583 | 977,415 |
| Conditional advances | - | 468,354 |
| Deferred revenue | 219,214 | 291,054 |
| Total current liabilities | 12,421,754 | 11,069,464 |
| Long-Term Liabilities: | | |
| Loans payable, net of current portion | 91,129,122 | 81,549,146 |
| Subordinated loans payable - equity equivalent investments | 8,600,000 | 8,600,000 |
| Total liabilities | 112,150,876 | 101,218,610 |
| Net Assets: | | |
| Without donor restrictions: | | |
| Program | 2,870,414 | 2,661,805 |
| Financing | 14,111,217 | 12,430,546 |
| Total without donor restrictions | 16,981,631 | 15,092,351 |
| With donor restrictions: | | |
| Program | 172,379 | 259,233 |
| Financing | 8,295,290 | 8,294,538 |
| Pass-through | 53,253 | 101,369 |
| Total with donor restrictions | 8,520,922 | 8,655,140 |
| Total net assets | 25,502,553 | 23,747,491 |
| Total liabilities and net assets | \$ 137,653,429 | \$ 124,966,101 |

The accompanying notes are an integral part of these statements.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2018

(With Summarized Comparative Totals for the Year Ended June 30, 2017)

| | 2018 | | | 2017 |
|--|-------------------------------|----------------------------|----------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Total |
| Operating Revenues: | | | | |
| Public support: | | | | |
| Grants and contributions | \$ 2,214,713 | \$ 575,994 | \$ 2,790,707 | \$ 2,732,441 |
| Grants - pass-through | 157,940 | - | 157,940 | 279,440 |
| Net assets released from restrictions | 662,096 | (662,096) | - | - |
| Net assets released from restrictions - pass-through | 48,116 | (48,116) | - | - |
| Less - grants passed through to others | (206,056) | - | (206,056) | (373,174) |
| Net public support | <u>2,876,809</u> | <u>(134,218)</u> | <u>2,742,591</u> | <u>2,638,707</u> |
| Earned revenue: | | | | |
| Financial revenue: | | | | |
| Interest on loans | 7,698,809 | - | 7,698,809 | 7,092,549 |
| Loan related fees | 456,886 | - | 456,886 | 374,963 |
| Investment income | 179,371 | - | 179,371 | 95,751 |
| Net loan loss recovery (provision) | (253,242) | - | (253,242) | 24,095 |
| Less - interest expense | (3,762,207) | - | (3,762,207) | (3,417,186) |
| Net financial revenue | <u>4,319,617</u> | <u>-</u> | <u>4,319,617</u> | <u>4,170,172</u> |
| Training and other fees | 23,782 | - | 23,782 | 23,448 |
| Other net gains (losses) | (282,867) | - | (282,867) | 210,861 |
| Total earned revenue | <u>4,060,532</u> | <u>-</u> | <u>4,060,532</u> | <u>4,404,481</u> |
| Total operating revenues | <u>6,937,341</u> | <u>(134,218)</u> | <u>6,803,123</u> | <u>7,043,188</u> |
| Operating Expenses: | | | | |
| Program services | 4,612,292 | - | 4,612,292 | 4,743,288 |
| Management and administrative | 622,218 | - | 622,218 | 620,723 |
| Fundraising | 349,423 | - | 349,423 | 309,502 |
| Total operating expenses | <u>5,583,933</u> | <u>-</u> | <u>5,583,933</u> | <u>5,673,513</u> |
| Changes in operating net assets | <u>1,353,408</u> | <u>(134,218)</u> | <u>1,219,190</u> | <u>1,369,675</u> |
| Non-Operating Revenue (Expense): | | | | |
| Share of income (loss) from program-related development investment | 276,021 | - | 276,021 | (132,809) |
| Net unrealized gain (loss) on investments | 259,851 | - | 259,851 | (501,513) |
| Total non-operating revenue (expense) | <u>535,872</u> | <u>-</u> | <u>535,872</u> | <u>(634,322)</u> |
| Total changes in net assets | <u>1,889,280</u> | <u>(134,218)</u> | <u>1,755,062</u> | <u>735,353</u> |
| Net Assets: | | | | |
| Beginning of year | <u>15,092,351</u> | <u>8,655,140</u> | <u>23,747,491</u> | <u>23,012,138</u> |
| End of year | <u>\$ 16,981,631</u> | <u>\$ 8,520,922</u> | <u>\$ 25,502,553</u> | <u>\$ 23,747,491</u> |

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2017

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---------------------------------------|------------------------------------|----------------------|
| Operating Revenues: | | | |
| Public support: | | | |
| Grants and contributions | \$ 1,077,050 | \$ 1,655,391 | \$ 2,732,441 |
| Grants - pass-through | 279,440 | - | 279,440 |
| Net assets released from restrictions | 3,350,125 | (3,350,125) | - |
| Net assets released from restrictions - pass-through | 93,734 | (93,734) | - |
| Less - grants passed through to others | (373,174) | - | (373,174) |
| Net public support | <u>4,427,175</u> | <u>(1,788,468)</u> | <u>2,638,707</u> |
| Earned revenue: | | | |
| Financial revenue: | | | |
| Interest on loans | 7,092,549 | - | 7,092,549 |
| Loan related fees | 374,963 | - | 374,963 |
| Investment income | 95,751 | - | 95,751 |
| Net loan loss recovery | - | 24,095 | 24,095 |
| Less - interest expense | (3,417,186) | - | (3,417,186) |
| Net financial revenue | <u>4,146,077</u> | <u>24,095</u> | <u>4,170,172</u> |
| Training and other fees | 23,448 | - | 23,448 |
| Other net gains | <u>210,861</u> | <u>-</u> | <u>210,861</u> |
| Total earned revenue | <u>4,380,386</u> | <u>24,095</u> | <u>4,404,481</u> |
| Total operating revenues | <u>8,807,561</u> | <u>(1,764,373)</u> | <u>7,043,188</u> |
| Operating Expenses: | | | |
| Program services | 4,743,288 | - | 4,743,288 |
| Management and administrative | 620,723 | - | 620,723 |
| Fundraising | <u>309,502</u> | <u>-</u> | <u>309,502</u> |
| Total operating expenses | <u>5,673,513</u> | <u>-</u> | <u>5,673,513</u> |
| Changes in operating net assets | <u>3,134,048</u> | <u>(1,764,373)</u> | <u>1,369,675</u> |
| Non-Operating Expenses: | | | |
| Share of loss from program-related development investment | (132,809) | - | (132,809) |
| Net unrealized loss on investments | <u>(501,513)</u> | <u>-</u> | <u>(501,513)</u> |
| Total non-operating expenses | <u>(634,322)</u> | <u>-</u> | <u>(634,322)</u> |
| Total changes in net assets | 2,499,726 | (1,764,373) | 735,353 |
| Net Assets: | | | |
| Beginning of year | <u>12,592,625</u> | <u>10,419,513</u> | <u>23,012,138</u> |
| End of year | <u>\$ 15,092,351</u> | <u>\$ 8,655,140</u> | <u>\$ 23,747,491</u> |

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Statements of Cash Flows

For the Years Ended June 30, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|--|---------------------|---------------------|
| Cash Flows from Operating Activities: | | |
| Changes in net assets | \$ 1,755,062 | \$ 735,353 |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities: | | |
| Depreciation | 181,358 | 179,865 |
| Loans payable converted to contributions | (19,182) | (32,679) |
| Net loan loss provision (recovery) | 253,242 | (24,095) |
| Net losses on equity investments and marketable securities | (261,803) | 290,652 |
| Amortization of premiums/discounts on investments | (29,247) | (2,263) |
| Share of (income) loss from program-related development investment | (276,021) | 132,809 |
| Other net (gains) losses | 284,820 | (24,472) |
| Changes in operating assets and liabilities: | | |
| Grants, contracts and other receivables | 260,917 | (772,074) |
| Pledges receivable | 389,532 | (146,988) |
| Accrued interest receivable | (129,570) | 16,808 |
| Prepaid expenses and other | 31,576 | (92,245) |
| Accounts payable and accrued expenses | (363,240) | 363,848 |
| Accrued interest payable | 203,168 | 211,012 |
| Conditional advances | (468,354) | 468,354 |
| Deferred revenue | (71,840) | 73,018 |
| Net cash provided by operating activities | <u>1,740,418</u> | <u>1,376,903</u> |
| Cash Flows from Investing Activities: | | |
| Issuance of loans receivable | (24,519,000) | (17,783,052) |
| Principal payments of loans receivable | 8,921,302 | 10,423,017 |
| Purchase of property and equipment | (60,687) | (85,436) |
| Purchases of marketable securities and investments | (8,994,427) | (10,732,813) |
| Proceeds from sale of marketable securities | 10,495,594 | 8,210,960 |
| Net cash used in investing activities | <u>(14,157,218)</u> | <u>(9,967,324)</u> |
| Cash Flows from Financing Activities: | | |
| Proceeds from loans payable | 14,325,907 | 12,591,321 |
| Principal payments on loans payable | (2,674,193) | (2,495,649) |
| Net cash provided by financing activities | <u>11,651,714</u> | <u>10,095,672</u> |
| Net Change in Cash and Cash Equivalents | (765,086) | 1,505,251 |
| Cash and Cash Equivalents: | | |
| Beginning of year | <u>7,690,869</u> | <u>6,185,618</u> |
| End of year | <u>\$ 6,925,783</u> | <u>\$ 7,690,869</u> |
| Supplemental Disclosure of Cash Flow Information: | | |
| Cash paid for interest | <u>\$ 3,559,039</u> | <u>\$ 3,206,173</u> |
| Unrealized gain (loss) on investments | <u>\$ 259,851</u> | <u>\$ (501,513)</u> |
| Other real estate owned acquired by foreclosure | <u>\$ 59,000</u> | <u>\$ 44,000</u> |

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2018

(With Comparative Totals for the Year Ended June 30, 2017)

| | 2018 | | | | | | | 2017 | |
|-------------------------|----------------------|---------------------|---------------------|---------------------------------|------------------------|-------------------------------|-------------------|---------------------|---------------------|
| | Program Services | | | | Support Services | | | Total | |
| | Community Facilities | Affordable Housing | Business Finance | Capitalization and Philanthropy | Total Program Services | Management and Administrative | Fundraising | | |
| Personnel costs: | | | | | | | | | |
| Salaries | \$ 134,834 | \$ 1,721,419 | \$ 636,212 | \$ 449,856 | \$ 2,942,321 | \$ 285,667 | \$ 236,196 | \$ 3,464,184 | \$ 3,513,222 |
| Benefits | 20,121 | 245,779 | 92,105 | 65,655 | 423,660 | 44,396 | 34,606 | 502,662 | 555,789 |
| Payroll taxes | 10,366 | 127,742 | 46,871 | 33,632 | 218,611 | 22,254 | 17,650 | 258,515 | 263,929 |
| Total personnel costs | 165,321 | 2,094,940 | 775,188 | 549,143 | 3,584,592 | 352,317 | 288,452 | 4,225,361 | 4,332,940 |
| Professional services | 7,996 | 147,038 | 89,176 | 27,433 | 271,643 | 78,835 | 15,127 | 365,605 | 291,839 |
| Occupancy | 4,405 | 79,005 | 31,748 | 23,209 | 138,367 | 71,898 | 4,676 | 214,941 | 215,037 |
| Depreciation | 3,531 | 65,662 | 31,362 | 19,411 | 119,966 | 57,863 | 3,529 | 181,358 | 179,865 |
| Administrative services | 883 | 125,087 | 4,052 | 6,492 | 136,514 | 8,516 | 9,309 | 154,339 | 145,580 |
| Office expense | 2,958 | 55,629 | 24,228 | 21,676 | 104,491 | 24,336 | 6,546 | 135,373 | 158,012 |
| Training and travel | 1,602 | 48,708 | 20,373 | 14,165 | 84,848 | 8,772 | 498 | 94,118 | 109,252 |
| Equipment expense | 1,603 | 25,751 | 6,961 | 8,205 | 42,520 | 15,622 | 5,388 | 63,530 | 81,182 |
| Public education | 23,007 | 6,416 | 19,573 | 5,553 | 54,549 | 1,344 | 181 | 56,074 | 44,039 |
| Communications | 707 | 28,056 | 3,753 | 3,604 | 36,120 | 2,715 | 15,717 | 54,552 | 102,460 |
| Property expenses | - | 38,682 | - | - | 38,682 | - | - | 38,682 | 13,307 |
| Total expenses | <u>\$ 212,013</u> | <u>\$ 2,714,974</u> | <u>\$ 1,006,414</u> | <u>\$ 678,891</u> | <u>\$ 4,612,292</u> | <u>\$ 622,218</u> | <u>\$ 349,423</u> | <u>\$ 5,583,933</u> | <u>\$ 5,673,513</u> |

The accompanying notes are an integral part of these statements.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Statement of Functional Expenses
For the Year Ended June 30, 2017

| | Program Services | | | | Support Services | | | |
|-------------------------|----------------------|---------------------|---------------------|---------------------------------|------------------------|-------------------------------|-------------------|---------------------|
| | Community Facilities | Affordable Housing | Business Finance | Capitalization and Philanthropy | Total Program Services | Management and Administrative | Fundraising | Total |
| Personnel costs: | | | | | | | | |
| Salaries | \$ 123,682 | \$ 1,710,732 | \$ 723,563 | \$ 448,559 | \$ 3,006,536 | \$ 304,704 | \$ 201,982 | \$ 3,513,222 |
| Benefits | 19,369 | 270,917 | 112,023 | 70,195 | 472,504 | 50,475 | 32,810 | 555,789 |
| Payroll taxes | 9,330 | 127,789 | 54,280 | 33,649 | 225,048 | 23,264 | 15,617 | 263,929 |
| Total personnel costs | 152,381 | 2,109,438 | 889,866 | 552,403 | 3,704,088 | 378,443 | 250,409 | 4,332,940 |
| Professional services | 12,734 | 119,943 | 54,400 | 34,288 | 221,365 | 60,451 | 10,023 | 291,839 |
| Occupancy | 12,021 | 76,941 | 30,342 | 31,525 | 150,829 | 64,208 | - | 215,037 |
| Depreciation | 9,935 | 65,724 | 25,078 | 26,056 | 126,793 | 53,072 | - | 179,865 |
| Administrative services | 597 | 125,906 | 3,619 | 4,665 | 134,787 | 7,865 | 2,928 | 145,580 |
| Office expense | 3,842 | 73,807 | 28,474 | 18,994 | 125,117 | 26,348 | 6,547 | 158,012 |
| Training and travel | 1,992 | 72,326 | 11,828 | 14,832 | 100,978 | 7,310 | 964 | 109,252 |
| Equipment expense | 1,656 | 35,040 | 10,354 | 8,642 | 55,692 | 19,886 | 5,604 | 81,182 |
| Public education | 3,218 | 10,133 | 21,522 | 7,946 | 42,819 | 1,046 | 174 | 44,039 |
| Communications | 2,726 | 40,159 | 17,366 | 7,262 | 67,513 | 2,094 | 32,853 | 102,460 |
| Property expenses | - | 13,307 | - | - | 13,307 | - | - | 13,307 |
| Total expenses | <u>\$ 201,102</u> | <u>\$ 2,742,724</u> | <u>\$ 1,092,849</u> | <u>\$ 706,613</u> | <u>\$ 4,743,288</u> | <u>\$ 620,723</u> | <u>\$ 309,502</u> | <u>\$ 5,673,513</u> |

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2018 and 2017

1. OPERATIONS AND NONPROFIT STATUS

New Hampshire Community Loan Fund (the Community Loan Fund) was organized in 1983 under the laws of New Hampshire as a charitable corporation qualifying for Federal income tax exemption under Section 501(c)(3) of the Internal Revenue Code (IRC). The Community Loan Fund is also exempt from state income taxes. Donors may deduct contributions made to the Community Loan Fund within the IRC requirements.

The mission of the Community Loan Fund is to serve as a catalyst, leveraging financial, human and civic resources to enable traditionally underserved people to participate more fully in New Hampshire's economy. This is done by:

- Providing loans, capital and technical assistance;
- Complementing and extending the reach of conventional lenders and public institutions; and
- Bringing people and institutions together to solve problems.

The nine programs in service of the Community Loan Fund's mission provide economic opportunity, technical assistance and loans in the areas of Affordable Housing, Community Facilities, and Business Finance. Program areas also include Capitalization and Philanthropy and Public Policy.

Affordable Housing

ROC-NH - Since 1983, building long-term value for owners of manufactured homes in New Hampshire's resident-owned communities by helping them purchase and manage their communities.

Welcome Home Loans - Since 2002, providing mortgage loans for manufactured homes in resident-owned communities. Starting in 2012, also providing mortgage loans to owners and buyers of manufactured homes on their own land.

Community Housing - Since 1989, providing loans and technical assistance to nonprofit housing organizations to acquire, develop and manage affordable rental housing.

Community Facilities

Community Facilities - Since 1984, providing loans to nonprofit organizations to buy, renovate, or build facilities that support essential community services.

Child Care Initiative - Since 1995, providing loans, training, and assistance to nonprofit child care centers and home-based providers to preserve and create facilities.

Business Finance

Business Builder - Since 1996, providing loans and business education to support the growth and resilience of small businesses and their ability to provide quality jobs.

Vested for Growth - Since 2002, providing investments and business education to help owners grow their businesses by engaging their people and adding value for their customers.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2018 and 2017

1. OPERATIONS AND NONPROFIT STATUS (Continued)

Capitalization and Philanthropy and Public Policy

Capitalization and Philanthropy - Since 1984, enabling people and institutions to invest and donate capital for basic human needs.

Public Policy - Since 2009, working to shape public policy in credit and program-related matters that affect people and families with low incomes, or that affect the Community Loan Fund's ability to serve them.

Community Development Financial Institution

The Community Loan Fund has been granted status as a Community Development Financial Institution (CDFI) by the U.S. Department of the Treasury (the Treasury), qualifying it for certain awards and support from the Treasury. During fiscal years 2018 and 2017, the Community Loan Fund received awards of \$686,500 and \$1,502,163, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

The Community Loan Fund prepares its financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Accounting Principle Adoption

During fiscal year 2018, the Community Loan Fund early adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This ASU modified the current guidance over several criteria, of which the following affected the Community Loan Fund's financial statements:

- Net assets are segregated into two categories, "with donor restrictions" and "without donor restrictions", as opposed to the previous requirement of three classes of net assets (see pages 13 through 15).
- Qualitative and quantitative information relating to management of liquidity and the availability of financial assets to cover short-term cash needs within one year from the statements of financial position date (see Note 17).
- An explanation of the methods used to allocate costs among program and supporting (institutional support and development) functions (see page 16).

The adoption of this ASU did not impact the Community Loan Fund's net asset balance, change in net assets, or cash flows for the year ended June 30, 2017.

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent 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.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

The Community Loan Fund follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Community Loan Fund would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Community Loan Fund uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Community Loan Fund. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

Cash and Cash Equivalents and Concentration of Credit Risk

The Community Loan Fund considers all depository accounts and other highly liquid investments originated with a maturity of three months or less and that are available for current operations, to be cash for purposes of the consolidating statements of cash flows.

Cash deposits are guaranteed up to certain amounts by the Federal Deposit Insurance Corporation (FDIC) for bank accounts, by the National Credit Union Administration for credit union accounts, and by the Securities Investor Protection Corporation for brokerage accounts. At times, cash balances may exceed insured amounts. Other deposits exceeding insurance limits at June 30, 2018 and 2017, are separately collateralized by securities held by the financial institutions.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Marketable Securities

Marketable securities are carried at fair value (see page 10 and Note 3) and consist of U. S. government agency securities, U.S. Treasury securities, and equity mutual funds held for charitable gift annuities (see Note 13). Equity mutual funds have readily determinable fair values and are valued using Level 1 inputs. All investments in debt securities are valued using Level 2 inputs (see page 10 and Note 3). Realized gains (losses) arising from sales of marketable securities are reported as other net gains (losses), a component of changes in operating net assets in the accompanying statement of activities and changes in net assets. Unrealized gains and losses are reported as a separate component of non-operating revenue (expenses). Changes in fair value are unrealized, but can result in significant volatility in investment income reported each year. It is the Community Loan Fund's general intent to hold securities with fixed maturities until maturity. Marketable securities are classified as current assets because there are no restrictions on their use and they are readily marketable.

Grants, Contracts, Pledges, Other Receivables and Allowance for Doubtful Accounts

The Community Loan Fund receives grants and pledges from various donors. Contracts receivable is stated at unpaid balances. The Community Loan Fund establishes allowances for uncollectible receivables. The allowances are based on management's judgment on the collectability of outstanding receivables. There were no allowances recorded as of June 30, 2018 and 2017.

Loans Receivable and Allowance for Loan Losses

Loans receivable are stated net of third party participations and an allowance for loan losses (see Notes 5 and 6). Interest on loans is calculated by using the simple interest method on monthly balances of the principal amount outstanding.

Provisions are made for estimated loan losses based on management's evaluation of each loan. Loss recoveries are recorded in the year the recovery is known. The allowance for loan losses (see Note 6) is established through the net loan loss provision and is charged to operations. The allowance is an amount that management believes will be adequate to absorb expected losses on existing loans that may become uncollectible. Management evaluates loan collectability through consideration of factors such as previous loss experience, performance of individual loans in accordance with contract terms, financial strength and cash flows of the borrower, realizable values of collateral, and current economic conditions that may affect the borrower's ability to repay.

U.S. GAAP requires not-for-profit organizations to record interest expense and contribution revenue in connection with loans payable that are interest free or that have below-market interest rates. Likewise, funds loaned to borrowers at below-market interest rates should also result in imputed revenue and contribution expense. Interest rates on loans payable are disclosed in Note 11. Interest rates on loans receivable are disclosed in Note 5. The Community Loan Fund believes that the benefits derived from below-market rate loans received are passed through to the borrowers via below-market rate loans made, and that there is no material difference between community development finance market rates and the stated rates of loans in their portfolios. Consequently, no adjustments have been made to the accompanying financial statements to reflect contribution income or expense associated with below market interest rates.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Program-Related Development Investment

The Community Loan Fund maintains an equity investment in an uncombined affiliate where The Community Loan Fund exercises significant influence over the affiliate's operations (see Note 7). The Community Loan Fund accounts for this investment using the equity method. Whether or not the Community Loan Fund exercises significant influence with respect to an affiliate depends on an evaluation of several factors including, among others, representation on the affiliate's Board of Directors, significance of ownership in the voting securities of the affiliate, and participation in management activities significant to the investee. Under the equity method, the investment is initially recorded at cost and then increased or decreased by the share of income or loss of the affiliate. Distributions of cash reduce the carrying value of the investment. The Community Loan Fund also regularly evaluates the carrying value of the investment for potential impairment.

Equity Investments

Equity investments are generally interests in closely held businesses and are acquired in connection with certain Business Finance loan agreements (see Note 5). Equity investments are carried at fair value (see Note 8) as estimated in good faith per terms of a Board-approved Valuation Policy. Management uses all information available, including third-party valuation reports, to determine an appropriate valuation for each investment. The inputs used, including those used in third-party valuations, include valuation techniques based on multiples of earnings or revenues and hypothetical sale or liquidation scenarios. As in many sale or liquidation scenarios, there are key inputs, such as multiples of revenue, which are often important in early stage companies that have not established profitability that if the multiple was to increase or decrease, could result in a material change in the value realized upon sale. Warrants to obtain common stock are considered to be derivative instruments. As such, warrants are carried at fair value with changes in fair value recorded in the statements of activities and changes in net assets. Warrants, all of which are detachable, have been obtained in conjunction with issuing loans or investments to certain portfolio companies.

Property and Equipment and Depreciation

Property and equipment (see Note 9) are recorded at cost. The Community Loan Fund capitalizes purchases of \$5,000 or more. Maintenance, repairs and minor renewals are expensed as incurred and renewals and betterments are capitalized. Depreciation of property and equipment is calculated using the straight-line method over the following estimated useful lives:

| | |
|--------------------------------|---------------|
| Buildings and improvements | 10 - 40 years |
| Office furniture and equipment | 3 - 5 years |

The Community Loan Fund accounts for the carrying value of its long-lived assets in accordance with ASC Topic, *Property, Plant and Equipment*. As of June 30, 2018 and 2017, the Community Loan Fund has not recognized any reduction in the carrying value of its property and equipment when considering these requirements.

Conditional Advances

The Community Loan Fund records the proceeds of CDFI Capital Magnet Fund awards not yet committed to specific qualifying projects (see Notes 1 and 14) as conditional advances as mandated by the grant agreement. During fiscal year 2017, the Community Loan Fund received a \$1,502,163 grant from the CDFI fund of which \$1,427,055 was used to make qualifying loans and the remaining \$75,108 was spent for operating expenses in accordance with the agreement. At June 30, 2017, \$958,701 of the funds were committed to qualifying projects. The remaining \$468,354 was reported as conditional advance as of June 30, 2017, but was committed to qualifying projects during fiscal year 2018 and reported as restricted revenue according to the grant requirements during the year ended June 30, 2018.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Revenue

The Community Loan Fund records certain contract and Federal grant funds not currently deployed as deferred revenue in the accompanying statements of financial position. Deferred revenue at June 30, 2018, is made up of funds for the IDA Program that have not yet been deployed.

Net Asset Classifications

Net Assets Without Donor Restrictions – Include those net resources that bear no external restrictions and are generally available for use by the Community Loan Fund. These include certain funds set aside by the Board of Directors for loan loss reserves.

Net Assets With Donor Restrictions – Include net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events or programs run by The Community Loan Fund. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained for particular use in perpetuity. Net assets with donor-imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Electively, the Community Loan Fund reports each class of net assets within the following sub-categories:

Program Activities – Include net assets that are restricted to cover program delivery expenses and general operating functions of the Community Loan Fund, which could include salary, program costs, overhead, and other expenses. These net assets may be restricted for the program delivery expenses of a particular program or may be general operating support which carries a time restriction.

Financing Activities - Net assets that are restricted or internally designated for mission-related lending and investing. Where restricted by donors, these include net assets which will be re-deployed as lending capital (and remain as with donor restrictions) unless the grant is released due to a restriction being met. Because donors generally allow contributions to this category of net assets to be used to offset lending losses, the Community Loan Fund releases from restriction an amount equivalent to annual net loan loss provision (see Note 6). To the extent the Community Loan Fund has net recoveries above and beyond any loan loss provision, the amount is restored to this category. The Community Loan Fund released \$253,242 and recovered \$24,095 related to net loan loss provision during the years ended June 30, 2018 and 2017, respectively. All but \$275,000 of these net assets may be used as reserves for uncollectible financing activities (see page 14).

Pass-Through Activities - Net assets that are restricted amounts to be passed through (re-granted) to other organizations or individuals for mission-related purposes. These net assets are not available to be used for financing activities or program activities.

The Community Loan Fund classifies net assets with donor restrictions into three subcategories:

- *Purpose restricted* net assets include amounts restricted for program activities or mission-related financing activities of the Community Loan Fund.
- *Time restricted for future periods* represent restricted grant funds with donor-imposed time restrictions.
- *Perpetual in nature* net assets include grant funds that are to be held in perpetuity.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Asset Classifications (Continued)

Net assets with donor restrictions are restricted as follows as of June 30:

| Program Initiative | 2018 | | | |
|---|---------------------|------------------------------------|---------------------|---------------------|
| | Purpose Restricted | Time Restricted for Future Periods | Perpetual in Nature | Total |
| Program Activities: | | | | |
| Business Finance - Farm and Food Initiative | \$ - | \$ 40,000 | \$ - | \$ 40,000 |
| ROC-NH Program Delivery | 57,533 | - | - | 57,533 |
| General Program Delivery and Operations | - | 2,000 | - | 2,000 |
| Single Family Housing Program Delivery | 20,000 | 20,000 | - | 40,000 |
| IDA Program Delivery | 32,846 | - | - | 32,846 |
| Total Program Activities | <u>110,379</u> | <u>62,000</u> | <u>-</u> | <u>172,379</u> |
| Financing Activities: | | | | |
| General | 6,416,135 | 177,100 | 275,000 | 6,868,235 |
| Affordable Housing | 1,427,055 | - | - | 1,427,055 |
| Total Financing Activities | <u>7,843,190</u> | <u>177,100</u> | <u>275,000</u> | <u>8,295,290</u> |
| Pass-Through: | | | | |
| IDA Match Funds for Individuals | 53,253 | - | - | 53,253 |
| Total net assets with donor restrictions | <u>\$ 8,006,822</u> | <u>\$ 239,100</u> | <u>\$ 275,000</u> | <u>\$ 8,520,922</u> |
| Program Initiative | 2017 | | | |
| | Purpose Restricted | Time Restricted for Future Periods | Perpetual in Nature | Total |
| Program Activities: | | | | |
| Business Finance - Farm and Food Initiative | \$ - | \$ 65,000 | \$ - | \$ 65,000 |
| ROC-NH Program Delivery | 89,989 | - | - | 89,989 |
| General Program Delivery and Operations | - | 52,767 | - | 52,767 |
| Child Care Program Delivery | 3,259 | - | - | 3,259 |
| IDA Program Delivery | 40,218 | 8,000 | - | 48,218 |
| Total Program Activities | <u>133,466</u> | <u>125,767</u> | <u>-</u> | <u>259,233</u> |
| Financing Activities: | | | | |
| General | 6,599,972 | 460,865 | 275,000 | 7,335,837 |
| Affordable Housing | 958,701 | - | - | 958,701 |
| Total Financing Activities | <u>7,558,673</u> | <u>460,865</u> | <u>275,000</u> | <u>8,294,538</u> |
| Pass-Through: | | | | |
| Business Finance - Business Education | 744 | - | - | 744 |
| Child Care Financial Management | 20,680 | - | - | 20,680 |
| IDA Match Funds for Individuals | 37,945 | 42,000 | - | 79,945 |
| Total Pass-Through | <u>59,369</u> | <u>42,000</u> | <u>-</u> | <u>101,369</u> |
| Total net assets with donor restrictions | <u>\$ 7,751,508</u> | <u>\$ 628,632</u> | <u>\$ 275,000</u> | <u>\$ 8,655,140</u> |

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Asset Classifications (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30:

| | <u>2018</u> | <u>2017</u> |
|--|-------------------|---------------------|
| Satisfaction of purpose restrictions: | | |
| IDA Program | \$ 34,062 | \$ 95,869 |
| Child Care Program | 33,941 | - |
| ROC-NH Program | 7,446 | - |
| Single Family Housing Program | 5,000 | - |
| Farm and Food Initiative Program | 744 | 11,814 |
| Capital Magnet Program | - | <u>3,058,176</u> |
| Total releases from purpose restrictions | <u>81,193</u> | <u>3,165,859</u> |
| Expiration of time restrictions | 375,777 | 278,000 |
| Loan loss provision (recovery) | <u>253,242</u> | <u>(24,095)</u> |
| Total releases | <u>\$ 710,212</u> | <u>\$ 3,419,764</u> |

Statements of Activities and Changes in Net Assets

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating revenues and operating expenses in the accompanying statements of activities and changes in net assets. Peripheral or incidental transactions are reported as non-operating revenue (expense).

Revenue Recognition

Unconditional promises to give are recognized as revenues in the period received, and as assets, decreases of liabilities or expenses, depending on the form of the benefits received. Promises to give are recorded at net realizable value if expected to be collected in one year and at net present value if expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Loans payable and EQ2s (see Notes 11 and 12) on occasion are converted to contributions by the investors. During fiscal years 2018 and 2017, there were nine and three contributed loans payable and related interest totaling \$21,915 and \$32,679, respectively, which are included in grants and contributions in the accompanying statements of activities and changes in net assets.

Revenues from loans, investments and other financial instruments are recognized as revenues without donor restrictions as earned on an accrual basis except where restricted by donors.

Training and other fees are recognized on the accrual basis as services or goods are delivered or according to relevant benchmarks or criteria of the underlying agreements. All other revenue is recognized as earned.

In-Kind Contributions

The Community Loan Fund receives and recognizes contributed use of meeting space, services and gifts in-kind from various sources. The in-kind contributions are included under public support in the accompanying statements of activities and changes in net assets. The corresponding program expense is included in operating expenses. The Community Loan Fund received in-kind professional services with a fair value of \$1,350 and \$1,170 for the years ended June 30, 2018 and 2017, respectively.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function, including supporting services. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that cannot be directly attributed to a specific program area are charged to individual program areas based on the most appropriate allocation base. The expenses that are allocated include occupancy, which is allocated on a square footage basis; personnel costs, which are allocated based on estimated employee time dedicated to each program (for non-administrative) and wages as a percentage of total wages (for administrative); and direct administrative expenses.

Income Taxes

The Community Loan Fund accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. The Community Loan Fund has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the accompanying financial statements at June 30, 2018 and 2017. The Community Loan Fund's information returns are subject to examination by the Federal and state jurisdictions.

Subsequent Events

Subsequent events have been evaluated through September 27, 2018, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

3. MARKETABLE SECURITIES

Marketable securities carried at fair value on a recurring basis consist of the following at June 30:

| <u>Marketable Securities</u> | <u>2018</u> | | | |
|---|------------------|---------------------|----------------|---------------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| U.S. Government agency and U.S Treasury securities | \$ - | \$ 7,470,636 | \$ - | \$ 7,470,636 |
| Equity mutual funds | <u>50,253</u> | <u>-</u> | <u>-</u> | <u>50,253</u> |
| | <u>\$ 50,253</u> | <u>\$ 7,470,636</u> | <u>\$ -</u> | <u>\$ 7,520,889</u> |
| <u>Marketable Securities</u> | <u>2017</u> | | | |
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| U.S. Government agency and U.S Treasury securities | \$ - | \$ 8,990,619 | \$ - | \$ 8,990,619 |
| Equity mutual funds | <u>48,966</u> | <u>-</u> | <u>-</u> | <u>48,966</u> |
| | <u>\$ 48,966</u> | <u>\$ 8,990,619</u> | <u>\$ -</u> | <u>\$ 9,039,585</u> |

The Community Loan Fund's U.S. Government agency and U.S. Treasury securities are valued using Level 2 inputs, which are determined using relevant information generated by transactions that have occurred in the market place that involve similar assets. The U.S. Government agency and U.S. Treasury securities are used as collateral for a line of credit (see Note 10).

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2018 and 2017

3. MARKETABLE SECURITIES (Continued)

The fair value of investments in equity mutual funds are based upon quoted prices in active markets for identical assets which are Level 1 inputs.

Marketable securities are not insured and are subject to market volatility.

The accompanying financial statements include unrealized losses on debt security investments of \$(5,552) and \$(63,122) for the years ended June 30, 2018 and 2017, respectively. As of June 30, 2018 and 2017, the fair value differed from the amortized cost of the debt security investments by \$(20,625) and \$(15,073), respectively.

4. PLEDGES RECEIVABLE

Unconditional pledges from donors are included in the accompanying financial statements as pledges receivable and revenue in the net asset with donor restrictions category. Unconditional pledges are expected to be realized in the following periods at June 30:

| | <u>2018</u> | <u>2017</u> |
|-------------------|-------------------|-------------------|
| Amounts due in: | | |
| Within one year | \$ 119,100 | \$ 226,632 |
| One to five years | <u>120,000</u> | <u>402,000</u> |
| | <u>\$ 239,100</u> | <u>\$ 628,632</u> |

A discount of pledges receivable has not been recorded as it would not have been material to the financial statements.

5. LOANS RECEIVABLE AND OTHER FINANCING ACTIVITIES

Loans Receivable

At June 30, 2018 and 2017, there were 922 and 853, respectively, loans receivable from the Community Loan Fund's borrowers. As of June 30, 2018, the balances due on these loans varied in amounts from \$650 to \$6,136,000, and in terms from 12 months to 37 years. The Community Loan Fund lends in New Hampshire, and loan products vary by type and presence of collateral, risk level, loan size, degree of mission match, and presence of designated subsidized funding sources. As a result, interest rates on loans receivable at June 30, 2018 and 2017, ranged from 0% to 12% (one business loan). The overall weighted average interest rate on the portfolio of loans receivable was 7.08% and 7.27% as of June 30, 2018 and 2017, respectively. Loans are primarily secured by first or second mortgage liens on real estate for affordable housing and community facilities loans, and business assets for business finance loans. These notes are issued in connection with the programs described in Note 1.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2018 and 2017

5. LOANS RECEIVABLE AND OTHER FINANCING ACTIVITIES (Continued)

Loans Receivable (Continued)

Loans receivable in each lending area are as follows as of June 30:

| | <u>2018</u> | | | <u>2017</u> | | |
|-----------------------------|-------------|-----------------------|---------------|-------------|-----------------------|---------------|
| Affordable Housing: | | | | | | |
| ROC-NH | 101 | \$ 72,898,030 | 62.4% | 95 | \$ 60,372,160 | 59.7% |
| Welcome Home Loans | 690 | 31,717,752 | 27.2 | 676 | 29,763,833 | 29.4 |
| Community Housing | 6 | 1,471,028 | 1.3 | 3 | 1,030,851 | 1.0 |
| Other Single Family Housing | <u>77</u> | <u>412,693</u> | <u>0.4</u> | <u>36</u> | <u>299,793</u> | <u>0.3</u> |
| Sub-total | <u>874</u> | <u>106,499,503</u> | <u>91.3</u> | <u>810</u> | <u>91,466,637</u> | <u>90.4</u> |
| Community Facilities: | | | | | | |
| Community Facilities | 3 | 2,359,676 | 2.0 | 2 | 2,565,971 | 2.5 |
| Child Care Initiative | <u>7</u> | <u>1,224,905</u> | <u>1.1</u> | <u>7</u> | <u>1,403,905</u> | <u>1.4</u> |
| Sub-total | <u>10</u> | <u>3,584,581</u> | <u>3.1</u> | <u>9</u> | <u>3,969,876</u> | <u>3.9</u> |
| Business Finance: | | | | | | |
| Vested for Growth | 3 | 1,031,125 | 0.9 | 3 | 783,597 | .8 |
| Business Builder | 33 | 5,527,824 | 4.7 | 28 | 4,947,543 | 4.9 |
| MicroCredit-NH | <u>2</u> | <u>2,744</u> | <u>0.0</u> | <u>3</u> | <u>4,877</u> | <u>0.0</u> |
| Sub-total | <u>38</u> | <u>6,561,693</u> | <u>5.6</u> | <u>34</u> | <u>5,736,017</u> | <u>5.7</u> |
| Total | <u>922</u> | <u>\$ 116,645,777</u> | <u>100.0%</u> | <u>853</u> | <u>\$ 101,172,530</u> | <u>100.0%</u> |

Loans receivable are presented net of third-party loan participations of \$6,898,461 and \$1,244,118 as of June 30, 2018 and 2017, respectively. All loan participations qualify as loan sales in accordance with ASC Topic, *Transfers and Servicing*.

The ability of borrowers to repay the loans could be adversely affected by extensive job losses, dramatic increases in rental vacancies within the borrowers' geographic areas, or other adverse economic conditions.

The Community Loan Fund's financing policy requires that no single loan exceed 7% of total financing capital. As of June 30, 2018 and 2017, there were no loans that exceeded this threshold.

Principal payments of the loans scheduled for receipt are as follows:

| | <u>2018</u> | <u>2017</u> |
|---|-----------------------|----------------------|
| Amounts due in: | | |
| Within one year | \$ 4,815,263 | \$ 1,987,909 |
| One to five years | 16,782,674 | 13,934,769 |
| More than five years | <u>95,047,840</u> | <u>85,249,852</u> |
| | 116,645,777 | 101,172,530 |
| Less - current portion | (4,815,263) | (1,987,909) |
| Less - allowance for loan losses (see Note 6) | <u>(1,984,188)</u> | <u>(1,778,453)</u> |
| | <u>\$ 109,846,326</u> | <u>\$ 97,406,168</u> |

In addition to funded loans receivable, the Community Loan Fund had loan commitments to borrowers totaling \$9,209,646 and \$9,675,170 at June 30, 2018 and 2017, respectively. Loan commitments represent arrangements to lend funds at specified terms and interest rates and contain fixed expiration dates or other termination clauses.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2018 and 2017

6. ALLOWANCE FOR LOAN LOSSES

The Community Loan Fund follows the *Disclosure About the Credit Quality of Financing Receivables and the Allowance for Credit Losses* standard under U.S. GAAP. This standard requires disclosure on the accounting policies and methodology used to estimate the allowance for loan losses. The total allowance for loan losses (ALL) at June 30, 2018 and 2017, was \$1,984,188 and \$1,778,453, respectively, representing 1.7% and 1.8%, respectively, of loans receivable at the end of each year.

The ALL is estimated based on a system adopted by the Board of Directors, and the amount is determined by an individually assigned risk rating for each loan. The balance in the ALL is determined based on management's judgment and evaluation of the loan portfolio in relation to past loss experience, the size and composition of the portfolio, current economic events and conditions, and other pertinent factors, including management's assumptions as to future delinquencies, recoveries and losses. All of these factors are susceptible to significant change. To the extent actual outcomes differ from management's estimates, additional provisions for loan losses may be required that would adversely impact earnings in future periods.

The balance in the ALL, which has been allocated to the long-term portion of the loan portfolio in the accompanying financial statements, consists of the following at June 30, 2018 and 2017:

| <u>Loan Category</u> | <u>ALL June 30, 2017</u> | <u>Net Charge-offs of Loans in ALL at June 30, 2017</u> | <u>Net Provision/ (Recovery)</u> | <u>ALL June 30, 2018</u> |
|--|----------------------------------|---|--|----------------------------------|
| Affordable Housing: | | | | |
| ROC-NH | \$ 635,398 | \$ - | \$ 24,425 | \$ 659,823 |
| Welcome Home Loans | 468,156 | (24,975) | 82,490 | 525,671 |
| Other Single Family Housing | 6,512 | - | 4,473 | 10,985 |
| Community Housing | <u>8,246</u> | <u>-</u> | <u>3,521</u> | <u>11,767</u> |
| Sub-total, Affordable Housing Loans | <u>1,118,312</u> | <u>(24,975)</u> | <u>114,909</u> | <u>1,208,246</u> |
| Community Facilities: | | | | |
| Community Facilities | 25,659 | - | (5,603) | 20,056 |
| Child Care Initiative | <u>14,039</u> | <u>-</u> | <u>320</u> | <u>14,359</u> |
| Sub-total, Community Facilities Loans | <u>39,698</u> | <u>-</u> | <u>(5,283)</u> | <u>34,415</u> |
| Business Finance: | | | | |
| Vested for Growth | 100,936 | - | 15,937 | 116,873 |
| Business Builder | 517,889 | - | 106,490 | 624,379 |
| MicroCredit-NH | <u>1,618</u> | <u>-</u> | <u>(1,343)</u> | <u>275</u> |
| Sub-total, Business Finance Loans | <u>620,443</u> | <u>-</u> | <u>121,084</u> | <u>741,527</u> |
| Grand total | <u>\$ 1,778,453</u> | <u>\$ (24,975)</u> | <u>\$ 230,710</u> | <u>\$ 1,984,188</u> |

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2018 and 2017

6. ALLOWANCE FOR LOAN LOSSES (Continued)

| <u>Loan Category</u> | <u>ALL June 30, 2016</u> | <u>Net Charge-offs of Loans in ALL at June 30, 2016</u> | <u>Net Provision/ (Recovery)</u> | <u>ALL June 30, 2017</u> |
|---------------------------------------|----------------------------------|---|--|----------------------------------|
| Affordable Housing: | | | | |
| ROC-NH | \$ 501,559 | \$ - | \$ 133,839 | \$ 635,398 |
| Welcome Home Loans | 469,570 | (12,611) | 11,197 | 468,156 |
| Other Single Family Housing | 8,623 | (1,740) | (371) | 6,512 |
| Community Housing | <u>12,662</u> | <u>-</u> | <u>(4,416)</u> | <u>8,246</u> |
| Sub-total, Affordable Housing Loans | <u>992,414</u> | <u>(14,351)</u> | <u>140,249</u> | <u>1,118,312</u> |
| Community Facilities: | | | | |
| Community Facilities | 13,689 | - | 11,970 | 25,659 |
| Child Care Initiative | <u>21,245</u> | <u>-</u> | <u>(7,206)</u> | <u>14,039</u> |
| Sub-total, Community Facilities Loans | <u>34,934</u> | <u>-</u> | <u>4,764</u> | <u>39,698</u> |
| Business Finance: | | | | |
| Vested for Growth | 241,893 | - | (140,957) | 100,936 |
| Business Builder | 2,394,056 | (1,784,030) | (92,137) | 517,889 |
| MicroCredit-NH | <u>4,761</u> | <u>(2,769)</u> | <u>(374)</u> | <u>1,618</u> |
| Sub-total, Business Finance Loans | <u>2,640,710</u> | <u>(1,786,799)</u> | <u>(233,468)</u> | <u>620,443</u> |
| Grand total | <u>\$ 3,668,058</u> | <u>\$ (1,801,150)</u> | <u>\$ (88,455)</u> | <u>\$ 1,778,453</u> |

Net loan loss provision (recovery), as reported in the accompanying statements of activities and changes in net assets are as follows for the years ended June 30:

| | <u>2018</u> | <u>2017</u> |
|---|-------------------|--------------------|
| Allowance for loan losses: | | |
| Provisions | \$ 237,656 | \$ 157,007 |
| Direct charge-offs not previously reserved | 121,676 | 194,218 |
| Actual recoveries from loans previously charged-off | (99,144) | (101,132) |
| Actual recoveries from self-financed property activity previously charged-off | - | (28,727) |
| Valuation recovery from loans previously reserved | <u>(6,946)</u> | <u>(245,461)</u> |
| Net loan loss provision (recovery) | <u>\$ 253,242</u> | <u>\$ (24,095)</u> |

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2018 and 2017

6. ALLOWANCE FOR LOAN LOSSES (Continued)

Direct loan charge-offs, net of recoveries, are as follows for the years ended June 30:

| | <u>2018</u> | <u>2017</u> |
|-----------------------------|------------------|---------------------|
| Direct-charge-offs | \$ 146,651 | \$ 1,995,369 |
| Recoveries | <u>(99,144)</u> | <u>(101,132)</u> |
| Net direct loan charge-offs | <u>\$ 47,507</u> | <u>\$ 1,894,237</u> |

Fiscal year 2017 direct charge-offs of \$1,995,369 include a charge-off of \$1,784,030 against one Business Builder real estate loan.

Impaired Loans

The Community Loan Fund identifies a loan as impaired when it is probable that interest and/or principal will not be collected according to the contractual terms of the loan agreement. In accordance with guidance provided by the criteria under ASC Topic, *Impairment (Recoverability)*, management employs one of three methods to determine and measure impairment: the Present Value of Future Cash Flow Method; the Fair Value of Collateral Method; and the Observable Market Price of a Loan Method. To perform an impairment analysis, the Community Loan Fund reviews a loan's internally assigned risk rating, its outstanding balance, value of the collateral, guarantors, and a current report of the action being implemented. Based on the nature of the specific loan, one of the impairment methods is chosen or any impairment is determined, based on criteria established for impaired loans.

Impaired loans as of June 30, 2018 and 2017, are set forth in the tables below. There were no impaired loans in the Community Facilities category.

| <u>Loan Category</u> | <u>Number of Impaired Loans</u> | <u>2018 Amount of Impaired Loans</u> | <u>Allowance for Loan Losses</u> |
|-----------------------------|---------------------------------|--|----------------------------------|
| Affordable Housing: | | | |
| Welcome Home Loans | 29 | \$ 1,602,620 | \$ 240,393 |
| Other Single Family Housing | <u>1</u> | <u>1,803</u> | <u>270</u> |
| Sub-total | 30 | 1,604,423 | 240,663 |
| Business Finance: | | | |
| Business Builder | <u>1</u> | <u>281,990</u> | <u>140,995</u> |
| Total impaired loans | <u>31</u> | <u>\$ 1,886,413</u> | <u>\$ 381,658</u> |

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2018 and 2017

6. ALLOWANCE FOR LOAN LOSSES (Continued)

Impaired Loans (Continued)

| <u>Loan Category</u> | <u>Number of Impaired Loans</u> | <u>2017</u> | |
|-----------------------------|---------------------------------|---------------------------------|----------------------------------|
| | | <u>Amount of Impaired Loans</u> | <u>Allowance for Loan Losses</u> |
| Affordable Housing: | | | |
| Welcome Home Loans | 30 | \$ 1,520,929 | \$ 228,139 |
| Other Single Family Housing | <u>3</u> | <u>21,593</u> | <u>3,239</u> |
| Sub-total | 33 | 1,542,522 | 231,378 |
| Business Finance: | | | |
| MicroCredit-NH | <u>1</u> | <u>1,255</u> | <u>1,255</u> |
| Total impaired loans | <u>34</u> | <u>\$ 1,543,777</u> | <u>\$ 232,633</u> |

Troubled Debt Restructuring

A troubled debt restructuring (TDR) occurs when a creditor, for economic or legal reasons related to a borrower's financial condition, grants a concession to the borrower that it would not otherwise consider, such as below market interest rates, principal reductions extending the maturity of a loan, or a combination of these. As is common in the CDFI industry, the Community Loan Fund makes loan amendments in the normal course of business to extend the loan term when the take-out financing is delayed or under other similar circumstances. If the Community Loan Fund determines that the amendment is not due to the financial difficulties of the borrower and continues to expect full repayment of the loan, the amendment is not classified as a TDR.

At the time a loan is modified in a TDR, the Community Loan Fund considers several factors in determining whether the loan should accrue interest, including:

- Cash flow necessary to pay the interest.
- Whether the customer is current on their interest payments.
- Whether the Community Loan Fund expects the borrower to perform under the revised terms of the restructuring.

Loans that were impaired and classified as TDRs are set forth in the tables below as of June 30:

| <u>2018 Troubled Debt Restructuring</u> | <u>Number of Loans Restructured</u> | <u>Amount of Restructured Loans</u> | <u>Allowance for Loan Losses</u> |
|---|-------------------------------------|-------------------------------------|----------------------------------|
| Extension resulting from financial difficulty | 6 | <u>\$ 449,038</u> | <u>\$ 166,052</u> |

| <u>2017 Troubled Debt Restructuring</u> | <u>Number of Loans Restructured</u> | <u>Amount of Restructured Loans</u> | <u>Allowance for Loan Losses</u> |
|---|-------------------------------------|-------------------------------------|----------------------------------|
| Extension resulting from financial difficulty | 6 | <u>\$ 171,487</u> | <u>\$ 26,790</u> |

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2018 and 2017

7. PROGRAM-RELATED DEVELOPMENT INVESTMENT

The Community Loan Fund holds a program-related development investment in ROC USA, LLC (ROC USA). ROC USA was formed in December 2007 as a nonprofit limited liability corporation. Its mission is to make quality ownership of manufactured home communities viable nationwide. ROC USA provides technical assistance and loans to people living in manufactured home communities, in order to assist them with the purchase of their communities, so that they will be resident owned.

The Community Loan Fund is one of three nonprofit organizations to originally invest in ROC USA. In the original Operating Agreement of ROC USA dated September 2008, all three nonprofit organizations committed to an original investment of \$500,000, and each had equal capital interests and voting interests in ROC USA of 33 1/3%.

In January 2013, the three original members unanimously approved an amendment to the Operating Agreement to add a new voting member, ROC Association. The ROC Association represents all resident-owned manufactured home communities assisted by ROC USA across the nation. As a result of the amendment, the membership interests were specifically changed as follows:

- ROC Association was not required to make a contribution to ROC USA. It has no capital interest but its voting interest is equal to 28.57%.
- The capital interests of the Community Loan Fund and the other two original members remain unchanged at 33 1/3% of ROC USA, but the voting interests changed to 23.81% each.

The balance of ROC USA's investment was \$2,240,980 and \$1,964,959 as of June 30, 2018 and 2017, respectively. The balance is based on the application of the equity method (see Note 2) modified for a hypothetical liquidation analysis. For the years ended June 30, 2018 and 2017, the Community Loan Fund's share of income (loss) was \$276,021 and \$(132,809), respectively, including the effects of the hypothetical liquidation analysis.

The balance of the Community Loan Fund's investment in ROC USA is calculated as follows as of June 30:

| | <u>2018</u> | <u>2017</u> |
|---|---------------------|---------------------|
| Total Unrestricted Net Assets of ROC USA | \$ 8,242,344 | \$ 8,188,270 |
| Member percentage | 33.33% | 33.33% |
| Equity valuation | 2,747,173 | 2,729,150 |
| Less - hypothetical liquidation allowance | <u>(506,193)</u> | <u>(764,191)</u> |
| Net carrying value | <u>\$ 2,240,980</u> | <u>\$ 1,964,959</u> |

In accordance with the disclosure standards pertaining to ASC Topic, *Investment – Equity Method and Joint Ventures*, the following summarized financial information related to ROC USA is provided:

| <u>Fiscal Year Ending</u> | <u>Total Assets</u> | <u>Total Liabilities</u> | <u>Total Net Assets</u> | <u>Total Revenue</u> | <u>Total Expenses</u> |
|---------------------------|---------------------|--------------------------|-------------------------|----------------------|-----------------------|
| 12/31/2018 | \$ 78,672,155 | \$ 66,300,891 | \$ 12,371,264 | \$ 2,686,216 | \$ 2,716,800 |
| 12/31/2017 | \$ 65,071,125 | \$ 52,669,277 | \$ 12,401,848 | \$ 3,022,509 | \$ 2,339,014 |

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2018 and 2017

8. EQUITY INVESTMENTS

Equity investments, including warrants, (see Note 2) consist of investments made by the Community Loan Fund in privately held corporations. Through its Vested for Growth program, the Community Loan Fund provides capital investments to businesses that are committed to long-term growth strategies based on employee involvement and quality. Equity financing involves the Community Loan Fund taking a percentage of ownership in the investee. This may take the form of common or preferred stock, convertible notes, the ability to purchase stock with options or warrants, or in the case of limited liability companies, ownership units. Vested for Growth staff closely monitor each investee's financial condition, often sitting on the investee's Board of Directors as an observer. Warrants obtained through the loan portfolio have no identified cost and are valued at fair value through appreciation, if applicable. During fiscal year 2018, warrants were sold resulting in total proceeds and a realized gain of \$1,953.

The Community Loan Fund's equity investments are reported at fair value using Level 3 inputs and are invested in the following business sectors at June 30:

| <u>Business Sector</u> | <u>2018</u> | | <u>2017</u> | |
|------------------------|----------------------------|--------------------------|----------------------------|--------------------------|
| | <u>Number of Investees</u> | <u>Investment Amount</u> | <u>Number of Investees</u> | <u>Investment Amount</u> |
| Information technology | <u>1</u> | <u>\$ 703,028</u> | <u>1</u> | <u>\$ 661,325</u> |

A reconciliation of Level 3 investments for the years ended June 30, 2018 and 2017, is as follows:

| | <u>Equity Investments</u> |
|-----------------------------|---------------------------|
| Balance as of June 30, 2016 | \$ 872,687 |
| Purchases | 227,029 |
| Sales | (235,333) |
| Realized gains | 235,333 |
| Net unrealized losses | <u>(438,391)</u> |
| Balance as of June 30, 2017 | 661,325 |
| Purchases | 43,177 |
| Realized losses | (266,876) |
| Net unrealized gain | <u>265,402</u> |
| Balance as of June 30, 2018 | <u>\$ 703,028</u> |

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2018 and 2017

9. PROPERTY AND EQUIPMENT

Property and equipment, which consist primarily of the Community Loan Fund's headquarters (see Note 2), consist of the following at June 30:

| | <u>2018</u> | <u>2017</u> |
|---------------------------------|---------------------|---------------------|
| Land | \$ 321,461 | \$ 321,461 |
| Buildings and improvements | 4,782,629 | 4,782,629 |
| Office furniture and equipment | <u>660,558</u> | <u>599,871</u> |
| | 5,764,648 | 5,703,961 |
| Less - accumulated depreciation | <u>1,827,869</u> | <u>1,646,511</u> |
| | <u>\$ 3,936,779</u> | <u>\$ 4,057,450</u> |

10. AVAILABLE CREDIT

The Community Loan Fund procures secured and unsecured lines of credit to meet liquidity needs in the course of fulfilling its mission.

Secured Lines of Credit

The Community Loan Fund has available two secured hard-maturity lines of credit:

The first is a \$7,500,000 hard-maturity line of credit from a financial institution, which is secured by the Community Loan Fund's investment portfolio of U.S. government securities (see Note 3). The line of credit was originally established in June 2002 and has a maturity date of July 31, 2019. The amount available shall not exceed 85% of the market value of the government bonds collateralizing the loan (see Note 3). On June 30, 2018, the market value of the bonds was \$7,437,039, which is comprised of the gross fair value of \$7,470,636, less unamortized discounts on bond purchases of \$33,597. Therefore, \$6,321,483 was available to be drawn as of June 30, 2018. Advances bear interest at the *Wall Street Journal's* prime rate (5.00% and 4.25% at June 30, 2018 and 2017, respectively). As of June 30, 2018 and 2017, there was no outstanding balance.

The second is a \$1,392,000 hard-maturity line of credit from a financial institution, which is secured by first mortgages on three office buildings owned and operated by the Community Loan Fund. The line of credit was originally established in February 2000 and has a maturity date of July 31, 2019. Advances bear interest at the *Wall Street Journal's* prime rate (see above). As of June 30, 2018 and 2017, there was no outstanding balance.

Unsecured Lines of Credit

The Community Loan Fund also has available three unsecured lines of credit:

The first is a \$2,000,000 unsecured revolving line of credit from a financial institution. The line of credit was originally established in June 2014 and has a new maturity date of September 23, 2018. Advances bear interest at the *Wall Street Journal's* prime rate (see above). As of June 30, 2018 and 2017, there was no outstanding balance.

The second is a \$1,000,000 unsecured revolving line of credit from a financial institution. The line of credit was originally established in February 2014 and has a maturity date of February 20, 2020. Advances bear interest at the *Wall Street Journal's* prime rate (see above). As of June 30, 2018 and 2017, there was no outstanding balance.

The third is a \$250,000 unsecured revolving line of credit from a foundation. The line was originally established in March 2007 and matures on May 31, 2019. Advances bear interest at 5%. As of June 30, 2018 and 2017, there was no outstanding balance.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2018 and 2017

11. LOANS PAYABLE

At June 30, 2018 and 2017, there were 1,105 and 1,028 notes payable ranging in outstanding balances of \$1,000 up to \$5,000,000 and totaling \$101,792,762 and \$90,160,230, respectively. Loans payable consist of loans from individuals, religious institutions, nonprofit organizations, banks, and other organizations who have chosen to invest in the Community Loan Fund as a way to benefit the community - that is, they are interested in the social impact, as well as the financial return. Many also see this as a way to increase their financial commitment to the Community Loan Fund's mission, above and beyond what they can contribute as an outright contribution.

The Community Loan Fund actively pursues these investments, not only for the capital they bring to the Community Loan Fund, but because the investments in and of themselves serve the Community Loan Fund's mission by connecting those with financial resources to those without. Loans, which are generally non-amortizing, currently vary in length from one year to fifteen years, with interest rates from 0% to 5%, and are unsecured. Historically, over 80% of the number of loans that mature have been renewed. Accrued interest payable on loans payable was \$1,180,583 and \$977,415 as of June 30, 2018 and 2017, respectively.

The proceeds of the loans are restricted for the purposes of mission-related financing activities.

Principal payments on loans payable are scheduled to mature as follows:

| <u>Year Ending June 30</u> | |
|--------------------------------|-----------------------|
| 2019 | \$ 10,663,640 |
| 2020 | 20,672,187 |
| 2021 | 12,255,906 |
| 2022 | 7,679,431 |
| 2023 | 15,698,352 |
| Thereafter | <u>34,823,246</u> |
| | <u>\$ 101,792,762</u> |

12. SUBORDINATED LOANS PAYABLE – EQUITY EQUIVALENT INVESTMENTS

Subordinated loans payable consists of "Equity Equivalents" (EQ2) notes payable to financial institutions. EQ2 notes payable are unsecured and are fully subordinate to loans payable and all other Community Loan Fund liabilities. The financial institutions making these EQ2 investments see this as an effective and efficient way both to strengthen the local economy and to meet community reinvestment obligations. As of June 30, 2018 and 2017, there were twenty EQ2 notes payable totaling \$8,600,000 with interest rates ranging from 2% to 3%.

EQ2 notes payable generally have rolling terms and indeterminate maturities and may only be called by the investor with significant advance notice. Termination notices are in effect on two EQ2 investments that terminate in August 2020 (\$800,000) and December 2027 (\$1,000,000) respectively (see below).

One \$500,000 EQ2 note payable has a ten-year term with a maturity date in February 2024. The maturity date automatically extends for an additional two years to February 2026, unless the Community Loan Fund opts out of the extension.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2018 and 2017

12. SUBORDINATED LOANS PAYABLE – EQUITY EQUIVALENT INVESTMENTS (Continued)

As of June 30, 2018 and 2017, EQ2s are summarized as follows:

| <u>Category of EQ2</u> | <u>Number of EQ2 Notes</u> | <u>Amount of EQ2 Notes</u> |
|--|----------------------------|----------------------------|
| Rolling terms with indefinite maturities | 17 | \$ 6,300,000 |
| Termination notices issued | 2 | 1,800,000 |
| Maturity date issued at origination | <u>1</u> | <u>500,000</u> |
| Total | <u>20</u> | <u>\$ 8,600,000</u> |

13. CHARITABLE GIFT ANNUITIES PAYABLE

The Community Loan Fund receives contributions from donors who stipulate that the Community Loan Fund is to make annuity payments for life to an annuitant designated by the donor, with the remaining principal reverting to the Community Loan Fund after the death of the annuitant. The Community Loan Fund invests these charitable contributions in cash and marketable securities based upon investment regulations of the State of New Hampshire. The present value of the principal portion of estimated future annuity payments is recorded as a liability of the Community Loan Fund and the excess of the contribution over the present value is recorded as public support at the time of receipt. At June 30, 2018 and 2017, the present value of commitments to two annuitants totaled \$25,086 and \$23,644, respectively, and is included in accounts payable and accrued expenses in the accompanying statements of financial position.

14. CONTINGENCIES

Individual Development Accounts Collaborative

The Individual Development Accounts Collaborative (IDA) is administered by the Community Loan Fund through community organizations to offer people with low incomes financial training and matched-savings accounts to help them save for homeownership, post-secondary education, small-business investment, home repairs or vehicle purchase. Each dollar of savings by participants is matched with eight dollars using funds raised by the Community Loan Fund for this purpose.

As of June 30, 2018, the Community Loan Fund had a total of 1,026 IDA graduates. Each completed all training and savings requirements and purchased an approved asset. A total of 112 individuals are actively enrolled in the IDA program. If all of these individuals graduate from the program with the maximum allowed amount of matchable personal savings, it would result in an obligation to pay \$448,000 in matching funds. To meet these obligations in subsequent years, there is \$272,467 in IDA matching funds raised in previous years and set aside at June 30, 2018 in net assets with donor restrictions and deferred revenue, as well as an additional \$48,000 in committed funds from an independent Agency.

CDFI Awards Under the Capital Magnet Program

The Community Loan Fund received Capital Magnet Fund (CMF) awards from the CDFI fund in 2011 and 2017 for \$3,700,000 and \$1,502,163, respectively.

- For the 2011 CMF award, \$3,515,000 of the proceeds were to be used to make qualifying loans and pass-through grants. Of this total, \$456,824 of the proceeds was used to make pass-through grants to homeowners under the ROC-NH manufactured housing infill initiative. The remainder was used to make qualified loans.
- For the 2017 CMF award, \$1,427,055 of the proceeds were used to make qualified loans.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2018 and 2017

14. CONTINGENCIES (Continued)

CDFI Awards Under the Capital Magnet Program (Continued)

CMF funds are treated as time restricted net assets during the initial five-year investment period, and they are released from net assets with donor restrictions after the five-year investment period ends (see Note 2).

Under the terms of the Capital Magnet agreements, the funded projects must comply with various affordability requirements for a period of ten years after the project completion date. For the 2011 CMF award, the ten-year affordability period ends in 2026. For the 2017 CMF award, the affordability period end-date will be established after funds have been fully deployed to qualified loans and the last project is completed. The Community Loan Fund expects the underlying transactions executed to comply with the grant's requirements and affordability restrictions for the duration of the compliance period. If a transaction involving funds previously released were to fall out of compliance, the Community Loan Fund would be required to replace the transaction and possibly the previously released funds with another qualifying expense or loan.

15. RETIREMENT PLAN

The Community Loan Fund maintains a Section 401(k) retirement plan allowing employees to elect to defer compensation up to the maximum allowed under IRC regulations. Employees with a minimum of six months of employment receive a safe harbor contribution benefit in the first quarter of the calendar year. That benefit was calculated at 3% of eligible compensation for the fiscal year. For the years ended June 30, 2018 and 2017, the Community Loan Fund had \$98,614 and \$102,624, respectively, of retirement benefits expense, which is included in benefits in the accompanying statements of functional expenses.

16. RELATED PARTY TRANSACTIONS

The Community Loan Fund's by-laws require the Board of Directors to include representatives of borrower organizations and investors among its membership. All transaction decisions follow standard policies and procedures including those covering conflict of interest.

Three members of the Board of Directors have provided investments or have family members who have provided investments totaling \$364,093 to the Community Loan Fund as of June 30, 2018. Twelve employees have provided investments or have family members who have provided investments totaling \$500,321 to the Community Loan Fund as of June 30, 2018.

One employee has a relative with a single-family home mortgage loan from the Community Loan Fund totaling \$90,860 as of June 30, 2018, which was made following all standard processes and criteria.

Board members and staff are typically donors to the Community Loan Fund. Donations and investments are accepted from employees, from individual Board members, or from organizations with which current and former employees and Board members are employed or associated. The transactions are part of the Community Loan Fund's normal course of business.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2018 and 2017

17. LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

Financial assets available for general operating use, that is, without donor or other restrictions limiting their use (see Note 1), within one year of the statement of financial position date, comprise the following for fiscal year ending June 30, 2018:

| | |
|---|----------------------|
| Cash and cash equivalents | \$ 6,454,627 |
| Investments | 7,520,889 |
| Grants, contracts and other receivables | 668,324 |
| Current portion of pledges receivable | 119,100 |
| Current portion of loans receivable | 4,815,263 |
| Accrued interest receivable | <u>577,727</u> |
| | 20,155,930 |
| Less - investments in equity mutual funds which are not readily salable (see Note 3) | <u>(50,253)</u> |
| | <u>\$ 20,105,677</u> |

The Community Loan Fund's investment and cash management objectives are to carry out the Community Loan Fund's mission. Effective investment and cash management enhances the Community Loan Fund's capacity to increase access to capital for the benefit of low- and moderate-income people. Also, the Community Loan Fund seeks to manage capital judiciously. The organization is committed to repaying in full all investors and to preserving its capital for use in fulfilling its mission.

As part of its internal cash management policies, the Community Loan Fund aims to maintain operating liquidity balances of at least three months of operating expenses. Cash exceeding short-term requirements is invested in various marketable securities, mainly Treasury and government agency instruments (see Note 3) following the parameters of a Board-approved Investment Policy. In managing its investment portfolio, the Community Loan Fund aims to minimize risk to principal and ensure compliance with all investor covenants.

The Community Loan Fund's Asset-Liability Committee (ALCO) is comprised of Senior Management. The ALCO regularly monitors the availability of resources required to manage liquidity, using a variety of reports and practices to manage asset-liability matching and to identify liquidity concerns, including a rolling six-month cash-forecasting model; a portfolio management report showing fund availability after required reserves and commitments; an 18-month investor maturity forecast reporting status of each followed by active engagement of investors; five-year projections showing financing activity with detailed deployment and capital assumptions; and other financial reports and scorecards showing indicators and ratios.

To ensure sufficient funding available to support investor repayments, as part of a Board-approved Investor Policy, the Community Loan Fund maintains an internal liquidity reserve of at least 10% of its total outstanding senior-debt investments. This reserve may be reduced by the amount of the Community Loan Fund's available lines of credit (unsecured or real-estate backed) (see Note 10) that can be readily accessed for capital liquidity purposes.

In its Board-approved Investor Policy, the Community Loan Fund has established a maximum investment amount that can come due at any time from one investor. This amount, currently at \$3,000,000, has been set by the ALCO and may be changed from time to time by the ALCO. The Policy does not prevent an investor from investing more than this amount. The investment would need to be divided between more than one maturity date, each at least one year apart, with no one maturity exceeding the maximum amount.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2018 and 2017

17. LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES (Continued)

To supplement liquidity for mission-related financing, the Community Loan Fund currently has five committed lines of credit from four different entities which it could draw upon, in the amounts of \$10,963,483 and \$12,142,000 as of June 30, 2018 and 2017, respectively (see Note 10).

Another key source of liquidity includes loan sales, and participation and co-lending strategies.

- **Loan Sales:** The Community Loan Fund aims to leverage our assets and recycle capital by selling pools of seasoned loans from our portfolio. The single-family mortgage portfolio of Welcome Home loans was designed in collaboration with local financial institutions that had interest in buying packaged, seasoned loans as part of the original Welcome Home loan recapitalization plan. To date, the Community Loan Fund has sold three separate \$500,000 pools of seasoned Welcome Home loans to local banks. The most recent loan pool sale was in 2016, and the loans were sold at a premium.
- **Participation Strategies:** When considering large loans, especially those that are more than single loan size policies, the Community Loan Fund actively engages other organizations and individual investors in a variety of co-lending arrangements.
- **Co-Investor Strategies:** At origination, or for follow on financing, in both the Business Financing and ROC-NH product lines, the Community Loan Fund has engaged co-investors to invest directly in businesses and ROCs. These investors are available to take over some of the financing share either directly or as participants, if liquidity is needed.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Supplemental Statement of Financial Position

June 30, 2018

(With Comparative Totals as of June 30, 2017)

| Assets | 2018 | | | | 2017 |
|--|--------------------|----------------------|----------------|----------------|----------------|
| | Program Activities | Financing Activities | Eliminations | Total | Total |
| Current Assets: | | | | | |
| Cash and cash equivalents | \$ 2,786,658 | \$ 3,667,969 | \$ - | \$ 6,454,627 | \$ 7,013,344 |
| Cash and cash equivalents - pass-through | 471,156 | - | - | 471,156 | 677,525 |
| Marketable securities | - | 7,520,889 | - | 7,520,889 | 9,039,585 |
| Grants, contracts and other receivables | 54,820 | 613,504 | - | 668,324 | 929,241 |
| Current portion of pledges receivable | 52,000 | 67,100 | - | 119,100 | 226,632 |
| Interfund accounts receivable | - | 888,943 | (888,943) | - | - |
| Current portion of loans receivable | - | 4,815,263 | - | 4,815,263 | 1,987,909 |
| Current portion of interfund loans receivable | - | 190,611 | (190,611) | - | - |
| Accrued interest receivable | - | 577,727 | - | 577,727 | 448,157 |
| Prepaid expenses and other | 70,859 | 108,371 | - | 179,230 | 151,806 |
| Total current assets | 3,435,493 | 18,450,377 | (1,079,554) | 20,806,316 | 20,474,199 |
| Loans Receivable, net of current portion and allowance for loan losses of \$1,984,188 | - | 109,846,326 | - | 109,846,326 | 97,406,168 |
| Pledges Receivable, net of current portion | 10,000 | 110,000 | - | 120,000 | 402,000 |
| Interfund Loans Receivable, net of current portion | - | 2,668,560 | (2,668,560) | - | - |
| Program-Related Development Investment, net | - | 2,240,980 | - | 2,240,980 | 1,964,959 |
| Equity Investments | - | 703,028 | - | 703,028 | 661,325 |
| Property and Equipment, net | 3,936,779 | - | - | 3,936,779 | 4,057,450 |
| Total assets | \$ 7,382,272 | \$ 134,019,271 | \$ (3,748,114) | \$ 137,653,429 | \$ 124,966,101 |
| Liabilities and Net Assets | | | | | |
| Current Liabilities: | | | | | |
| Current portion of loans payable | \$ - | \$ 10,663,640 | \$ - | \$ 10,663,640 | \$ 8,611,084 |
| Accounts payable and accrued expenses | 318,898 | 39,419 | - | 358,317 | 721,557 |
| Accrued interest payable | - | 1,180,583 | - | 1,180,583 | 977,415 |
| Conditional advances | - | - | - | - | 468,354 |
| Deferred revenue | 219,214 | - | - | 219,214 | 291,054 |
| Interfund accounts payable | 888,943 | - | (888,943) | - | - |
| Current portion of interfund loans payable | 190,611 | - | (190,611) | - | - |
| Total current liabilities | 1,617,666 | 11,883,642 | (1,079,554) | 12,421,754 | 11,069,464 |
| Long-Term Liabilities: | | | | | |
| Loans payable, net of current portion | - | 91,129,122 | - | 91,129,122 | 81,549,146 |
| Interfund loans payable, net of current portion | 2,668,560 | - | (2,668,560) | - | - |
| Subordinated loans payable - equity equivalent investments | - | 8,600,000 | - | 8,600,000 | 8,600,000 |
| Total liabilities | 4,286,226 | 111,612,764 | (3,748,114) | 112,150,876 | 101,218,610 |
| Net Assets: | | | | | |
| Without donor restrictions: | | | | | |
| Program | 2,870,414 | - | - | 2,870,414 | 2,661,805 |
| Financing | - | 14,111,217 | - | 14,111,217 | 12,430,546 |
| Total without donor restrictions | 2,870,414 | 14,111,217 | - | 16,981,631 | 15,092,351 |
| With donor restrictions: | | | | | |
| Program | 172,379 | - | - | 172,379 | 259,233 |
| Financing | - | 8,295,290 | - | 8,295,290 | 8,294,538 |
| Pass-through | 53,253 | - | - | 53,253 | 101,369 |
| Total with donor restrictions | 225,632 | 8,295,290 | - | 8,520,922 | 8,655,140 |
| Total net assets | 3,096,046 | 22,406,507 | - | 25,502,553 | 23,747,491 |
| Total liabilities and net assets | \$ 7,382,272 | \$ 134,019,271 | \$ (3,748,114) | \$ 137,653,429 | \$ 124,966,101 |

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Supplemental Statement of Financial Position
June 30, 2017

| Assets | Program Activities | Financing Activities | Eliminations | Total |
|--|-------------------------------|---------------------------------|-----------------------|-----------------------|
| Current Assets: | | | | |
| Cash and cash equivalents | \$ 2,921,215 | \$ 4,092,129 | \$ - | \$ 7,013,344 |
| Cash and cash equivalents - pass-through | 677,525 | - | - | 677,525 |
| Marketable securities | - | 9,039,585 | - | 9,039,585 |
| Grants, contracts and other receivables | 40,583 | 888,658 | - | 929,241 |
| Current portion of pledges receivable | 167,767 | 58,865 | - | 226,632 |
| Interfund accounts receivable | - | 1,086,767 | (1,086,767) | - |
| Current portion of loans receivable | - | 1,987,909 | - | 1,987,909 |
| Current portion of interfund loans receivable | - | 190,611 | (190,611) | - |
| Accrued interest receivable | - | 448,157 | - | 448,157 |
| Prepaid expenses and other | 43,852 | 107,954 | - | 151,806 |
| Total current assets | <u>3,850,942</u> | <u>17,900,635</u> | <u>(1,277,378)</u> | <u>20,474,199</u> |
| Loans Receivable, net of current portion and allowance for loan losses of \$1,778,453 | - | 97,406,168 | - | 97,406,168 |
| Pledges Receivable, net of current portion | - | 402,000 | - | 402,000 |
| Interfund Loans Receivable, net of current portion | - | 2,859,172 | (2,859,172) | - |
| Program-Related Development Investments, net | - | 1,964,959 | - | 1,964,959 |
| Equity Investments | - | 661,325 | - | 661,325 |
| Property and Equipment, net | <u>4,057,450</u> | <u>-</u> | <u>-</u> | <u>4,057,450</u> |
| Total assets | <u>\$ 7,908,392</u> | <u>\$ 121,194,259</u> | <u>\$ (4,136,550)</u> | <u>\$ 124,966,101</u> |
| Liabilities and Net Assets | | | | |
| Current Liabilities: | | | | |
| Current portion of loans payable | \$ - | \$ 8,611,084 | \$ - | \$ 8,611,084 |
| Accounts payable and accrued expenses | 458,381 | 263,176 | - | 721,557 |
| Accrued interest payable | - | 977,415 | - | 977,415 |
| Conditional advances | - | 468,354 | - | 468,354 |
| Deferred revenue | 291,054 | - | - | 291,054 |
| Interfund accounts payable | 1,086,767 | - | (1,086,767) | - |
| Current portion of interfund loans payable | <u>190,611</u> | <u>-</u> | <u>(190,611)</u> | <u>-</u> |
| Total current liabilities | <u>2,026,813</u> | <u>10,320,029</u> | <u>(1,277,378)</u> | <u>11,069,464</u> |
| Long-Term Liabilities: | | | | |
| Loans payable, net of current portion | - | 81,549,146 | - | 81,549,146 |
| Interfund loans payable, net of current portion | 2,859,172 | - | (2,859,172) | - |
| Subordinated loans payable - equity equivalent investments | <u>-</u> | <u>8,600,000</u> | <u>-</u> | <u>8,600,000</u> |
| Total liabilities | <u>4,885,985</u> | <u>100,469,175</u> | <u>(4,136,550)</u> | <u>101,218,610</u> |
| Net Assets: | | | | |
| Without donor restrictions: | | | | |
| Program | 2,661,805 | - | - | 2,661,805 |
| Financing | <u>-</u> | <u>12,430,546</u> | <u>-</u> | <u>12,430,546</u> |
| Total without donor restrictions | <u>2,661,805</u> | <u>12,430,546</u> | <u>-</u> | <u>15,092,351</u> |
| With donor restrictions: | | | | |
| Program | 259,233 | - | - | 259,233 |
| Financing | - | 8,294,538 | - | 8,294,538 |
| Pass-through | <u>101,369</u> | <u>-</u> | <u>-</u> | <u>101,369</u> |
| Total with donor restrictions | <u>360,602</u> | <u>8,294,538</u> | <u>-</u> | <u>8,655,140</u> |
| Total net assets | <u>3,022,407</u> | <u>20,725,084</u> | <u>-</u> | <u>23,747,491</u> |
| Total liabilities and net assets | <u>\$ 7,908,392</u> | <u>\$ 121,194,259</u> | <u>\$ (4,136,550)</u> | <u>\$ 124,966,101</u> |

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Supplemental Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2018

(With Summarized Comparative Totals for the Year Ended June 30, 2017)

| | 2018 | | | | | | | 2017 | |
|--|----------------------------|----------------------|--------------------|---------------------------------|-------------------------|----------------------|-------------------------------|----------------------|----------------------|
| | Without Donor Restrictions | | | | With Donor Restrictions | | | Total | Total |
| | Program Activities | Financing Activities | Eliminations | Total Without Donor Restriction | Program Activities | Financing Activities | Total With Donor Restrictions | | |
| Operating Revenues: | | | | | | | | | |
| Public support: | | | | | | | | | |
| Grants and contributions | \$ 996,412 | \$ 1,218,301 | \$ - | \$ 2,214,713 | \$ 72,000 | \$ 503,994 | \$ 575,994 | \$ 2,790,707 | \$ 2,732,441 |
| Grants - pass-through | 157,940 | - | - | 157,940 | - | - | - | 157,940 | 279,440 |
| Net assets released from restrictions | 158,854 | 503,242 | - | 662,096 | (158,854) | (503,242) | (662,096) | - | - |
| Net assets released from restrictions - pass-through | 48,116 | - | - | 48,116 | (48,116) | - | (48,116) | - | - |
| Less - grants passed through to others | (206,056) | - | - | (206,056) | - | - | - | (206,056) | (373,174) |
| Net public support | <u>1,155,266</u> | <u>1,721,543</u> | <u>-</u> | <u>2,876,809</u> | <u>(134,970)</u> | <u>752</u> | <u>(134,218)</u> | <u>2,742,591</u> | <u>2,638,707</u> |
| Earned revenue: | | | | | | | | | |
| Financial revenue: | | | | | | | | | |
| Interest on loans | - | 7,942,114 | (243,305) | 7,698,809 | - | - | - | 7,698,809 | 7,092,549 |
| Loan related fees | 456,886 | - | - | 456,886 | - | - | - | 456,886 | 374,963 |
| Investment income | 4,923 | 174,448 | - | 179,371 | - | - | - | 179,371 | 95,751 |
| Net loan loss recovery (provision) | - | (253,242) | - | (253,242) | - | - | - | (253,242) | 24,095 |
| Less - interest expense | (243,305) | (3,762,207) | 243,305 | (3,762,207) | - | - | - | (3,762,207) | (3,417,186) |
| Net financial revenue | <u>218,504</u> | <u>4,101,113</u> | <u>-</u> | <u>4,319,617</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>4,319,617</u> | <u>4,170,172</u> |
| Training and other fees | 23,782 | - | - | 23,782 | - | - | - | 23,782 | 23,448 |
| Program service fees | 4,352,087 | - | (4,352,087) | - | - | - | - | - | - |
| Other net gains (losses) | 1,953 | (284,820) | - | (282,867) | - | - | - | (282,867) | 210,861 |
| Total earned revenue | <u>4,596,326</u> | <u>3,816,293</u> | <u>(4,352,087)</u> | <u>4,060,532</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>4,060,532</u> | <u>4,404,481</u> |
| Total operating revenues | <u>5,751,592</u> | <u>5,537,836</u> | <u>(4,352,087)</u> | <u>6,937,341</u> | <u>(134,970)</u> | <u>752</u> | <u>(134,218)</u> | <u>6,803,123</u> | <u>7,043,188</u> |
| Operating Expenses: | | | | | | | | | |
| Program services | 4,571,342 | 4,393,037 | (4,352,087) | 4,612,292 | - | - | - | 4,612,292 | 4,743,288 |
| Management and administrative | 622,218 | - | - | 622,218 | - | - | - | 622,218 | 620,723 |
| Fundraising | 349,423 | - | - | 349,423 | - | - | - | 349,423 | 309,502 |
| Total operating expenses | <u>5,542,983</u> | <u>4,393,037</u> | <u>(4,352,087)</u> | <u>5,583,933</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>5,583,933</u> | <u>5,673,513</u> |
| Changes in operating net assets | <u>208,609</u> | <u>1,144,799</u> | <u>-</u> | <u>1,353,408</u> | <u>(134,970)</u> | <u>752</u> | <u>(134,218)</u> | <u>1,219,190</u> | <u>1,369,675</u> |
| Non-Operating Revenue (Expense): | | | | | | | | | |
| Share of income (loss) from program-related development investment | - | 276,021 | - | 276,021 | - | - | - | 276,021 | (132,809) |
| Net unrealized gain (loss) on investments | - | 259,851 | - | 259,851 | - | - | - | 259,851 | (501,513) |
| Total non-operating revenue (expense) | <u>-</u> | <u>535,872</u> | <u>-</u> | <u>535,872</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>535,872</u> | <u>(634,322)</u> |
| Total changes in net assets | <u>208,609</u> | <u>1,680,671</u> | <u>-</u> | <u>1,889,280</u> | <u>(134,970)</u> | <u>752</u> | <u>(134,218)</u> | <u>1,755,062</u> | <u>735,353</u> |
| Net Assets: | | | | | | | | | |
| Beginning of year | <u>2,661,805</u> | <u>12,430,546</u> | <u>-</u> | <u>15,092,351</u> | <u>360,602</u> | <u>8,294,538</u> | <u>8,655,140</u> | <u>23,747,491</u> | <u>23,012,138</u> |
| End of year | <u>\$ 2,870,414</u> | <u>\$ 14,111,217</u> | <u>\$ -</u> | <u>\$ 16,981,631</u> | <u>\$ 225,632</u> | <u>\$ 8,295,290</u> | <u>\$ 8,520,922</u> | <u>\$ 25,502,553</u> | <u>\$ 23,747,491</u> |

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Supplemental Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2017

| | Without Donor Restrictions | | | Total Without Donor Restriction | With Donor Restrictions | | | Total |
|--|----------------------------|-------------------------|--------------------|--|-------------------------|-------------------------|--|----------------------|
| | Program Activities | Financing Activities | Eliminations | | Program Activities | Financing Activities | Total With Donor Restrictions | |
| Operating Revenues: | | | | | | | | |
| Public support: | | | | | | | | |
| Grants and contributions | \$ 864,914 | \$ 212,136 | \$ - | \$ 1,077,050 | \$ 197,375 | \$ 1,458,016 | \$ 1,655,391 | \$ 2,732,441 |
| Grants - pass-through | 279,440 | - | - | 279,440 | - | - | - | 279,440 |
| Net assets released from restrictions | 291,949 | 3,058,176 | - | 3,350,125 | (291,949) | (3,058,176) | (3,350,125) | - |
| Net assets released from restrictions - pass-through | 93,734 | - | - | 93,734 | (93,734) | - | (93,734) | - |
| Less - grants passed through to others | (373,174) | - | - | (373,174) | - | - | - | (373,174) |
| Net public support | <u>1,156,863</u> | <u>3,270,312</u> | <u>-</u> | <u>4,427,175</u> | <u>(188,308)</u> | <u>(1,600,160)</u> | <u>(1,788,468)</u> | <u>2,638,707</u> |
| Earned revenue: | | | | | | | | |
| Financial revenue: | | | | | | | | |
| Interest on loans | - | 7,336,531 | (243,982) | 7,092,549 | - | - | - | 7,092,549 |
| Loan related fees | 374,963 | - | - | 374,963 | - | - | - | 374,963 |
| Investment income | 1,181 | 94,570 | - | 95,751 | - | - | - | 95,751 |
| Net loan loss recovery | - | - | - | - | - | 24,095 | 24,095 | 24,095 |
| Less - interest expense | (243,982) | (3,417,186) | 243,982 | (3,417,186) | - | - | - | (3,417,186) |
| Net financial revenue | <u>132,162</u> | <u>4,013,915</u> | <u>-</u> | <u>4,146,077</u> | <u>-</u> | <u>24,095</u> | <u>24,095</u> | <u>4,170,172</u> |
| Training and other fees | 23,448 | - | - | 23,448 | - | - | - | 23,448 |
| Program service fees | 4,011,315 | - | (4,011,315) | - | - | - | - | - |
| Other net losses | 235,333 | (24,472) | - | 210,861 | - | - | - | 210,861 |
| Total earned revenue | <u>4,402,258</u> | <u>3,989,443</u> | <u>(4,011,315)</u> | <u>4,380,386</u> | <u>-</u> | <u>24,095</u> | <u>24,095</u> | <u>4,404,481</u> |
| Total operating revenues | <u>5,559,121</u> | <u>7,259,755</u> | <u>(4,011,315)</u> | <u>8,807,561</u> | <u>(188,308)</u> | <u>(1,576,065)</u> | <u>(1,764,373)</u> | <u>7,043,188</u> |
| Operating Expenses: | | | | | | | | |
| Program services | 4,727,382 | 4,027,221 | (4,011,315) | 4,743,288 | - | - | - | 4,743,288 |
| Management and administrative | 620,723 | - | - | 620,723 | - | - | - | 620,723 |
| Fundraising | 309,502 | - | - | 309,502 | - | - | - | 309,502 |
| Total operating expenses | <u>5,657,607</u> | <u>4,027,221</u> | <u>(4,011,315)</u> | <u>5,673,513</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>5,673,513</u> |
| Changes in operating net assets | <u>(98,486)</u> | <u>3,232,534</u> | <u>-</u> | <u>3,134,048</u> | <u>(188,308)</u> | <u>(1,576,065)</u> | <u>(1,764,373)</u> | <u>1,369,675</u> |
| Non-Operating Expenses: | | | | | | | | |
| Share of income from program-related development investments | - | (132,809) | - | (132,809) | - | - | - | (132,809) |
| Net unrealized loss on investment | - | (501,513) | - | (501,513) | - | - | - | (501,513) |
| Total non-operating expenses | <u>-</u> | <u>(634,322)</u> | <u>-</u> | <u>(634,322)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(634,322)</u> |
| Total changes in net assets | <u>(98,486)</u> | <u>2,598,212</u> | <u>-</u> | <u>2,499,726</u> | <u>(188,308)</u> | <u>(1,576,065)</u> | <u>(1,764,373)</u> | <u>735,353</u> |
| Net Assets: | | | | | | | | |
| Beginning of year | <u>2,760,291</u> | <u>9,832,334</u> | <u>-</u> | <u>12,592,625</u> | <u>548,910</u> | <u>9,870,603</u> | <u>10,419,513</u> | <u>23,012,138</u> |
| End of year | <u>\$ 2,661,805</u> | <u>\$ 12,430,546</u> | <u>\$ -</u> | <u>\$ 15,092,351</u> | <u>\$ 360,602</u> | <u>\$ 8,294,538</u> | <u>\$ 8,655,140</u> | <u>\$ 23,747,491</u> |