NEIGHBORGOOD PARTNERS
AND SUBSIDIARIES

REPORT ON AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NEIGHBOGOOD PARTNERS AND SUBSIDIARIES

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INDEPENDENT AUDITOR'S REPORT

March 7, 2023

To the Board of Directors
NeighborGood Partners and Subsidiaries
Dover, Delaware

Report on the Audit the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of NeighborGood Partners (formerly National Council on Agricultural Life and Labor Research, Inc., a nonprofit organization) and Subsidiaries ("the Organization"), which comprise the consolidated statement of financial position as of September 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2022, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"), and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America,

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and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

To the Board of Directors
NeighborGood Partners and Subsidiaries

Report on Summarized Comparative Information

We have previously audited the Organization's September 30, 2021 financial statements, and we expressed an unmodified audit opinion on those consolidated audited financial statements in our report dated March 3, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2021 is consistent, in all material respects, with the consolidated audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2023, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP

NEIGHBORGOOD PARTNERS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2022 AND 2021

	2022	2021
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 8,198,660	$ 4,237,023
Cash and cash equivalents - loan fund	5,599,598	10,617,809
Accounts receivable	95,430	110,255
Grants receivable	120,899	163,763
Interest receivable	41,558	40,513
Investments	5,501,320	4,332,175
Prepaid expense	3,940	13,565
Other receivables	5,247	6,117
Loans receivable, net of allowance for loan losses of $640,039 for 2022 and $438,081 for 2021	5,032,002	5,073,121
Total Current Assets	24,598,654	24,594,341
NONCURRENT ASSETS:		
Property and equipment	2,244,877	2,138,126
Less: Accumulated depreciation	(642,554)	(597,391)
Net property and equipment	1,602,323	1,540,735
Assets held for sale	449,304	1,026,294
Other real estate owned property, net of allowance for estimated loss on sale/transfer of $500,000 for 2022 and $400,000 for 2021	1,394,379	1,236,101
Note receivable	187,824	188,453
Loans receivable, net of allowance for loan losses of $808,717 for 2022 and $610,675 for 2021	10,788,837	7,071,821
Investments	24,354	29,136
Equity investment in subsidiaries	66,260	51,647
Total Noncurrent Assets	14,513,281	11,144,187
TOTAL ASSETS	$ 39,111,935	$ 35,738,528
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 15,136	$ 278,105
Accrued payroll	122,991	128,911
Accrued compensated absences	143,892	142,018
Accrued interest	28,722	12,931
Deferred revenue	3,504,125	-
Notes payable for loan fund	550,000	4,975,000
Other current liabilities	-	10,912
Total Current Liabilities	4,364,866	5,547,877
NONCURRENT LIABILITIES:		
Notes payable for loan fund	17,500,000	12,050,000
Total Noncurrent Liabilities	17,500,000	12,050,000
TOTAL LIABILITIES	21,864,866	17,597,877
NET ASSETS		
Without donor restrictions:		
Undesignated	14,462,835	15,898,572
Designated for operating reserve	1,100,000	1,000,000
Designated for building reserve	150,000	150,000
Designated for working capital reserve	150,000	150,000
Designated for succession reserve	100,000	100,000
Designated for compensated absences	143,892	142,018
Total Without Donor Restrictions	16,106,727	17,440,590
With donor restrictions:		
Due to purpose	1,130,342	690,061
In perpetuity	10,000	10,000
Total With Donor Restrictions	1,140,342	700,061
TOTAL NET ASSETS	17,247,069	18,140,651
TOTAL LIABILITIES AND NET ASSETS	$ 39,111,935	$ 35,738,528

The accompanying notes are an integral part of these financial statements.

NEIGHBORGOOD PARTNERS AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022
(With Summarized Totals for 2021)

	Without Donor Restrictions	With Donor Restrictions	Totals 2022	Totals 2021
PUBLIC SUPPORT AND REVENUE				
Public Support:				
Grants and contracts	$ 671,507	$ 3,555,646	$ 4,227,153	$ 4,621,909
Contributions	36,074	178,301	214,375	262,116
Total Public Support	707,581	3,733,947	4,441,528	4,884,025
Revenue:				
Interest income - investments	8,928	-	8,928	160,871
Interest income - loans	695,010	-	695,010	804,607
Fee income	689,972	-	689,972	1,271,714
Other	386	-	386	49
Loan forgiveness gain	-	-	-	435,575
Total Revenue	1,394,296	-	1,394,296	2,672,816
Net assets released from restriction:				
Satisfaction of program restrictions	3,293,666	(3,293,666)	-	-
TOTAL PUBLIC SUPPORT AND REVENUE	5,395,543	440,281	5,835,824	7,556,841
EXPENSES AND LOSSES				
Program Services:				
Self-Help Housing	512,504	-	512,504	498,864
Farmworker Housing Technical Assistance	57,823	-	57,823	58,505
Rural Community Development Initiative - Delaware	129,493	-	129,493	137,677
Real Estate Development	114,158	-	114,158	92,247
Restoring Central Dover	288,701	-	288,701	321,529
NeighborGood Social Enterprise	4,959	-	4,959	-
Housing Counseling	603,231	-	603,231	539,168
Foreclosure Prevention	195,206	-	195,206	251,864
Rental Housing Assistance	75,044	-	75,044	-
Stand By Me Financial Coaching	283,776	-	283,776	272,479
Loan Fund	1,548,700	-	1,548,700	2,730,367
Total Program Services	3,813,595	-	3,813,595	4,902,700
Support Services:				
Management and general	650,041	-	650,041	582,080
Development	417,892	-	417,892	389,759
Fund raising	112,909	-	112,909	98,698
Total Support Services	1,180,842	-	1,180,842	1,070,537
TOTAL EXPENSES	4,994,437	-	4,994,437	5,973,237
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	401,106	440,281	841,387	1,583,604
OTHER CHANGES				
Unrealized gain (loss) on investments	(1,587,149)	-	(1,587,149)	251,069
Gains (losses) on the sale on assets held for sale	(162,433)	-	(162,433)	(150,161)
Gain (loss) on equity investment in subsidiaries	14,613	-	14,613	51,647
TOTAL OTHER CHANGES	(1,734,969)	-	(1,734,969)	152,555
CHANGE IN NET ASSETS	(1,333,863)	440,281	(893,582)	1,736,159
NET ASSETS, BEGINNING OF YEAR	17,440,590	700,061	18,140,651	16,404,492
NET ASSETS, END OF YEAR	$16,106,727	$ 1,140,342	$17,247,069	$18,140,651

The accompanying notes are an integral part of these financial statements.

NEIGHBORGOOD PARTNERS AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2022
(With Summarized Totals for 2021)

	Program Services					
	Self-Help Housing	Farmworker Housing Technical Assistance	Rural Community Development Initative - DE	Real Estate Development	Restoring Central Dover	NeighborGood Social Enterprise
EXPENSES:						
Salaries	$ 379,488	$ 28,882	$ 100,608	$ 84,700	$ 119,836	$ -
Payroll taxes	28,742	2,021	7,602	6,247	8,783	-
Pension	13,285	1,041	3,510	2,850	3,810	-
Other employee benefits	52,191	6,644	12,745	14,620	23,878	-
Total Salaries and Related Expenses	473,706	38,588	124,465	108,417	156,307	-
Accounting and audit fees	-	-	-	-	-	-
Consultant fees	13,163	16,106	2,838	150	94,467	-
Consumables	241	-	-	-	61	-
Contributions to others	-	-	-	-	-	-
Credit report charges	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
Dues/registration/training	6,463	1,000	18	452	4,308	-
Employee advertising	-	-	-	280	-	-
Equipment and maintenance	-	1,825	-	-	1,855	-
Insurance	-	-	-	255	1,133	459
Interest expense	-	-	-	-	-	-
Internet and technical services	8,316	-	-	-	-	-
Janitorial services and supplies	-	-	-	-	-	-
Legal fees	-	-	-	3,215	-	-
Loan participation fees	-	-	-	611	3	-
Marketing	-	-	-	-	330	-
Miscellaneous	-	-	-	-	-	-
Office supplies	-	-	159	30	678	-
Pass through funds	-	-	-	-	-	-
Printing and postage	48	-	-	80	18	-
Property tax/maintenance expenses	-	-	-	-	-	-
Provision for loan/OREO losses	-	-	-	-	-	-
Publications	2,250	-	-	-	700	-
Special projects	-	-	-	-	24,868	4,500
Telephone	389	-	-	480	-	-
Travel and per diem	7,928	304	2,013	188	3,973	-
Utilities	-	-	-	-	-	-
Subtotal	512,504	57,823	129,493	114,158	288,701	4,959
Allocation of indirect costs	104,977	13,469	30,608	28,967	69,878	-
Allocation of occupancy costs	4,440	1,200	1,260	2,880	2,400	-
TOTAL EXPENSES	$ 621,921	$ 72,492	$ 161,361	$ 146,005	$ 360,979	$ 4,959

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NEIGHBORGOOD PARTNERS AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2022
(With Summarized Totals for 2021)

	Program Services					
	Housing Counseling	Foreclosure Prevention	Rental Housing Assistance	Stand By Me Financial Coaching	Loan Fund	Total Program Services
EXPENSES:						
Salaries	$ 445,048	$ 150,526	$ 49,218	$ 206,999	$ 310,143	$ 1,875,448
Payroll taxes	32,991	10,854	3,299	15,334	22,625	138,498
Pension	12,281	3,980	1,600	7,288	10,080	59,725
Other employee benefits	66,036	26,742	11,019	27,870	56,094	297,839
Total Salaries and Related Expenses	556,356	192,102	65,136	257,491	398,942	2,371,510
Accounting and audit fees	-	-	-	-	9,525	9,525
Consultant fees	16,813	-	-	-	123,470	267,007
Consumables	675	19	-	262	220	1,478
Credit report charges	4,351	-	-	18,305	-	22,656
Depreciation	-	-	-	-	925	925
Dues/registration/training	4,284	55	1,272	1,959	23,658	43,469
Employee advertising	-	-	-	-	2,152	2,432
Equipment and maintenance	4,657	1,825	5,643	-	3,788	19,593
Insurance	-	-	-	-	18,873	20,720
Interest expense	-	-	-	-	510,809	510,809
Internet and technical services	757	-	-	-	6,049	15,122
Janitorial services and supplies	-	-	-	-	-	-
Legal fees	-	-	-	-	16,061	19,276
Loan participation fees	2,282	-	-	-	10,218	13,114
Marketing	129	-	-	-	-	459
Miscellaneous	-	-	-	-	15,729	15,729
Office supplies	-	-	176	-	35	1,078
Printing and postage	145	90	-	484	621	1,486
Property tax/maintenance expenses	-	-	-	-	-	-
Provision for loan/OREO losses	-	-	-	-	400,000	400,000
Publications	-	-	-	-	345	3,295
Special projects	2,662	-	-	-	-	32,030
Telephone	2,799	1,061	832	3,422	690	9,673
Travel and per diem	7,321	54	1,985	1,853	6,590	32,209
Utilities	-	-	-	-	-	-
Subtotal	603,231	195,206	75,044	283,776	1,548,700	3,813,595
Allocation of indirect costs	138,832	40,707	-	65,740	117,343	610,521
Allocation of occupancy costs	8,880	4,620	600	3,300	7,560	37,140
TOTAL EXPENSES	$ 750,943	$ 240,533	$ 75,644	$ 352,816	$ 1,673,603	$ 4,461,256

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NEIGHBORGOOD PARTNERS AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2022
(With Summarized Totals for 2021)

	Support Services				Totals	
	Management and General	Development	Fundraising	Total Support Services	2022	2021
EXPENSES:						
Salaries	$ 329,368	$ 180,488	$ 74,875	$ 584,731	$ 2,460,179	$ 2,399,480
Payroll taxes	24,645	13,437	5,805	43,887	182,385	176,831
Pension	10,808	600	2,400	13,808	73,533	76,732
Other employee benefits	25,858	15,975	5,450	47,283	345,122	338,225
Total Salaries and Related Expenses	390,679	210,500	88,530	689,709	3,061,219	2,991,268
Accounting and audit fees	25,400	-	-	25,400	34,925	29,150
Consultant fees	5,531	46,695	23,362	75,588	342,595	267,730
Consumables	12,743	3,687	113	16,543	18,021	24,791
Credit report charges	-	-	-	-	22,656	25,552
Depreciation	1,040	43,198	-	44,238	45,163	44,660
Dues/registration/training	25,428	2,975	695	29,098	72,567	60,666
Employee advertising	-	-	-	-	2,432	1,793
Equipment and maintenance	15,083	-	-	15,083	34,676	54,235
Insurance	21,566	-	-	21,566	42,286	34,428
Interest expense	-	44	-	44	510,853	575,614
Internet and technical services	88,668	20,000	209	108,877	123,999	95,298
Janitorial services and supplies	10,230	-	-	10,230	10,230	10,265
Legal fees	110	2,822	-	2,932	22,208	109,293
Loan participation fees	-	-	-	-	13,114	50,331
Marketing	-	3,523	-	3,523	3,982	2,463
Miscellaneous	13,843	2,835	-	16,678	32,407	45,856
Office supplies	888	-	-	888	1,966	1,885
Pass through funds	-	-	-	-	-	275,000
Printing and postage	11,850	44	-	11,894	13,380	13,098
Property tax/maintenance expenses	8,110	4,710	-	12,820	12,820	11,232
Provision for loan/OREO losses	-	-	-	-	400,000	1,107,834
Publications	2,212	-	-	2,212	5,507	2,142
Special projects	-	75,755	-	75,755	107,785	107,341
Telephone	2,464	-	-	2,464	12,137	15,362
Travel and per diem	5,781	1,104	-	6,885	39,094	6,163
Utilities	8,415	-	-	8,415	8,415	9,787
Subtotal	650,041	417,892	112,909	1,180,842	4,994,437	5,973,237
Allocation of indirect costs	(610,521)	-	-	(610,521)	-	-
Allocation of occupancy costs	(39,520)	1,200	1,180	(37,140)	-	-
TOTAL EXPENSES	$ -	$ 419,092	$ 114,089	$ 533,181	$ 4,994,437	$ 5,973,237

The accompanying notes are an integral part of these financial statements.

NEIGHBORGOOD PARTNERS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (893,582)	$ 1,736,159
Adjustments to reconcile change in net assets to		
net cash provided (used) by operating activities:		
Depreciation	45,163	44,660
Provision for loan/OREO losses	400,000	1,107,834
(Gain) loss on equity investment in subsidiaries	(14,613)	(51,647)
Loan forgiveness gain	-	(435,575)
Losses on sale of assets held for sale	162,433	150,161
Proceeds from the sale of assets held for sale	716,717	988,579
Cash paid developing assets held for sale	(302,160)	(1,904,913)
Unrealized (gain) loss on investments	1,587,149	(251,069)
(Increase) Decrease in loans receivable	(4,075,897)	4,002,933
(Increase) Decrease in note receivable	629	1,547
(Increase) Decrease in accounts receivable	14,825	(102,778)
(Increase) Decrease in grants receivable	42,864	36,230
(Increase) Decrease in interest receivable	(1,045)	26,867
(Increase) Decrease in other receivables	870	(6,117)
(Increase) Decrease in prepaid expense	9,625	13,999
(Increase) Decrease in other real estate owned property	(158,278)	(94,394)
Increase (Decrease) in accounts payable	(262,969)	228,741
Increase (Decrease) in accrued payroll	(5,920)	16,955
Increase (Decrease) in accrued compensated absences	1,874	(12,785)
Increase (Decrease) Increase in accrued interest	15,791	(24,273)
Increase (Decrease) in deferred revenue	3,504,125	(9,630)
Increase (Decrease) in other current liabilities	(10,912)	6,778
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	776,689	5,468,262
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale of investments	4,332,175	745,070
Purchase of investments	(7,083,687)	(3,965,954)
Purchase of property and equipment	(106,751)	(30,886)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(2,858,263)	(3,251,770)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt	3,000,000	2,900,000
Repayment of long-term debt	(1,975,000)	(3,500,000)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	1,025,000	(600,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,056,574)	1,616,492
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	14,854,832	13,238,340
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 13,798,258	$ 14,854,832
CASH AND CASH EQUIVALENTS	$ 8,198,660	$ 4,237,023
CASH AND CASH EQUIVALENTS - LOAN FUND	5,599,598	10,617,809
	$ 13,798,258	$ 14,854,832
NONCASH FINANCING ACTIVITY:		
Loan forgiveness gain	$ -	$ 435,575
SUPPLEMENTAL INFORMATION:		
Interest paid	$ 495,062	$ 599,887
Taxes paid	$ -	$ -

The accompanying notes are an integral part of these financial statements.

NOTE 1 GENERAL

NeighborGood Partners, Inc. (the Organization), a non-profit corporation formerly known as NCALL (National Council on Agricultural Life and Labor Research Fund, Inc.) filed a Certificate of Conversion and Certificate of Incorporation with the State of Delaware on September 22, 2022. The corporation was originally formed on June 10, 1955, as a District of Columbia non-profit corporation.

The purpose of these filings was: (1) to convert the Corporation from a District of Columbia non-profit corporation to a Delaware non-profit corporation; and (2) to change the name of the corporation to "NeighborGood Partners, Inc." In addition to filing the Certificate of Incorporation, the corporation executed and filed Form GN-13 with the District of Columbia Department of Consumer and Regulatory Affairs to surrender the corporation's corporate charter in the District of Columbia.

The mission of NeighborGood Partners is: “Strengthen communities through housing, lending, and education.”

The Organization is governed by a 13 to 15-member Board of Directors from the Organization’s service area.

The Organization was chartered as a NeighborWorks® America (“NWA”) Organization in 2003. The affiliation with NWA requires ongoing reporting and regular management reviews. The Organization maintained its “Exemplary” rating, and NWA last conducted a program review in August 2021 which resulted in the Organization exceeding or meeting all evaluation criteria. It also provides opportunities for grant and capital funding, along with training slots for NWA's training institutes. The Organization is one of only two organizations within Delaware with the NeighborWorks® designation.

The Organization was certified as a Community Development Financial Institution ("CDFI") during fiscal year 2005 by the U.S. Department of Treasury. As of September 30, 2022, this certification was in good standing.

As a CDFI, the Organization participates in the Comprehensive Ratings for CDFI Investments (Aeris) annual review and rating process. The process is a positive experience and yields a substantial report and current rating of three stars for impact performance, a rating of A+ for financial strength and performance, and a Policy Plus designation.

Subsidiaries

In July 2019, Hearn Ownership, LLC was created to purchase, or in any way acquire including acquisitions at foreclosure sale, for investment or for sale, development, or otherwise, lands, contracts for the purchase or sale of lands, buildings, improvements, personal property, and

NOTE 1 GENERAL (cont'd)

any other real or personal property of any kind. The Organization is the sole corporate and managing member of Hearn Ownership, LLC, which has a fiscal year end of December 31.

In June 2022, NeighborGood Social Enterprise, LLC was created to engage in and do any lawful act concerning any lawful business, other than banking and insurance, for which a limited liability company may be organized in accordance with the Delaware Code Annotated, Title 6, Sections 18-101 to 18-1109, including all powers and purposes now and hereafter permitted by law to a limited liability company. It was formed to oversee any social enterprise that NeighborGood Partners should deem to undertake, such as The Scoop, a community youth employment incubator that will teach local students real-life business principles by operating an ice cream shop. The Organization is the sole corporate and managing member of NeighborGood Social Enterprises, LLC, which has a fiscal year end of December 31.

NCALL Community Investment, LLC was formed in May 2018. NCALL Community Investment, LLC is a qualified Community Development Entity ("CDE") that holds New Market Tax Credit ("NMTC") allocation authority to assist in raising capital for investment in Qualified Active Low-Income Community Businesses (QALICBs) pursuant to Section 45D of the Internal Revenue Code ("IRC"), and pursuant to the statutes and codes of various states.

NCALL Community Investment, LLC was granted an allocation of NMTC authority from the CDFI in the amount of $20,000,000 under the sixteenth-round Allocation Agreement. Under Section 45D of the IRC, a qualified investor in a CDE can receive NMTCs to be used to reduce federal taxes otherwise due in each year of a seven-year period.

Under NCALL Community Investment, LLC's Allocation Agreement with CDFI, NCALL Community Investment, LLC has established a CDE which is an approved "Subsidiary Allocatee" of NCALL Community Investment, LLC. NCALL Community Investment, LLC is the managing member of these entities and will have 0.01 percent ownership in each entity.

In accordance with the operating agreement, NCALL Community Investment, LLC's profits, losses, and cash flows are allocated 99 percent to the Organization and 1 percent to TB Manager, LLC based on units of ownership. The Organization is the managing member of NCALL Community Investment, LLC. NCALL Community Investment, LLC has a fiscal year end of December 31.

In July 2020, NCALL NMTC Advisors, LLC was created to function as the administrative member subsidiary CDE. In accordance with the operating agreement, NCALL NMTC Advisors, LLC's profits, losses, and cash flows are allocated 50.1 percent to the Organization and 49.9 percent to TBC NCALL NMTC, LLC based on units of ownership. NCALL NMTC Advisors, LLC is managed by a Board of Managers made up of representatives from the Organization and TBC NCALL NMTC, LLC. NCALL NMTC Advisors, LLC has a fiscal year end of December 31.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting as required by accounting principles generally accepted in the United States of America ("generally accepted accounting principles").

Principles of Consolidation

The consolidated financial statements include the accounts of the Organization, Hearn Ownership, LLC and NCALL Community Investment, LLC. Significant interorganizational accounts and transactions have been eliminated.

Investment in Subsidiaries

The Organization accounts for its investment in NCALL NMTC Advisors, LLC, and NCALL Community Investment, LLC accounts for its investment in each Subsidiary Allocatee using the equity method of accounting due to the significant influence over those entities. Under the equity method of accounting, each initial investment is recorded at cost and is subsequently increased by its share of earnings and contributions and decreased by its share of losses and distributions until the carrying value is zero.

Financial Statement Presentation

In accordance with the section of the Financial Accounting Standards Board's Accounting Standards Codification ("FASB ASC") regarding financial statements of not-for-profit organizations, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. In addition, the Organization is required to present a statement of cash flows.

Revenue Recognition

The Organization's primary source of revenue is grants from governmental agencies and contributions from the general public. These revenues are accounted for under ASC Subtopic 958-605 (ASC 958-605), *Not-for-Profit Entities: Revenue Recognition*, recognizing revenue at the time of the gift if no donor restriction or barriers to the conditional receipt of the grant have been established in their underlying agreements, or over the course of time as barriers are overcome or donor restrictions have been satisfied if those conditions have been established. Grant funds received in advance of the barrier to the conditional receipt of the grant having been satisfied are reported as deferred revenue in the financial statements.

Grants and contributions received are recorded as support with donor restrictions or support without donor restrictions, depending on the existence and/or nature of any donor restrictions.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Net Assets with Donor Restrictions

Net assets with donor restrictions include funds restricted by funding sources. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, purpose restriction is accomplished, or the donor releases the restriction, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Investments

Investments are reported at fair value. Donated securities also are reported at fair value as of the date of receipt. All realized and unrealized gains and losses arising from fluctuations in market values, sales, or other disposition of assets are accounted for in the class of net assets that owns the assets.

Level 1 – Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets.

Level 2 – Financial assets valued using Level 2 inputs are based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly. The fair value of the investments with the Delaware Community Foundation are determined based on observable market factors not included in Level 1, such as quoted market prices for similar assets or liabilities in an active or nonactive market. the Organization's portion of the investment pool is valued by the Delaware Community Foundation on a monthly basis. The investments in the pool are actively traded and valued using quoted market prices. However, since the investments are pooled funds, they are designated as Level 2 investments.

Level 3 – Financial assets valued using Level 3 inputs are determined by valuation methodologies that are unobservable and significant to the fair value measurements.

Grants, Notes, and Accounts Receivable

Grants, notes, and accounts receivable are stated at unpaid balances. Receivables are considered impaired if full principal payments are not received in accordance with the

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

payment terms. Grants, notes, and accounts receivable are considered by management to be fully collectible and, accordingly, no allowance for grants, notes, and accounts receivable losses has been recorded as of September 30, 2022.

Loans Receivable

Loans receivable represent funds advanced to qualified organizations that have a primary mission of affordable housing and/or community development. Loans are stated at unpaid principal balances less an allowance for loan losses. The allowance for loan losses is estimated to be five percent of the outstanding loan balance plus any amounts known to be uncollectible and additional amounts determined by management based on the loan's internal risk rating. Past due status is determined based on contractual terms.

Loans are considered impaired if full principal or interest payments are not anticipated in accordance with the contractual terms. Loans are written off as a charge to the allowance for loan losses when, in management's estimation, it is probable that the receivable is worthless. Loan security is outlined in the promissory notes.

Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding. Loan origination and commitment fees are not material to the financial statements and are recognized as revenue when the loan closes.

Loans receivable are placed on nonaccrual status when management believes, after considering economic conditions, business conditions, and collection efforts that the loans are impaired or collection of interest is doubtful. Uncollected interest previously accrued is charged off or an allowance is established by a charge to provision for loan losses. Interest income on nonaccrual loans is recognized only to the extent cash payments are received.

Assets Held for Sale

Assets held for sale are valued at the lower of cost or market. the Organization constructs "for sale" homes within the Restoring Central Dover footprint. The sale of homes is recognized net of the value of the asset held for sale. Grant revenues received to supplement project costs are recognized separately.

Property and Equipment

The Organization capitalizes all expenditures for property in excess of $5,000. Property and equipment are stated at cost at date of acquisition or fair market value at date of donation. Property and equipment are depreciated on the straight-line method over the estimated service lives of the respective assets. Estimated service lives for furniture and equipment are five to ten years. The estimated service lives for the buildings and building improvements are five to fifty years. Expenditures for maintenance, repairs, minor renewals, and betterments which do not improve or extend the useful life of the respective asset are expensed.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Other Real Estate Owned

Foreclosed real estate includes both formally foreclosed property and in-substance foreclosed property. In-substance foreclosed properties are those properties for which the institution has taken physical possession, regardless of whether formal foreclosure proceedings have taken place.

At the time of foreclosure, foreclosed real estate is recorded at the fair value less cost to sell, which becomes the property's new basis. Any write-downs based on the asset's fair value at date of acquisition are charged to the allowance accounts. After foreclosure, valuations are periodically performed by management and Other Real Estate Owned property is carried at the lower of the new cost basis or fair value less cost to sell. Costs incurred in maintaining foreclosed real estate and subsequent adjustments to the carrying amount of the property are included in income or loss on foreclosed real estate.

Income Taxes

The Organization (excluding the subsidiaries) is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose may be subject to taxation as unrelated business income.

Hearn Ownership, LLC and NeighborGood Social Enterprises, LLC are considered disregarded entities for tax purposes; therefore, no provision has been made for federal income taxes in the accompanying consolidated financial statements.

NCALL Community Investment, LLC and NCALL NMTC Advisors, LLC are limited liability companies and considered to be partnerships for federal, state, and local income tax purposes. No provision has been made for income taxes since such taxes, if any, would not be material to the consolidated financial statements.

Generally accepted accounting principles prescribe rules for the recognition, measurement, classification, and disclosure in the financial statements of uncertain tax positions taken or expected to be taken in the Organization's tax returns. Management has determined that the Organization does not have any uncertain tax positions or associated unrecognized benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Organization's tax returns will not be challenged by the taxing authorities and that the Organization will not be subject to additional tax, penalties, and interest as a result of such challenge.

Advertising

The Organization expenses the production costs of advertising when incurred. Advertising expense is classified as marketing expense in the statement of functional expenses.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Allocation of Functional Expenses

The costs of providing the programs and other activities have been summarized on a functional basis in the statement of activities. Whenever possible, costs are directly assigned to the program functions using the direct identification method based on the nature of the expense. Accordingly, certain costs have been allocated among the functions utilizing the Organization's indirect cost rate as further explained in Note 8.

Use of Estimates in the Preparation of Financial Statements

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

Prior Year Financial Statements

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2021, from which the summarized information was derived.

NOTE 3 PROGRAM ACTIVITIES

A description of the Organization's programs is listed below and on the pages that follow.

RHS Self-Help Housing Technical and Management Assistance Contract (Self-Help Housing)

The Organization is funded by the Rural Housing Service, USDA, to provide technical and management assistance and training to new and operating self-help housing grantees throughout the 21-state northeast region. The region extends from Virginia north to New England and west to Minnesota. The Organization is responsible for providing technical and management assistance in construction, accounting, scheduling, and housing development to local self-help housing programs. The Organization also is called upon to conduct training, publish newsletters, and help resolve problems. The Organization is operating under a five-year contract which started in April 2018.

Farmworker Housing Technical Assistance

The Organization is a member of the Southeast Housing Consortium ("SEHC"), which is a group of nonprofit organizations specializing in rural and farmworker housing. Members of the SEHC

NOTE 3 PROGRAM ACTIVITIES (cont'd)

are subgrantees of a grant awarded by the U.S. Department of Labor ("DOL") Employment and Training Administration, operated under the authority of the Workforce Investment Act ("WIA"), Section 167. Florida Non-Profit Housing, Inc. ("FNPH") serves as grantee/lead agency for the SEHC, with responsibility for monitoring subgrantee activities. The SEHC's goals are to eliminate substandard housing and alleviate excessive housing cost for agricultural workers. Under the allowable activities of the grant program, the Organization provides technical assistance to nonprofit organizations who develop or preserve farmworker housing on the Delmarva Peninsula. Services can include packaging housing financing applications, housing development assistance, and problem solving.

Rural Community Development Initiative - Delaware

The Organization competed for and received two three-year USDA Rural Community Development Initiative ("RCDI") grants to provide organizational development and rental housing development assistance to Better Homes of Seaford and Millsboro Housing for Progress in Delaware. One grant period began in September 2017 and extended through April 2021. A second grant was awarded for the period beginning September 2020 through September 2023.

Real Estate Development

Real estate development includes the development and construction of single-family housing and multi-family apartments. The Organization is purchasing lots and building for-sale homes in the Restoring Central Dover footprint. Four houses were sold during fiscal year 2022, and additional building lots continue to be purchased. The Organization continues to successfully package Low Income Housing Tax Credit apartment projects and associated financing for other nonprofit sponsors. The single and multi-family housing work is supported by developer fees and grants.

Restoring Central Dover

The Organization is the lead organization for a neighborhood planning and revitalization initiative for downtown Dover and chairs the steering committee. The implementation phase started mid-fiscal year 2015 and extends through May 2025 with a second five-year grant awarded by Wells Fargo Regional Foundation (now known as Regional Foundation). Other funding includes grants from Highmark and Healthy Communities Delaware. Implementation of the plan is being carried out by the Organization staff, the steering committee, and work groups in the areas of housing, safety, economic development, and community engagement.

NeighborGood Social Enterprise

NeighborGood Social Enterprise, LLC oversees any social enterprise that the Organization should deem to undertake, such as The Scoop, a community youth employment incubator that will teach local students real-life business principles by operating an ice cream shop.

NOTE 3 PROGRAM ACTIVITIES (cont'd)

Housing Counseling

The Organization is funded by grants and fees from a variety of financial institutions, foundations, and governmental entities to assist low and moderate-income families to become first-time homebuyers throughout Delaware. The education and counseling provided by the Organization enables families to become more knowledgeable about the home buying and mortgage approval process, while helping families prepare financially for the step to homeownership. The Organization assists qualified families to obtain affordable home mortgage financing, including down payment and settlement assistance. The program also assists families with budget and financial management, submission of mortgage applications, understanding homeownership responsibilities, and the settlement process, all through group workshop sessions and individual counseling.

Foreclosure Prevention

The Organization provides mortgage default and foreclosure prevention services in Delaware and is funded primarily by fees from the Delaware State Housing Authority and by grants from financial institutions and foundations. Services include individual counseling and offering remedies and support. The Organization assists families in seeking modified mortgages that are more affordable and sustainable. The Organization participates in Delaware's Foreclosure Mediation Program.

Rental Housing Assistance Program

NeighborGood Partners is one of several Community Navigators that provides DEHAP (Delaware Housing Assistance Program) application assistance to Delaware's homeless and renter households who were behind in their rent, experiencing eviction or in need of emergency utility assistance. The Delaware State Housing Authority provided NCALL/NeighborGood Partners with a services agreement for January 1, 2022 - December 31, 2022, to administer this homelessness prevention and intervention program that assists individuals and families who are precariously housed with accessing financial resources to maintain their housing stability.

Stand By Me Financial Coaching

The Organization is one of the nonprofit providers of financial coaching services for Kent County and Sussex County, Delaware under the Stand By Me financial coaching program. As such, the Organization hires financial coaches to work with a variety of venues within Central and Southern Delaware, such as Bally's Dover serving its employees, Delaware Technical & Community College serving students, and Public Housing serving the residents. The Organization signs an annual memorandum of understanding with United Way of Delaware for each year, which is providing the majority of funding for this service.

NOTE 3 PROGRAM ACTIVITIES (cont'd)

Loan Fund

The Organization is certified as a Community Development Financial Institution and a Community Development Entity by the U.S. Department of Treasury. These certifications reflect the authority of the Loan Fund to offer additional products and services to better address the affordable housing, community development, economic development, and nonprofit credit needs of its customer base. A committee of six of the Organization's Board Members and Board-approved appointees oversees the Loan Fund and is responsible for recommending policies and the loan approval process. The Organization's Board of Directors is responsible for Loan Fund governance.

The Organization has been actively seeking capital, investment, and loan participations while building Loan Fund infrastructure to address the substantial community development demand. Experienced staff managing the fund includes a loan fund director, servicer, and loan officers. The Loan Fund received a substantial Aeris rating of three stars for impact performance, a rating of A+ for financial strength and performance, and a Policy Plus designation.

NOTE 4 INVESTMENTS AND FAIR VALUE MEASUREMENTS

The fair values of investments at September 30, 2022 are as follows:

	Fair Value	Level 1	Level 2
Certificates of deposit	$ 576,572	$ -	$ 576,572
Vicus - Government Cash Reserves	127,697	127,697	-
Vicus - Mutual Funds	1,667,554	1,667,554	-
Vicus - Equity ETFs	1,909,113	1,909,113	-
Vicus - Common Stocks	1,200,606	1,200,606	-
Vicus - Other	19,778	19,778	-
Delaware Community Foundation	24,354	-	24,354
Total	$ 5,525,674	$ 4,924,748	$ 600,926

NOTE 5 ALLOWANCE FOR LOAN/OREO LOSSES

For the year ended September 30, 2022, the change in the allowance for loan/OREO losses is as follows:

NOTE 5 ALLOWANCE FOR LOAN/OREO LOSSES (cont'd)

	Beginning Allowance for Loan/OREO Losses	Reclassify	Provision for Loan/OREO Losses	Charge-offs	Ending Allowance for Loan/OREO Losses
Affordable Housing	$ 170,959	$ -	$ 113,762	$ -	$ 284,721
Community Facilities	819,422	-	184,626	-	1,004,048
Commercial/Revitalization	58,375	-	101,612	-	159,987
Other Real Estate Owned (OREO)	500,000	-	-	-	500,000
Total Allowance	$ 1,548,756	$ -	$ 400,000	$ -	$ 1,948,756

The ending balance in the allowance for loan losses is attributed to loans that have been evaluated collectively. As necessary, adjustments are made to the Organization's method of estimating the allowance for loan losses.

NOTE 6 CREDIT QUALITY OF LOANS RECEIVABLE

The Organization monitors the credit quality of its loans receivable by assessing the collection experience of existing borrowers, the creditworthiness of new borrowers, and the sufficiency of collateral related to the receivables. Loan security is outlined in the promissory notes.

Each loan is risk rated when approved. The risk rating is reviewed annually after approval and closing. Loans will be reviewed more frequently if they are/become rated below Adequate or have performance issues. The risk ratings are consistent with community development lending standards and are: Good, Standard, Adequate, Watch, Sub-standard, and Doubtful/OREO. The Organization's standard Allowance for Loan Losses ("ALL") is five percent against all portfolios outstanding. Special, additional reserves are defined with each rating below, where appropriate.

The internal risk ratings are as follows:

Good

The loan request and the borrower exceed underwriting criteria related to: quality of collateral, strength of loan repayment, supportive market conditions, and a strong financial condition. (No additional LLR is required for this top rating)

Standard

The loan request and the borrower meet all of the underwriting criteria: quality of collateral, strength of loan repayment, supportive market condition, and an acceptable financial

NOTE 6 CREDIT QUALITY OF LOANS RECEIVABLE (cont'd)

condition. Consideration will be given to a repeat borrower with a strong performance track record of repayment. (No additional LLR is required for this rating)

Adequate

The loan request and the borrower meet the underwriting criteria with the understanding that there may be some weaknesses with certain criteria that would be offset by other criteria. Some weaknesses may be created by market issues or given the size and type of borrower. These criteria do not mean that the borrower or project is weak; and this situation is typical with community development projects . There may be loan policy exceptions with an Adequate-rated credit and additional loan monitoring may occur. (No additional LLR is required for this rating, but additional performance measures may be recommended that are not reserve related.)

The Organization has three risk ratings that are in the Non-Performing Loan category requiring additional attention. They are: Watch (4), Sub-Standard (5) and Doubtful/OREO (6). Organization staff, with the approval of the Director, can decrease the risk rating of a project, along with a memo stating the reasons why and expected actions. Increasing risk ratings is done through the Loan Fund Committee.

Watch

The loan request, the project and/or the borrower do not meet all of the underwriting criteria, so there are one or more weaknesses to address. A specific financial loss may not be expected at this time and the loan may or may not be late with its payments. A Watch rating is for shorter terms, with the expectation that the rating increases or decreases within six months to one year based on a plan (or lack thereof) to strengthen the asset or the financial condition of the borrower (depending on where the weakness lies). Typically with a 4 rating, the terms and conditions do not change and there is an expectation that the asset or borrower will get stronger. New loans in need of approval, for the most part, will not start off as a 4 rating. Staff will increase the reserve to at least 25 percent of the amount of the Watch rated loan if the borrower is unable to pay interest obligations or if a source of repayment has been removed. Loans that are in deferral are not automatically downgraded to a 4 rating.

Sub-Standard

The loan and the borrower are in default and there is an expectation that financial loss may occur, or already has done so. Other characteristics of a 5 rated loan include major loss of a source of repayment; major deterioration of the borrower (affecting its ability to keep current with interest and related expenses); the loan is 90 days past due (interest) or is 90 days past maturity and the Organization does not wish to extend. When the loan reaches 90 days past due (interest), it will be placed on non-accrual. If the loan cannot be cured within a

NOTE 6 CREDIT QUALITY OF LOANS RECEIVABLE (cont'd)

reasonable time (within one year from the receipt of this rating) staff will prepare a plan of action for review and approval by the Loan Fund Committee. A plan may include: restructuring the loan; charge off, an extension for other repayment sources, etc. It may take 12-18 months to cure the loan after the plan of action has been approved. Staff will reserve up to the full amount of the Loan, but it is expected that a loan loss reserve of at least 50 percent should be attached to a 5 rated loan.

Doubtful/Other Real Estate Owned ("OREO")

The loan and borrower continue to be in default, there has been no increase in the viability of the overall project, and there is no expectation of a repayment strategy. If a workout plan was not previously developed, it should be developed as soon as the asset is rated a 6. The plan requires approval of the Loan Committee, and the Loan Officer will treat this asset as a priority. If the loan loss reserve was previously established, the amount should be reviewed based on the work out plan. Disposition and charge-off actions are recommended by staff to Loan Fund Committee. Approval for the charge off process (time and amount) is required. Staff will reserve up to 100 percent of the Loan amount.

The information used to internally rate loans receivable was updated as of September 30, 2022.

As of September 30, 2022, loans were split between the following portfolio segments:

Affordable Housing	$ 5,694,422
Community Facilities	8,375,769
Commercial/Revitalization	3,199,404
Total Loans Receivable, Gross	17,269,595
Allowance for Loan Losses	(1,448,756)
TOTAL	$ 15,820,839

As of September 30, 2022, the loan ratings and amounts by portfolio segment were as follows:

	Good	Standard	Adequate	Watch	Sub-Standard	Total
Affordable Housing	$ -	$ 158,318	$ 5,153,751	$ 382,353	$ -	$ 5,694,422
Community Facilities	-	192,021	5,295,903	964,636	1,923,209	8,375,769
Commercial/Revitalization	-	-	3,199,404	-	-	3,199,404
Total Loans Receivable, Gross	$ -	$ 350,339	$13,649,058	$1,346,989	$1,923,209	$17,269,595

NOTE 6 CREDIT QUALITY OF LOANS RECEIVABLE (cont'd)

As of September 30, 2022, the loan aging by portfolio segment was as follows:

	Current	31-60 Days Past Due	61-90 Days Past Due	91+ Days Past Due	Total
Affordable Housing	$ 5,694,422	$ -	$ -	$ -	$ 5,694,422
Community Facilities	8,375,769	-	-	-	8,375,769
Commercial/Revitalization	3,199,404	-	-	-	3,199,404
Total Loans Receivable, Gross	$17,269,595	$ -	$ -	$ -	$17,269,595

As of September 30, 2022, the loan quality by portfolio segment was as follows:

	Total	Non-Accrual (Subset of Total)	Impaired (Subset of Total)	Total Debt Restructuring (Subset of Total and of Impaired)
Current	$ 17,269,595	$ 1,923,209	$ 1,923,209	$ 1,923,209
31-60 days past due	-	-	-	-
61-90 days past due	-	-	-	-
>90 days past due	-	-	-	-
Total Loans Receivable, Gross	$ 17,269,595	$ 1,923,209	$ 1,923,209	$ 1,923,209

The maturity of loans receivable is as follows:

Year Ending September 30,	
2023	$ 5,672,041
2024	3,620,000
2025	3,100,000
2026	1,947,000
2027	1,340,000
Thereafter	1,590,554
	$ 17,269,595

NOTE 7 LOANS RECEIVABLE SOLD WITH AND WITHOUT RECOURSE

The Organization has sold loans receivable to financial institutions with no recourse to other organizations. The outstanding balance of the no-recourse loans at September 30, 2022 was $375,436.

NOTE 7 LOANS RECEIVABLE SOLD WITH AND WITHOUT RECOURSE (cont'd)

The Organization services, administers, and collects the receivables on behalf of the purchaser. The Organization has not recognized a servicing asset or liability because it is impracticable to estimate its fair value.

NOTE 8 INDIRECT COSTS

As required by federal funding sources, in accordance with Office of Management and Budget Guidelines, the Organization maintains separate accounts to identify indirect costs. While most costs (direct costs) can be identified as pertaining to a specific program, other costs (indirect costs) actually apply to more than one program. These costs are accumulated in an "indirect cost pool," then allocated semi-monthly to grants and contracts based upon a predetermined rate of 19.0 percent for 2022 of total direct costs. This provisional indirect cost rate has been carefully developed to allocate costs in a consistent, equitable, and reasonable manner and has been approved by the Organization's cognizant agency, the U.S. Department of Interior. The allocation on pages 6 through 8 is shown to assist funding sources in determining the total cost of each program.

NOTE 9 PROPERTY AND EQUIPMENT

As of September 30, 2022, property and equipment consisted of the following:

Land	$ 250,000
Construction-in-progress	542,841
Buildings	1,348,108
Furniture and equipment	103,928
Accumulated depreciation	(642,554)
TOTAL	$ 1,602,323

NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS

As of September 30, 2022, net assets were restricted by donors for the following programs:

Purpose restricted:	
Self-Help Housing	$ 323,937
Real Estate Development	525,366
Farmworker Housing Technical Assistance	5,427
Restoring Central Dover	271,274
Development	4,338
Restricted in perpetuity:	
Delaware Community Foundation Trust	10,000
TOTAL	$ 1,140,342

NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS (cont'd)

The Organization was the beneficiary of a trust administered by the Delaware Community Foundation. The amount restricted in perpetuity in this fund is \$10,000. Amounts above \$10,000 are not restricted. The assets of the trust are included in the statement of financial position of the Organization at fair value.

NOTE 11 BOARD-DESIGNATED NET ASSETS

The Board established an operating reserve to stabilize the Organization's finances and to provide a rainy-day reserve. Use of this reserve requires authorization from the Board. As of September 30, 2022, the value of this reserve was \$1,100,000.

The Board established a building reserve to provide funding for future repairs made to the buildings in Dover and Georgetown. As of September 30, 2022, the value of this reserve was \$150,000.

The Board established a working capital reserve to provide funding for sufficient cash flow while awaiting reimbursement of expenditures. As of September 30, 2022, the value of this reserve was \$150,000.

The Board established a succession reserve to provide funding for future costs associated with succession planning. As of September 30, 2022, the value of this reserve was \$100,000.

The Board established a reserve to provide funding for future employee compensated absence liabilities. As of September 30, 2022, the value of this reserve was \$143,892.

NOTE 12 PENSION/RETIREMENT PLAN

The Organization sponsors an Internal Revenue Code Section 401(k) retirement plan. All full-time employees are eligible to contribute to the plan after completing one year of employment, with the Organization matching employee contributions up to \$2,400 for the calendar year. The total pension expense for 2022 was \$73,533.

NOTE 13 COMPENSATED ABSENCES

The Organization allows employees to accumulate unused annual leave to be paid upon retirement or leaving employment. The balance in this account as of September 30, 2022 was \$143,892.

NOTE 14 CONCENTRATIONS

The Organization received 17 percent of its total revenue and public support from the U.S. Department of Agriculture during the year ended September 30, 2022.

NOTE 15 LONG-TERM DEBT

Notes Payable for Loan Fund

In December 2005, the Organization entered into an unsecured note agreement with Wells Fargo Regional Community Development Corporation in the amount of $250,000. In 2016, the loan was increased by $100,000 to $350,000, and the maturity date extended from December 16, 2016 to December 16, 2025. This note bears interest at a fixed rate of 2.0 percent. Semi-annual installments of accrued interest are due and payable on March 31 and September 30 of each year, with the entire unpaid balance of principal due in full on December 16, 2025. As of September 30, 2022, the outstanding balance on this note was $350,000.

In September 2011, the Organization entered into an unsecured note agreement with PNC Bank in the amount of $1,250,000. In December 2016, the note amount was increased to $2,500,000. In 2022, the note amount was increased to $4,000,000 and extended through 2027. The note bears interest at a fixed rate of 3.75 percent. Accrued interest is payable on March 1, June 1, September 1, and December 1 of each year, with the entire unpaid principal balance due in full on June 30, 2027. As of September 30, 2022, the outstanding amount of this note was $4,000,000.

In March 2012, the Organization entered into an unsecured note agreement with AIG Federal Savings Bank (this loan is now held by Artisans' Bank; all terms and conditions remain the same) in the amount of $350,000. In March 2017, the note amount was increased to $500,000. The note bears interest at a fixed rate of 3.0 percent. Accrued interest is payable on January 1, April 1, July 1, and October 1 of each year, with the entire unpaid principal balance due in full on March 28, 2024 (previously March 28, 2018). As of September 30, 2022, the outstanding amount of this note was $500,000.

In April 2012, the Organization entered into an unsecured note agreement with Barclays Bank Delaware in the amount of $1,250,000. The loan was increased by $1,250,000 to $2,500,000 during 2016. The note bears interest at a fixed rate of 3.25 percent. Accrued interest is due on January 1, April 1, July 1, and October 1 of each year, with the entire unpaid principal balance due in full on March 11, 2026 (previously March 11, 2023). As of September 30, 2022, the outstanding amount of this note was $1,500,000.

In August 2012, the Organization entered into an unsecured note agreement with HSBC Bank USA in the amount of $2,000,000. The note was increased by $500,000 to $2,500,000 in 2018. The note bears interest at a fixed rate of 2.35 percent on the first $2,000,000 and will accrue at

NOTE 15 LONG-TERM DEBT (cont'd)

a fixed rate of 3.10 percent on any additional funds. Accrued interest is payable on January 1, April 1, July 1, and October 1 of each year, with the entire unpaid principal balance due in full on August 31, 2026 (previously August 31, 2024). As of September 30, 2022, the outstanding amount of this note was $2,000,000.

In August 2012, the Organization entered into an unsecured note agreement with TD Bank in the amount of $1,000,000; and in 2014, 2017, and 2020, the note was amended to increase the available amount to $1,500,000, $3,000,000, and $3,500,000, respectively. The note bears interest at a fixed rate of 5.15 percent. Accrued interest is payable quarterly with the entire unpaid principal balance due in full on July 31, 2024. As of September 30, 2022, the Organization has not drawn down on these loans.

In July 2014, the Organization entered into an unsecured line of credit agreement with the Jessie Ball DuPont Religious, Charitable, and Educational Fund in the amount of $1,500,000. Any outstanding balance against this line of credit will bear interest at a fixed rate of 1.5 percent. Accrued interest is payable on June 30 and December 31 of each year, with the entire unpaid principal balance due in full on July 29, 2028 (previously July 29, 2021). As of September 30, 2022, the outstanding amount of this note was $1,500,000.

In August 2014, the Organization entered into an unsecured line of credit agreement with Capital One, National Association in the amount of $1,000,000. Any outstanding balance against this line of credit will bear interest at a fixed rate of 1.0 percent. Accrued interest is payable on January 1, April 1, July 1, and October 1 of each year, with the entire unpaid principal balance due in full on July 1, 2024. As of September 30, 2022, the outstanding amount of this note was $1,000,000.

In September 2014, the Organization entered into an unsecured note agreement with Wilmington Savings Fund Society in the amount of $750,000. The note was renewed and increased by $250,000 to $1,000,000 in 2018. The note bears interest at a fixed rate of 4.25 percent. Accrued interest is payable quarterly with the entire unpaid principal balance due in full on January 30, 2024 (previously January 30, 2021). As of September 30, 2022, the outstanding amount of this note was $1,000,000.

In June 2015, the Organization entered into an unsecured note agreement with the Opportunity Finance Network in the amount of $1,000,000. The note was renewed and increased by $500,000 to $1,500,000 in 2018. The note bears interest at a fixed rate of 3.0 percent. Accrued interest is payable quarterly on March 31, June 30, September 30, and December 31, and the entire unpaid principal balance is due in full on December 31, 2024 (previously December 31, 2021). As of September 30, 2022, the outstanding amount of this note was $1,500,000.

In December 2016, the Organization entered into an unsecured note agreement with the United States Department of Agriculture in the amount of $5,000,000. The note bears interest at

NOTE 15 LONG-TERM DEBT (cont'd)

a fixed rate of 2.375 percent. Accrued interest is paid in monthly installments on the last day of each month, and the principal is amortized over the life of the note with a maturity date of December 20, 2056. The note requires an Irrevocable Letter of Credit for an outside institution as collateral in the minimum amount equal to the principal and interest installments due during the first five years. The note bears interest at a fixed rate of 1.00 percent. Accrued interest is due on January 1, April 1, July 1, and October 1 of each year. The outstanding principal payment as of December 5, 2020 is to be paid off in five equal installments with a maturity date of December 5, 2024. As of September 30, 2022, the Organization has not drawn down on these loans.

In August 2017, the Organization entered into an equity equivalent ("EQ2") investment agreement with CDFI Community Investment Fund I, Inc. in the amount of $250,000. The note bears interest at a fixed rate of 3.0 percent. Accrued interest is due on January 1, April 1, July 1, and October 1 of each year, with the entire unpaid principal balance due in full on September 30, 2027. As of September 30, 2022, the outstanding amount of this note was $250,000.

In July 2019, the Organization entered into an unsecured note agreement with Woodforest National Bank in the amount of $250,000. The note bears interest at a fixed rate of 4.0 percent. Accrued interest is due monthly, with the entire unpaid principal balance due in full on November 30, 2022 (previously July 9, 2022). As of September 30, 2022, the outstanding amount of this note was $250,000.

In February 2020, the Organization entered into an unsecured note agreement with Domestic and Foreign Missionary Society of the Protestant Episcopal Church in the United States of America in the amount of $300,000. The note bears interest at a fixed rate of 3.0 percent. Accrued interest is due quarterly, with the entire unpaid principal balance due in full on March 31, 2023. As of September 30, 2022, the outstanding amount of this note was $300,000.

In November 2020, the Organization entered into an unsecured line of credit agreement with U.S. Bank in the amount of $2,000,000. The note bears interest at a fixed rate of 2.49 percent. Accrued interest is due monthly, with the entire unpaid principal balance due in full on November 17, 2023. As of September 30, 2022, the outstanding amount of this note was $2,000,000.

In June 2020, the Organization entered into an unsecured loan agreement with the State of Maryland Department of Housing and Community Development in the amount of $400,000. The loan was provided through the Strategic Demolition Fund Program. The loan bears no interest. Repayment of the loan is deferred until the Hearn property (the Other Real Estate Owned property) is sold or transferred. The first $1,350,000 of sales proceeds with be given to the Organization, and any residual will be given to the State of Maryland Department of Housing and Community Development as repayment of the loan. The remaining amount of

NOTE 15 LONG-TERM DEBT (cont'd)

the loan, if any, will be forgiven. As of September 30, 2022, the outstanding amount of this loan was $400,000.

In November 2021, the Organization entered into an unsecured note agreement with the Opportunity Finance Network in the amount of $1,500,000. The note bears interest at a fixed rate of 3.0 percent. Accrued interest is payable quarterly on March 31, June 30, September 30, and December 31, and the entire unpaid principal balance is due in full on November 4, 2031. As of September 30, 2022, the outstanding amount of this note was $1,500,000.

The maturity of the long-term debt is as follows:

Year Ending September 30,	
2023	$ 550,000
2024	6,900,000
2025	1,500,000
2026	1,850,000
2027	4,250,000
Thereafter	3,000,000
	$ 18,050,000

NOTE 16 COMMITMENTS

Loans closed but not disbursed as of September 30, 2022 were as follows:

Loan Amount	Disbursed at 09/30/2022	Undisbursed
$ 8,997,019	$ 2,439,654	$ 6,557,365

On November 12, 2020, the Organization issued a letter of credit in favor of Delaware State Housing Authority as beneficiary at the request of Solomon's Court, LLC. for a construction contract completion guarantee in an amount not to exceed $38,000. The letter of credit expires on June 1, 2023. As of September 30, 2022, the Organization has not been notified of non-completion of the construction contract.

On December 21, 2021, the Organization issued a letter of credit in favor of Delaware State Housing Authority as beneficiary at the request of Millsboro Landing, L.P. for a construction contract completion guarantee in an amount not to exceed $198,176. The letter of credit

NOTE 16 COMMITMENTS (cont'd)

expires on June 1, 2023. As of September 30, 2022, the Organization has not been notified of non-completion of the construction contract.

On June 8, 2021, the Organization entered into an indemnification agreement among Bernstein TC Investors, LLC ("Bernstein") and U.S. Bancorp Community Development Corporation ("USBCDC"). The agreement is related to a NeighborGood allocation of $2.5 million of New Markets Tax Credits. Per the agreement, NeighborGood and Bernstein agreed to indemnify USBCDC in the event of a tax credit recapture, and shall share equally in any liability related to the recapture in an amount not to exceed $975,000 ($487,500 each) plus interest and penalties.

NOTE 17 CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances at three financial institutions which may at times exceed the Federal Deposit Insurance Corporation ("FDIC") limit of $250,000 per depositor. The bank balances that exceeded the FDIC limit as of September 30, 2022 were $11,951,064. the Organization has not experienced any losses in such accounts. Management of the Organization believes it is not exposed to any significant credit risk on its cash balances.

NOTE 18 ASSETS HELD FOR SALE

The following is a schedule of the inventory of assets held for resale (actual acquisition and development costs) held for resale as of September 30, 2022:

Land Bank	$ 208,997
106 South New Street	36,152
102 South New Street	163,926
110 South New Street	18,660
112 South New Street	21,569
	$ 449,304

NOTE 19 RELATED PARTY TRANSACTIONS

Each year, the Board of Directors conducts a formal process of discerning, disclosing, and monitoring potential conflicts of interest between its members. This same process extends to its staff and contractors. the Organization's policies require any individual to recuse themselves from any matters regarding a potential conflict of interest.

NOTE 19 RELATED PARTY TRANSACTIONS (cont'd)

The Organization representatives at the committee and staff level adhere to a disclosure and conflict-of-interest policy in the event a customer or loan request comes in wherever there may be involvement with a loan fund committee member.

As of September 30, 2022, the Organization had outstanding loans totaling $1,031,164 to Dover Interfaith Mission for Housing, Inc. A member of the Board of Directors of Dover Interfaith Mission for Housing, Inc. is on the Board of Directors of the Organization. Also, an employee of the Organization is a member of the Board of Directors of Dover Interfaith Mission for Housing, Inc.

As of September 30, 2022, the Organization had outstanding loans totaling $587,995 to Solid Rock Baptist Church. The pastor of Solid Rock Baptist Church is an employee of the Organization.

As of September 30, 2022, the Organization had an outstanding note receivable in the amount of $10,000 from the Central Delaware Housing collaborative. An employee of the Organization is a member of the Board of Directors of the Central Delaware Housing Collaborative.

As of September 30, 2022, the Organization had outstanding loans totaling $114,865 to Harrington Senior Center, Inc. An employee of the Organization is a member of the Board of Directors of Harrington Senior Center, Inc.

NOTE 20 UNUSED LINES OF CREDIT

In August 2017, the Organization entered into an unsecured line of credit agreement with Shore United Bank in the amount of $250,000. Outstanding amounts against the line of credit are charged a variable rate which is based on the highest prime rate published in the Wall Street Journal (6.25 percent as of September 30, 2022). As of September 30, 2022, the outstanding balance was $0.

NOTE 21 LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization's financial assets consist of cash and cash equivalents, accounts receivable, grants receivable, current investments, interest receivable, and current loans receivables.

The following reflects the Organization's financial assets as of September 30, 2022, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts not available include amounts set aside by the Board that could be drawn upon if the governing board decides to approve such action.

NOTE 21 LIQUIDITY AND AVAILABILITY OF RESOURCES (cont'd)

Financial assets, at year end	$ 24,599,261
Less unavailable for general expenses within one year due to:	
Purpose restrictions	1,130,432
Restricted in perpetuity	10,000
Board designations	1,643,892
Financial assets available to meet cash needs for general expenses within one year	$ 21,814,937

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

As described in Note 20, the Organization also has one line of credit in the amount of $250,000, which it could draw upon in the event of an unanticipated liquidity need.

NOTE 22 SUBSEQUENT EVENTS

The Organization has evaluated all subsequent events through March 7, 2023, the date the financial statements were available to be issued.

SINGLE AUDIT INFORMATION

INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

March 7, 2023

To the Board of Directors
NeighborGood Partners and Subsidiaries
Dover, Delaware

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of NeighborGood Partners (a nonprofit organization) and Subsidiaries ("the Organization"), which comprise the consolidated statement of financial position as of September 30, 2022 and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 7, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting ("internal control") as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal

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To the Board of Directors
NeighborGood Partners and Subsidiaries

control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

<u>Compliance and Other Matters</u>

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

<u>Purpose of This Report</u>

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP

INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

March 7, 2023

To the Board of Directors
NeighborGood Partners and Subsidiaries
Dover, Delaware

Report on Compliance for Major Federal Program

Opinion on Major Federal Program

We have audited the NeighborGood Partners and Subsidiaries' ("the Organization") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal program for the year ended September 30, 2022. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and recommendations.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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To the Board of Directors
NeighborGood Partners and Subsidiaries

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

<u>Responsibilities of Management for Compliance</u>

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts, or grant agreements applicable to the Organization's federal programs.

<u>Auditor's Responsibilities for the Audit of Compliance</u>

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

To the Board of Directors
NeighborGood Partners

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP

NEIGHBORGOOD PARTNERS AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

FEDERAL GRANTOR/PROJECT TITLE	SOURCE CODES	PASS-THROUGH NO.	CFDA NUMBER	EXPENDITURES	PASSED THROUGH TO SUBRECIPIENTS
U.S. Department of Agriculture					
Self-Help Housing Technical and Management Assistance	D	N/A	10.420	$ 894,491	$ -
Rural Community Development Initiative	D	N/A	10.446	77,990	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE				972,481	-
U.S. Department of Housing and Urban Development					
Passed through HOMEFREE - USA					
Housing Counseling Grant	I	N/A	14.169	20,000	-
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				20,000	-
U.S. Department of Labor					
Passed through Florida Non-Profit Housing, Inc.					
National Farmworkers Job Program	I	N/A	17.264	70,985	-
TOTAL U.S. DEPARTMENT OF LABOR				70,985	-
U.S. Department of the Treasury					
Passed through Neighborhood Reinvestment Corporation					
Expendable Grant	I	N/A	21.000	402,960	-
Capital Grant	I	N/A	21.000	275,000	-
Total CFDA #21.000				677,960	-
TOTAL U.S. DEPARTMENT OF THE TREASURY				677,960	-
U.S. Department of Criminal Justice					
Passed through Delaware Criminal Justice Council					
Project Safe Neighborhoods	I	N/A	16.609	59,340	-
TOTAL U.S. DEPARTMENT OF CRIMINAL JUSTICE				59,340	-
TOTAL FEDERAL EXPENDITURES				$ 1,800,766	$ -

SOURCE CODES:

D - Direct Funding
I - Indirect Funding

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A BASIS OF ACCOUNTING

All expenditures included in the schedule of expenditures of federal awards are presented on the basis that expenditures are reported to the respective federal grantor agencies. Accordingly, expenditures are recorded when the federal obligation is determined.

NOTE B FEDERAL EXPENDITURES

The schedule of expenditures of federal awards reflects federal expenditures for all individual grants which were active during the fiscal year.

NOTE C INDIRECT COST RATE

The Organization did not use the federal de minimis indirect cost rate of 10 percent on their federal grants for the year ended September 30, 2022.

As required by federal funding sources, in accordance with Office of Management and Budget Guidelines, the Organization maintains separate accounts to identify indirect costs. While most costs (direct costs) can be identified as pertaining to a specific program, other costs (indirect costs) actually apply to more than one program. These costs are accumulated in an "indirect cost pool," then allocated semi-monthly to grants and contracts based upon a predetermined rate of 19.0 percent for 2022 of total direct costs. This provisional indirect cost rate has been carefully developed to allocate costs in a consistent, equitable, and reasonable manner and has been approved by the Organization's cognizant agency, the U.S. Department of Interior.

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

NEIGHBORGOOD PARTNERS AND SUBSIDIARIES

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

PART A - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued [*unmodified, qualified, adverse, or disclaimer*]:

Unmodified

Internal control over financial reporting:

• Material weakness(es) identified?	______ Yes	X No
• Significant deficiency(ies) identified?	______ Yes	X None reported
• Noncompliance material to financial statements noted?	______ Yes	X No

Federal Awards

Internal control over major programs:

• Material weakness(es) identified?	______ Yes	X No
• Significant deficiency(ies) identified?	______ Yes	X None reported

Type of auditor's report issued on compliance for major program [*unmodified, qualified, adverse, or disclaimer*]:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	______ Yes	X No

Identification of major program:

CFDA Number	*Name of Federal Program or Cluster*
10.420	Self-Help Housing Technical and Management Assistance

Dollar threshold used to distinguish between Type A and Type B programs: $750,000

Auditee qualified as low-risk auditee?	X Yes	______ No

PART B - FINDINGS RELATED TO FINANCIAL STATEMENTS

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

PART C - FINDINGS RELATED TO FEDERAL AWARDS

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.