



**NATIONAL COUNCIL ON AGRICULTURAL  
LIFE AND LABOR RESEARCH, INC.  
DOVER, DELAWARE**

**REPORT ON AUDIT  
OF FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2021**

NATIONAL COUNCIL ON AGRICULTURAL LIFE AND LABOR RESEARCH, INC. AND SUBSIDIARIES

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## INDEPENDENT AUDITOR'S REPORT

March 3, 2022

To the Board of Directors  
National Council on Agricultural Life and  
Labor Research, Inc. and Subsidiaries  
Dover, Delaware

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of National Council on Agricultural Life and Labor Research, Inc. (a nonprofit organization) and Subsidiaries ("NCALL"), which comprise the consolidated statement of financial position as of September 30, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements,

To the Board of Directors  
National Council on Agricultural Life and  
Labor Research, Inc. and Subsidiaries

whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NCALL as of September 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Report on Summarized Comparative Information

We have previously audited NCALL's September 30, 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated February 4, 2021. In our opinion, the summarized comparative information presented herein as of and the for the year ended September 30, 2020 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

### Other Matters

#### *Other 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, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), is presented for purposes of additional analysis 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 information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

To the Board of Directors  
National Council on Agricultural Life and  
Labor Research, Inc. and Subsidiaries

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2022 on our consideration of NCALL'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 NCALL's internal control over financial reporting and compliance.

*Barbacane, Thornton & Company LLP*  
BARBACANE, THORNTON & COMPANY LLP

**NATIONAL COUNCIL ON AGRICULTURAL LIFE AND LABOR RESEARCH, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2021 AND 2020**

	2021	2020
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 4,237,023	\$ 5,129,413
Cash and cash equivalents - loan fund	10,617,809	8,108,927
Accounts receivable	110,255	7,477
Grant receivables	163,763	199,993
Interest receivable	40,513	67,380
Investments	4,332,175	745,070
Prepaid expense	13,565	27,564
Other receivables	6,117	-
Note receivable	-	9,437
Loans receivable, net of allowance for loan losses of \$438,081 for 2021 and \$827,719 for 2020	5,073,121	7,490,084
Total Current Assets	<u>24,594,341</u>	<u>21,785,345</u>
<b>NONCURRENT ASSETS:</b>		
Property and equipment	2,138,126	2,107,240
Less: Accumulated depreciation	(597,391)	(552,731)
Net property and equipment	<u>1,540,735</u>	<u>1,554,509</u>
Assets held for sale	1,026,294	260,121
Other real estate owned property, net of allowance for estimated loss on sale/transfer of \$500,000 for 2021 and \$400,000 for 2020	1,236,101	1,141,707
Note receivable	188,453	180,563
Loans receivable, net of allowance for loan losses of \$610,675 for 2021 and \$1,079,467 for 2020	7,071,821	9,765,625
Investments	29,136	144,288
Equity investment in subsidiaries	51,647	-
Total Noncurrent Assets	<u>11,144,187</u>	<u>13,046,813</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 35,738,528</b></u>	<u><b>\$ 34,832,158</b></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 278,105	\$ 49,364
Accrued payroll	128,911	111,956
Accrued compensated absences	142,018	154,803
Accrued interest	12,931	37,204
Deferred revenue	-	9,630
Notes payable for loan fund	4,975,000	4,875,000
Other current liabilities	10,912	4,134
Total Current Liabilities	<u>5,547,877</u>	<u>5,242,091</u>
<b>NONCURRENT LIABILITIES:</b>		
Paycheck Protection Program loan	-	435,575
Notes payable for loan fund	12,050,000	12,750,000
Total Noncurrent Liabilities	<u>12,050,000</u>	<u>13,185,575</u>
<b>TOTAL LIABILITIES</b>	<u><b>17,597,877</b></u>	<u><b>18,427,666</b></u>
<b>NET ASSETS</b>		
Without donor restrictions:		
Undesignated	15,898,572	14,113,914
Designated for operating reserve	1,000,000	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	142,018	154,803
Total Without Donor Restrictions	<u>17,440,590</u>	<u>15,668,717</u>
With donor restrictions:		
Due to purpose	690,061	725,775
In perpetuity	10,000	10,000
Total With Donor Restrictions	<u>700,061</u>	<u>735,775</u>
<b>TOTAL NET ASSETS</b>	<u><b>18,140,651</b></u>	<u><b>16,404,492</b></u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$ 35,738,528</b></u>	<u><b>\$ 34,832,158</b></u>

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

**NATIONAL COUNCIL ON AGRICULTURAL LIFE AND LABOR RESEARCH, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**  
**(With Summarized Totals for 2020)**

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2021	2020
<b>PUBLIC SUPPORT, REVENUE, AND GAINS</b>				
Public Support:				
Grants and contracts	\$ 152,905	\$ 4,469,004	\$ 4,621,909	\$ 3,924,458
Contributions	69,906	192,210	262,116	253,428
Total Public Support	<u>222,811</u>	<u>4,661,214</u>	<u>4,884,025</u>	<u>4,177,886</u>
Revenue:				
Interest income - investments	160,871	-	160,871	24,076
Interest income - loans	804,607	-	804,607	1,053,888
Fee income	1,271,714	-	1,271,714	442,530
Other	49	-	49	66,458
Total Revenue	<u>2,237,241</u>	<u>-</u>	<u>2,237,241</u>	<u>1,586,952</u>
Gains:				
Unrealized gain on investments	251,069	-	251,069	1,446
Loan forgiveness gain	435,575	-	435,575	-
Total Gains:	<u>686,644</u>	<u>-</u>	<u>686,644</u>	<u>1,446</u>
Net assets released from restriction:				
Satisfaction of program restrictions	4,696,928	(4,696,928)	-	-
<b>TOTAL PUBLIC SUPPORT, REVENUE, AND GAINS</b>	<u>7,843,624</u>	<u>(35,714)</u>	<u>7,807,910</u>	<u>5,766,284</u>
<b>EXPENSES AND LOSSES</b>				
Program Services:				
Self-Help Housing	498,864	-	498,864	500,856
Farmworker Housing Technical Assistance	58,505	-	58,505	56,653
Rural Community Development Initiative - Delaware	137,677	-	137,677	154,355
Real Estate Development	92,247	-	92,247	124,736
Restoring Central Dover	321,529	-	321,529	217,482
Housing Counseling	539,168	-	539,168	505,213
Foreclosure Prevention	251,864	-	251,864	232,405
Stand By Me Financial Coaching	272,479	-	272,479	287,754
Loan Fund	2,730,367	-	2,730,367	2,371,199
Total Program Services	<u>4,902,700</u>	<u>-</u>	<u>4,902,700</u>	<u>4,450,653</u>
Support Services:				
Management and general	582,080	-	582,080	536,372
Development	389,759	-	389,759	303,797
Fund raising	98,698	-	98,698	93,538
Total Support Services	<u>1,070,537</u>	<u>-</u>	<u>1,070,537</u>	<u>933,707</u>
<b>TOTAL EXPENSES</b>	<u>5,973,237</u>	<u>-</u>	<u>5,973,237</u>	<u>5,384,360</u>
<b>LOSSES</b>				
Losses on the sale on assets held for sale	150,161	-	150,161	493,139
<b>TOTAL LOSSES</b>	<u>150,161</u>	<u>-</u>	<u>150,161</u>	<u>493,139</u>
<b>TOTAL EXPENSES AND LOSSES</b>	<u>6,123,398</u>	<u>-</u>	<u>6,123,398</u>	<u>5,877,499</u>
<b>CHANGE IN NET ASSETS BEFORE OTHER CHANGE</b>	<u>1,720,226</u>	<u>(35,714)</u>	<u>1,684,512</u>	<u>(111,215)</u>
<b>OTHER CHANGE</b>				
Gain on equity investment in subsidiaries	51,647	-	51,647	-
<b>CHANGE IN NET ASSETS</b>	1,771,873	(35,714)	1,736,159	(111,215)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>15,668,717</u>	<u>735,775</u>	<u>16,404,492</u>	<u>16,515,707</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$17,440,590</u>	<u>\$ 700,061</u>	<u>\$18,140,651</u>	<u>\$16,404,492</u>

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

**NATIONAL COUNCIL ON AGRICULTURAL LIFE AND LABOR RESEARCH, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**  
**(With Summarized Totals for 2020)**

	Program Services				
	Self-Help Housing	Farmworker Housing Technical Assistance	Rural Community Development Initiative - DE	Real Estate Development	Restoring Central Dover
EXPENSES:					
Salaries	\$ 370,566	\$ 36,239	\$ 106,267	\$ 66,456	\$ 157,942
Payroll taxes	27,682	2,582	7,990	4,825	11,455
Pension	12,959	1,357	3,925	2,319	5,010
Other employee benefits	51,207	7,444	13,375	12,092	26,504
Total Salaries and Related Expenses	<u>462,414</u>	<u>47,622</u>	<u>131,557</u>	<u>85,692</u>	<u>200,911</u>
Accounting and audit fees	-	-	-	-	-
Consultant fees	19,190	7,648	4,675	4,000	44,811
Consumables	490	-	62	200	40
Credit report charges	-	-	-	-	-
Depreciation	-	-	-	-	-
Dues/registration/training	3,575	1,000	15	595	3,833
Employee advertising	-	-	-	518	-
Equipment and maintenance	6,820	2,201	411	-	3,651
Insurance	-	-	-	255	2,008
Interest expense	-	-	-	-	-
Internet and technical services	5,011	-	-	-	469
Janitorial services and supplies	-	-	-	-	-
Legal fees	-	-	-	-	-
Loan participation fees	-	-	-	330	-
Marketing	25	-	-	-	12
Miscellaneous	-	-	-	-	-
Office supplies	-	-	-	-	-
Pass through funds	-	-	-	-	-
Printing and postage	87	-	-	98	35
Property tax/maintenance expenses	-	-	-	-	-
Provision for loan/OREO losses	-	-	-	-	-
Publications	-	-	-	-	-
Special projects	-	-	-	-	65,606
Telephone	777	-	-	559	-
Travel and per diem	475	34	957	-	153
Utilities	-	-	-	-	-
Subtotal	<u>498,864</u>	<u>58,505</u>	<u>137,677</u>	<u>92,247</u>	<u>321,529</u>
Allocation of indirect costs	90,297	10,697	24,465	18,574	57,561
Allocation of occupancy costs	4,680	1,200	1,260	3,120	2,400
<b>TOTAL EXPENSES</b>	<u><u>\$ 593,841</u></u>	<u><u>\$ 70,402</u></u>	<u><u>\$ 163,402</u></u>	<u><u>\$ 113,941</u></u>	<u><u>\$ 381,490</u></u>

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**NATIONAL COUNCIL ON AGRICULTURAL LIFE AND LABOR RESEARCH, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**  
**(With Summarized Totals for 2020)**

	Program Services				Total Program Services
	Housing Counseling	Foreclosure Prevention	Stand By Me Financial Coaching	Loan Fund	
EXPENSES:					
Salaries	\$ 401,248	\$ 188,331	\$ 191,648	\$ 358,285	\$ 1,876,982
Payroll taxes	29,644	12,877	14,223	26,059	137,337
Pension	13,176	6,413	7,088	12,230	64,477
Other employee benefits	58,905	41,321	26,305	60,480	297,633
Total Salaries and Related Expenses	502,973	248,942	239,264	457,054	2,376,429
Accounting and audit fees	-	-	-	9,150	9,150
Consultant fees	12,875	-	-	91,710	184,909
Consumables	1,110	95	319	163	2,479
Credit report charges	3,285	-	22,267	-	25,552
Depreciation	-	-	-	1,850	1,850
Dues/registration/training	2,275	1,409	1,780	18,375	32,857
Employee advertising	-	-	-	1,120	1,638
Equipment and maintenance	5,727	39	4,026	156	23,031
Insurance	-	-	-	12,286	14,549
Interest expense	-	-	-	575,614	575,614
Internet and technical services	866	-	-	351	6,697
Janitorial services and supplies	-	-	-	-	-
Legal fees	-	-	-	108,088	108,088
Loan participation fees	1,830	-	-	48,171	50,331
Marketing	1,026	-	-	-	1,063
Miscellaneous	-	-	-	15,118	15,118
Office supplies	556	-	259	130	945
Pass through funds	-	-	-	275,000	275,000
Printing and postage	164	-	477	279	1,140
Property tax/maintenance expenses	-	-	-	4,057	4,057
Provision for loan/OREO losses	-	-	-	1,107,834	1,107,834
Publications	80	-	-	96	176
Special projects	1,875	-	50	-	67,531
Telephone	2,415	1,266	3,962	1,895	10,874
Travel and per diem	2,111	113	75	1,870	5,788
Utilities	-	-	-	-	-
Subtotal	539,168	251,864	272,479	2,730,367	4,902,700
Allocation of indirect costs	100,051	46,567	50,817	142,454	541,483
Allocation of occupancy costs	8,100	5,340	3,300	8,844	38,244
<b>TOTAL EXPENSES</b>	<b>\$ 647,319</b>	<b>\$ 303,771</b>	<b>\$ 326,596</b>	<b>\$ 2,881,665</b>	<b>\$ 5,482,427</b>

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**NATIONAL COUNCIL ON AGRICULTURAL LIFE AND LABOR RESEARCH, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**  
**(With Summarized Totals for 2020)**

EXPENSES:	Support Services				Totals	
	Management and General	Development	Fundraising	Total Support Services	2021	2020
Salaries	\$ 260,074	\$ 190,701	\$ 71,723	\$ 522,498	\$ 2,399,480	\$ 2,328,637
Payroll taxes	19,473	14,460	5,561	39,494	176,831	170,027
Pension	9,305	550	2,400	12,255	76,732	68,152
Other employee benefits	26,338	8,462	5,792	40,592	338,225	328,853
Total Salaries and Related Expenses	<u>315,190</u>	<u>214,173</u>	<u>85,476</u>	<u>614,839</u>	<u>2,991,268</u>	<u>2,895,669</u>
Accounting and audit fees	20,000	-	-	20,000	29,150	27,925
Consultant fees	17,455	53,445	11,921	82,821	267,730	267,988
Consumables	17,519	4,709	84	22,312	24,791	22,985
Credit report charges	-	-	-	-	25,552	30,269
Depreciation	1,040	41,770	-	42,810	44,660	42,484
Dues/registration/training	24,752	1,973	1,084	27,809	60,666	67,828
Employee advertising	-	155	-	155	1,793	-
Equipment and maintenance	18,105	13,099	-	31,204	54,235	38,193
Insurance	19,879	-	-	19,879	34,428	32,507
Interest expense	-	-	-	-	575,614	554,950
Internet and technical services	88,004	594	3	88,601	95,298	40,030
Janitorial services and supplies	10,265	-	-	10,265	10,265	7,498
Legal fees	1,205	-	-	1,205	109,293	40,957
Loan participation fees	-	-	-	-	50,331	4,063
Marketing	-	1,400	-	1,400	2,463	6,283
Miscellaneous	12,710	18,028	-	30,738	45,856	34,366
Office supplies	810	-	130	940	1,885	5,707
Pass through funds	-	-	-	-	275,000	-
Printing and postage	11,408	550	-	11,958	13,098	13,244
Property tax/maintenance expenses	7,175	-	-	7,175	11,232	9,441
Provision for loan/OREO losses	-	-	-	-	1,107,834	1,100,000
Publications	1,913	53	-	1,966	2,142	3,266
Special projects	-	39,810	-	39,810	107,341	32,481
Telephone	4,488	-	-	4,488	15,362	19,608
Travel and per diem	375	-	-	375	6,163	76,285
Utilities	9,787	-	-	9,787	9,787	10,333
Subtotal	<u>582,080</u>	<u>389,759</u>	<u>98,698</u>	<u>1,070,537</u>	<u>5,973,237</u>	<u>5,384,360</u>
Allocation of indirect costs	(541,483)	-	-	(541,483)	-	-
Allocation of occupancy costs	(40,597)	1,200	1,153	(38,244)	-	-
<b>TOTAL EXPENSES</b>	<u>\$ -</u>	<u>\$ 390,959</u>	<u>\$ 99,851</u>	<u>\$ 490,810</u>	<u>\$ 5,973,237</u>	<u>\$ 5,384,360</u>

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

**NATIONAL COUNCIL ON AGRICULTURAL LIFE AND LABOR RESEARCH, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,736,159	\$ (111,215)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	44,660	42,484
Provision for loan/OREO losses	1,107,834	1,100,000
Gain on equity investment in subsidiaries	(51,647)	-
Loan forgiveness gain	(435,575)	-
Losses on sale of assets held for sale	150,161	493,139
Proceeds from the sale of assets held for sale	988,579	645,601
Cash paid developing assets held for sale	(1,904,913)	(156,969)
Unrealized gain on investments	(251,069)	(1,446)
Decrease in loans receivable	4,002,933	1,313,833
Decrease (Increase) in note receivable	1,547	(190,000)
Increase in accounts receivable	(102,778)	(3,602)
Decrease (Increase) in grants receivable	36,230	(38,965)
Decrease (Increase) in interest receivable	26,867	(67,380)
Increase in other receivables	(6,117)	-
Decrease (Increase) in prepaid expense	13,999	(26,120)
Increase in other real estate owned property	(94,394)	(430,619)
Increase (Decrease) in accounts payable	228,741	(34,019)
Increase (Decrease) in accrued payroll	16,955	(3,230)
(Decrease) Increase in accrued compensated absences	(12,785)	24,376
(Decrease) Increase in accrued interest	(24,273)	5,940
Decrease in deferred revenue	(9,630)	(180)
Increase (Decrease) in other current liabilities	6,778	(60,063)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>5,468,262</u>	<u>2,501,565</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale of investments	745,070	1,249,457
Purchase of investments	(3,965,954)	(711,693)
Purchase of property and equipment	(30,886)	(34,141)
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	<u>(3,251,770)</u>	<u>503,623</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Paycheck Protection Program loan	-	435,575
Proceeds from long-term debt	2,900,000	300,000
Repayment of long-term debt	(3,500,000)	-
NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES	<u>(600,000)</u>	<u>735,575</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,616,492	3,740,763
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>13,238,340</u>	<u>9,497,577</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$14,854,832</u>	<u>\$13,238,340</u>
CASH AND CASH EQUIVALENTS	\$ 4,237,023	\$ 5,129,413
CASH AND CASH EQUIVALENTS - LOAN FUND	10,617,809	8,108,927
	<u>\$14,854,832</u>	<u>\$13,238,340</u>
NONCASH FINANCING ACTIVITY:		
Loan forgiveness gain	<u>\$ 435,575</u>	<u>\$ -</u>
SUPPLEMENTAL INFORMATION:		
Interest paid	<u>\$ 599,887</u>	<u>\$ 549,010</u>
Taxes paid	<u>\$ -</u>	<u>\$ -</u>

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

NATIONAL COUNCIL ON AGRICULTURAL LIFE AND LABOR RESEARCH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 GENERAL

The National Council on Agricultural Life and Labor Research, Inc. ("NCALL") was organized in 1955 as a nonprofit corporation and has been providing housing technical assistance and affordable housing services since 1976. NCALL competes for funding in the form of contracts, grants, and cooperative agreements from the federal, state, and private sectors when it is available.

The mission of NCALL, simply put, is: "Strengthen communities through housing, lending, and education."

NCALL is governed by a 15-member Board of Directors from NCALL's service area.

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

NCALL was certified as a Community Development Financial Institution ("CDFI") during fiscal year 2005 by the U.S. Department of Treasury. As of September 30, 2021, this certification was in good standing.

As a CDFI, NCALL 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 any other real or personal property of any kind. NCALL is the sole corporate and managing member of Hearn Ownership, 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

NATIONAL COUNCIL ON AGRICULTURAL LIFE AND LABOR RESEARCH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 GENERAL (cont'd)

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 NCALL and 1 percent to TB Manager, LLC based on units of ownership. NCALL 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 NCALL 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 NCALL 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 NCALL 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 NCALL, Hearn Ownership, LLC and NCALL Community Investment, LLC. Significant interorganizational accounts and transactions have been eliminated.

Investment in Subsidiaries

NCALL 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.

NATIONAL COUNCIL ON AGRICULTURAL LIFE AND LABOR RESEARCH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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, NCALL 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, NCALL is required to present a statement of cash flows.

Recognition of Donor Restrictions

Donor-restricted support is reported as an increase in net assets with donor restrictions. 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. NCALL 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, NCALL 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. NCALL's portion of the investment pool is valued by the Delaware Community Foundation on a monthly basis. The investments in

NATIONAL COUNCIL ON AGRICULTURAL LIFE AND LABOR RESEARCH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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 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, 2021.

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. NCALL 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.

NATIONAL COUNCIL ON AGRICULTURAL LIFE AND LABOR RESEARCH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Property and Equipment

NCALL 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.

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

NCALL (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 NCALL's tax-exempt purpose may be subject to taxation as unrelated business income.

Hearn Ownership, LLC is considered a disregarded entity 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 NCALL's tax returns. Management has determined that NCALL does



NATIONAL COUNCIL ON AGRICULTURAL LIFE AND LABOR RESEARCH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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 NCALL's tax returns will not be challenged by the taxing authorities and that NCALL will not be subject to additional tax, penalties, and interest as a result of such challenge.

Advertising

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

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 NCALL'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 NCALL's financial statements for the year ended September 30, 2020, from which the summarized information was derived.

NOTE 3 PROGRAM ACTIVITIES

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

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

NCALL 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-

NATIONAL COUNCIL ON AGRICULTURAL LIFE AND LABOR RESEARCH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 PROGRAM ACTIVITIES (cont'd)

state northeast region. The region extends from Virginia north to New England and west to Minnesota. NCALL is responsible for providing technical and management assistance in construction, accounting, scheduling, and housing development to local self-help housing programs. NCALL also is called upon to conduct training, publish newsletters, and help resolve problems. NCALL is operating under a five-year contract which started in April 2018.

Farmworker Housing Technical Assistance

NCALL 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 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, NCALL 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

NCALL 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. NCALL is purchasing lots and building for-sale homes in the Restoring Central Dover footprint. Two houses were sold during fiscal year 2021, and additional building lots continue to be purchased. NCALL 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

NCALL 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

NATIONAL COUNCIL ON AGRICULTURAL LIFE AND LABOR RESEARCH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 PROGRAM ACTIVITIES (cont'd)

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 NCALL staff, the steering committee, and work groups in the areas of housing, safety, economic development, and community engagement.

Housing Counseling

NCALL 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 NCALL enables families to become more knowledgeable about the home buying and mortgage approval process, while helping families prepare financially for the step to homeownership. NCALL 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

NCALL 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. NCALL assists families in seeking modified mortgages that are more affordable and sustainable. NCALL participates in Delaware's Foreclosure Mediation Program.

Stand By Me Financial Coaching

NCALL 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, NCALL hires financial coaches to work with a variety of venues within Central and Southern Delaware, such as Dover Downs serving its employees, Delaware Technical & Community College serving students, and Public Housing serving the residents. NCALL signs an annual memorandum of understanding with United Way of Delaware for each year, which is providing the majority of funding for this service.

Loan Fund

NCALL 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

NATIONAL COUNCIL ON AGRICULTURAL LIFE AND LABOR RESEARCH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 PROGRAM ACTIVITIES (cont'd)

housing, community development, economic development, and nonprofit credit needs of its customer base. A committee of five NCALL Board Members and Board-approved appointees oversees the Loan Fund and is responsible for recommending policies and the loan approval process. NCALL's Board of Directors is responsible for Loan Fund governance.

NCALL 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

During the year ended September 30, 2021, NCALL began investing in mutual funds, exchange traded funds, stocks, and bonds. These investments totaled \$3,756,872 at September 30, 2021.

Other investments consist of certificates of deposit with original maturities of more than three months. The fair value as of September 30, 2021 amounted to \$498,675. Interest accrues at rates ranging from 0.01 percent to 0.40 percent. NCALL is also invested in the Delaware Community Foundation investment pool. The fair value of these investments as of September 30, 2021 amounted to \$29,136.

The fair values of investments at September 30, 2021 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Certificates of deposit	\$ 575,303	\$ -	\$ 575,303
Vicus - Government Cash Reserves	132,131	132,131	-
Vicus - Mutual Funds	895,148	895,148	-
Vicus - Equity ETFs	1,014,549	1,014,549	-
Vicus - Common Stocks	1,022,913	1,022,913	-
Vicus - Other	11,195	11,195	-
Vicus - Bonds	119,985	-	119,985
Vicus - Corporate Bonds	326,162	-	326,162
Vicus - Municipal Bonds	76,642	-	76,642
Vicus - U.S. Treasury Bonds	158,147	-	158,147
Delaware Community Foundation	29,136	-	29,136
Total	<u>\$ 4,361,311</u>	<u>\$ 3,075,936</u>	<u>\$ 1,285,375</u>

NATIONAL COUNCIL ON AGRICULTURAL LIFE AND LABOR RESEARCH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 ALLOWANCE FOR LOAN/OREO LOSSES

For the year ended September 30, 2021, the change in the allowance for loan/OREO losses is as follows:

	Beginning Allowance for Loan/OREO Losses	Reclassify	Provision for Loan/OREO Losses	Charge-offs	Ending Allowance for Loan/OREO Losses
Affordable Housing	\$ 256,344	\$ (85,385)	\$ -	\$ -	\$ 170,959
Community Facilities	447,070	24,707	1,100,000	(752,355)	819,422
Commercial/Revitalization	1,203,772	(39,322)	-	(1,106,075)	58,375
Other Real Estate Owned (OREO)	400,000	100,000	-	-	500,000
Interest Receivable	-	-	7,834	(7,834)	-
Total Allowance	<u>\$ 2,307,186</u>	<u>\$ -</u>	<u>\$ 1,107,834</u>	<u>\$(1,866,264)</u>	<u>\$ 1,548,756</u>

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

NOTE 6 CREDIT QUALITY OF LOANS RECEIVABLE

NCALL 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. NCALL'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, exceeds underwriting criteria related to: quality of collateral, strength of loan repayment, supportive market conditions, and a strong financial condition. An additional allowance is not required for this rating.

NATIONAL COUNCIL ON AGRICULTURAL LIFE AND LABOR RESEARCH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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 condition. An additional allowance is not 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; this situation is typical with community development projects. There may be loan policy exceptions which may prevent the loan from being rated Good or Standard, and additional loan monitoring may occur. An additional allowance is not required for this rating, but additional performance measures may be recommended that are not allowance related.

Watch

The loan request and the borrower no longer meet all the underwriting criteria, so there are one or more weaknesses to address. A specific financial loss may not be expected at this time, so the rating pertains to time and effort to offset weaknesses. The loan may, or may not, be late with its payments. A Watch rating is for shorter terms, with the expectation that the rating improves or deteriorates within six to twelve months of the Watch rating. An additional allowance of up to 25 percent of the amount may be recommended for the Watch-rated loan.

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. When the loan reaches 90 days past due, it will be placed on nonaccrual status. If the loan cannot be cured within a reasonable time (within six months from the receipt of this rating), staff will prepare a plan of action for the review and approval of 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. An allowance for loan losses of up to 50 percent of the loan amount may be considered with this rating.

Doubtful/Other Real Estate Owned ("OREO")

The loan and borrower continue to be in default, and there is no expectation of a repayment strategy. Disposition and charge-off actions are recommended by staff to the Loan Fund

NATIONAL COUNCIL ON AGRICULTURAL LIFE AND LABOR RESEARCH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Committee. Approval for the charge-off process (time and amount) is required. An allowance for loan losses of up to 100 percent of the loan amount will be considered with this rating.

The information used to internally rate loans receivable was updated as of September 30, 2021.

As of September 30, 2021, loans were split between the following portfolio segments:

Affordable Housing	\$ 3,419,173
Community Facilities	8,607,023
Commercial/Revitalization	<u>1,167,502</u>
Total Loans Receivable, Gross	13,193,698
Allowance for Loan Losses	<u>(1,048,756)</u>
<b>TOTAL</b>	<b><u>\$ 12,144,942</u></b>

As of September 30, 2021, the loan ratings and amounts by portfolio segment were as follows:

	<u>Good</u>	<u>Standard</u>	<u>Adequate</u>	<u>Watch</u>	<u>Sub- Standard</u>	<u>Total</u>
Affordable Housing	\$ -	\$ -	\$ 3,419,173	\$ -	\$ -	\$ 3,419,173
Community Facilities	-	-	6,066,282	602,875	1,937,866	8,607,023
Commercial/Revitalization	-	-	<u>1,167,502</u>	-	-	<u>1,167,502</u>
Total Loans Receivable, Gross	<u>\$ -</u>	<u>\$ -</u>	<u>\$10,652,957</u>	<u>\$ 602,875</u>	<u>\$1,937,866</u>	<u>\$ 13,193,698</u>

As of September 30, 2021, the loan aging by portfolio segment was as follows:

	<u>Current</u>	<u>31-60 Days Past Due</u>	<u>61-90 Days Past Due</u>	<u>91+ Days Past Due</u>	<u>Total</u>
Affordable Housing	\$ 3,419,173	\$ -	\$ -	\$ -	\$ 3,419,173
Community Facilities	8,607,023	-	-	-	8,607,023
Commercial/Revitalization	<u>1,167,502</u>	-	-	-	<u>1,167,502</u>
Total Loans Receivable, Gross	<u>\$13,193,698</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$13,193,698</u>

The \$1,937,866 that is more than 90 days past due in Community Facilities is in non-accrual status. There is no estimated date as to when the amount will be collected.

NATIONAL COUNCIL ON AGRICULTURAL LIFE AND LABOR RESEARCH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 LOANS RECEIVABLE SOLD WITH AND WITHOUT RECOURSE

NCALL has sold loans receivable to financial institutions with no recourse to other organizations. The outstanding balance of the no-recourse loans at September 30, 2021 was \$2,405,109.

NCALL sold a loan participation in the amount of \$2,500,000 (\$2,264,389 balance at September 30, 2021) to Barclays Bank Delaware and Deutsche Bank Trust Company Delaware (total loan amount of \$3,500,000), of which NCALL agrees to take first loss of \$350,000 in the event of default. The loan matures on December 1, 2021.

NCALL services, administers, and collects the receivables on behalf of the purchaser. NCALL 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, NCALL 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 2021 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 NCALL'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, 2021, property and equipment consisted of the following:

Land	\$ 250,000
Construction-in-progress	464,508
Buildings	1,319,491
Furniture and equipment	104,127
Accumulated depreciation	<u>(597,391)</u>
 TOTAL	 <u>\$ 1,540,735</u>

NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS

As of September 30, 2021, net assets were restricted by donors for the following programs:



NATIONAL COUNCIL ON AGRICULTURAL LIFE AND LABOR RESEARCH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Purpose restricted:	
Self-Help Housing	\$ 307,937
Real Estate Development	208,404
Farmworker Housing Technical Assistance	4,885
Restoring Central Dover	88,876
Development	79,959
Restricted in perpetuity:	
Delaware Community Foundation Trust	<u>10,000</u>
 TOTAL	 <u>\$ 700,061</u>

NCALL 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 NCALL at fair value.

NOTE 11 BOARD-DESIGNATED NET ASSETS

The Board established an operating reserve to stabilize NCALL's finances and to provide a rainy-day reserve. Use of this reserve requires authorization from the Board. As of September 30, 2021, the value of this reserve was \$1,000,000.

The Board established a building reserve to provide funding for future repairs made to the buildings in Dover and Georgetown. As of September 30, 2021, 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, 2021, 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, 2021, 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, 2021, the value of this reserve was \$142,018.

NOTE 12 PENSION/RETIREMENT PLAN

NCALL 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 NCALL matching employee contributions up to \$2,400 for the calendar year.

NATIONAL COUNCIL ON AGRICULTURAL LIFE AND LABOR RESEARCH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12 PENSION/RETIREMENT PLAN (cont'd)

The total pension expense for 2021 was \$74,332.

NOTE 13 COMPENSATED ABSENCES

NCALL allows employees to accumulate unused annual leave to be paid upon retirement or leaving employment. The balance in this account as of September 30, 2021 was \$142,018.

NOTE 14 CONCENTRATIONS

NCALL received 12 percent of its total revenue and public support from the U.S. Department of Agriculture during the year ended September 30, 2021.

NCALL received 19 percent of its total revenue and public support from Community Development Financial Institutions Fund, U.S. Department of the Treasury, which was predominately for providing capital for the loan fund during the year ended September 30, 2021.

NOTE 15 LONG-TERM DEBT

Notes Payable for Loan Fund

In December 2005, NCALL 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, 2021, the outstanding balance on this note was \$350,000.

In December 2010, NCALL entered into an unsecured revolving line of credit agreement with the Delaware State Housing Authority in the amount of \$375,000. Any outstanding balance against this line of credit will bear 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 of \$375,000 being due in the next fiscal year.

In September 2011, NCALL 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. The note bears interest at a fixed rate of 3.25 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 December 20, 2021. As of September 30, 2021, the outstanding amount of this note was \$2,500,000.

NATIONAL COUNCIL ON AGRICULTURAL LIFE AND LABOR RESEARCH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15 LONG-TERM DEBT (cont'd)

In March 2012, NCALL 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, 2021, the outstanding amount of this note was \$500,000.

In April 2012, NCALL 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, 2023. As of September 30, 2021, the outstanding amount of this note was \$2,500,000.

In July 2012, NCALL entered into an equity equivalent ("EQ2") investment agreement with Wells Fargo Community Investment Holdings in the amount of \$600,000. The agreement bears interest at a fixed rate of 2.0 percent. Accrued interest is payable on January 15, April 15, July 15, and October 15 of each year with the entire unpaid principal balance due in full on August 9, 2022. As of September 30, 2021, the outstanding amount of this note was \$600,000.

In August 2012, NCALL 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 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, 2024 (previously August 31, 2023). As of September 30, 2021, the outstanding amount of this note was \$2,000,000.

In August 2012, NCALL 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 3.75 percent. Accrued interest is payable quarterly with the entire unpaid principal balance due in full on July 31, 2022. As of September 30, 2021, NCALL has not drawn down on these loans.

In July 2014, NCALL 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, 2021, the outstanding amount of this note was \$1,500,000.

NATIONAL COUNCIL ON AGRICULTURAL LIFE AND LABOR RESEARCH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15 LONG-TERM DEBT (cont'd)

In August 2014, NCALL 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, 2021, the outstanding amount of this note was \$1,000,000.

In September 2014, NCALL 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, 2021, the outstanding amount of this note was \$1,000,000.

In June 2015, NCALL 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 3.5 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, 2021 (previously June 30, 2021). As of September 30, 2021, the outstanding amount of this note was \$1,500,000.

In December 2016, NCALL 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 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, 2021, NCALL has not drawn down on these loans.

In August 2017, NCALL 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, 2021, the outstanding amount of this note was \$250,000.

In July 2019, NCALL 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 July 9, 2022. As of September 30, 2021, the outstanding amount of this note was \$250,000.

NATIONAL COUNCIL ON AGRICULTURAL LIFE AND LABOR RESEARCH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15 LONG-TERM DEBT (cont'd)

In February 2020, NCALL 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, 2021, the outstanding amount of this note was \$300,000.

In November 2020, NCALL 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, 2021, the outstanding amount of this note was \$2,000,000.

In June 2020, NCALL 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 will be given to NCALL, 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 the loan, if any, will be forgiven. As of September 30, 2021, the outstanding amount of this loan was \$400,000.

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

Year Ending September 30,

2022	\$ 4,975,000
2023	2,800,000
2024	6,500,000
2025	-
2026	350,000
Thereafter	<u>2,400,000</u>
	<u>\$ 17,025,000</u>

NOTE 16 COMMITMENTS

Loans closed but not disbursed as of September 30, 2021 were as follows:

<u>Loan Amount</u>	<u>Disbursed at 09/30/2021</u>	<u>Undisbursed</u>
<u>\$ 8,164,985</u>	<u>\$ 2,939,626</u>	<u>\$ 5,225,359</u>

NATIONAL COUNCIL ON AGRICULTURAL LIFE AND LABOR RESEARCH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 16 COMMITMENTS (cont'd)

As of September 30, 2021, the Loan Fund issued commitment letters to one potential borrower for loans totaling \$200,000. This loan is expected to close in the next fiscal year.

On October 24, 2019, NCALL issued a letter of credit in favor of Delaware State Housing Authority as beneficiary at the request of Herring Ridge, L.P. for a construction contract completion guarantee in an amount not to exceed \$150,984. The letter of credit expires on December 24, 2021. As of September 30, 2021, NCALL has not been notified of non-completion of the construction contract.

On July 28, 2020, NCALL issued a letter of credit in favor of Delaware State Housing Authority as beneficiary at the request of Quaker Arts, LLC for a construction contract completion guarantee in an amount not to exceed \$313,139. The letter of credit expires on June 27, 2022. As of September 30, 2021, NCALL has not been notified of non-completion of the construction contract.

NOTE 17 CONCENTRATION OF CREDIT RISK

NCALL 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, 2021 were \$13,396,643. NCALL has not experienced any losses in such accounts. Management of NCALL 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, 2021:

Land Bank	\$ 332,949
35 North New Street	203,081
39 North New Street	202,503
106 South New Street	17,675
108 South New Street	16,424
110 South New Street	17,320
112 South New Street	20,132
60 South Queen Street	96,792
49 South Kirkwood Street	<u>119,418</u>
	<u>\$ 1,026,294</u>

NATIONAL COUNCIL ON AGRICULTURAL LIFE AND LABOR RESEARCH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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. NCALL's policies require any individual to recuse themselves from any matters regarding a potential conflict of interest.

The NCALL 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, 2021, NCALL had outstanding loans totaling \$1,036,926 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 NCALL. Also, an employee of NCALL is a member of the Board of Directors of Dover Interfaith Mission for Housing, Inc.

As of September 30, 2021, NCALL had outstanding loans totaling \$602,875 to Solid Rock Baptist Church. The pastor of Solid Rock Baptist Church is an employee of NCALL.

As of September 30, 2021, NCALL had an outstanding note receivable in the amount of \$188,453 from the Central Delaware Housing collaborative. An employee of NCALL is a member of the Board of Directors of the Central Delaware Housing Collaborative.

NOTE 20 UNUSED LINES OF CREDIT

In August 2016, NCALL opened and maintained a secured line of credit with the Wilmington Savings Fund Society in the amount of \$500,000. The line of credit is secured by the properties held in assets held for sale. Outstanding amounts against this line are charged a variable rate of interest at a minimum of four percent per year. As of September 30, 2021, the outstanding balance was \$0.

In August 2017, NCALL 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 (3.25 percent as of September 30, 2021). As of September 30, 2021, the outstanding balance was \$0.

NOTE 21 LIQUIDITY AND AVAILABILITY OF RESOURCES

NCALL's financial assets consist of cash and cash equivalents, accounts receivable, grants receivable, current investments, interest receivable, and other receivables.

The following reflects NCALL's financial assets as of September 30, 2021, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one

NATIONAL COUNCIL ON AGRICULTURAL LIFE AND LABOR RESEARCH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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.

Financial assets, at year end	\$ 24,580,776
Less unavailable for general expenses	
within one year due to:	
Purpose restrictions	690,061
Restricted in perpetuity	10,000
Board designations	<u>1,542,018</u>
Financial assets available to meet cash needs	
for general expenses within one year	<u>\$ 22,338,697</u>

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

NOTE 22 PAYCHECK PROTECTION PROGRAM LOAN

On April 27, 2020, NCALL was granted a loan ("the Loan") from M&T Bank ("the Lender") in the amount of \$435,575, pursuant to the Paycheck Protection Program ("the PPP") under Division A, Title I of the CARES Act, which was enacted on March 27, 2020.

On February 25, 2021, the loan was forgiven by the Small Business Administration and is recognized in the statement of activities as a loan forgiveness gain.

NOTE 23 UNCERTAINTIES

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen that may negatively impact NCALL's income in fiscal year 2022. Other financial impact could occur though such potential impact is unknown at this time.

NOTE 24 SUBSEQUENT EVENTS

On January 26, 2022, Delaware State Housing Authority notified NCALL that the line of credit disclosed in Note 15 was forgiven.

NCALL has evaluated all subsequent events through March 3, 2022, 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 3, 2022

To the Board of Directors  
National Council on Agricultural Life and  
Labor Research, Inc. 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 National Council on Agricultural Life and Labor Research, Inc. (a nonprofit organization) and Subsidiaries ("NCALL"), which comprise the consolidated statement of financial position as of September 30, 2021 and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 3, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered NCALL's internal control over financial reporting ("internal control") to determine the audit 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 NCALL's internal control. Accordingly, we do not express an opinion on the effectiveness of NCALL'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 NCALL's financial statements will not be prevented, or detected and corrected, on a

To the Board of Directors  
National Council on Agricultural Life and  
Labor Research, Inc. and Subsidiaries

timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal 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.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether NCALL'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 determination of financial statement amounts. 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*.

#### Purpose of This Report

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 NCALL's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NCALL'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 3, 2022

To the Board of Directors  
National Council on Agricultural Life and  
Labor Research, Inc. and Subsidiaries  
Dover, Delaware

Report on Compliance for Major Federal Program

We have audited National Council on Agricultural Life and Labor Research, Inc. and Subsidiaries' ("NCALL") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on NCALL's major federal program for the year ended September 30, 2021. NCALL's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and recommendations.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for NCALL's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about NCALL's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

To the Board of Directors  
National Council on Agricultural Life and  
Labor Research, Inc. and Subsidiaries

We believe that our audit provides a reasonable basis for our opinion on compliance for its major federal program. However, our audit does not provide a legal determination of NCALL's compliance.

#### Opinion on Major Federal Program

In our opinion, NCALL complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2021.


#### Report on Internal Control Over Compliance

Management of NCALL is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered NCALL's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of NCALL's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

**NATIONAL COUNCIL ON AGRICULTURAL LIFE AND LABOR RESEARCH, INC. AND SUBSIDIARIES**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

FEDERAL GRANTOR/PROJECT TITLE	SOURCE CODES	PASS- THROUGH NO.	CFDA NUMBER	EXPENDITURES	PASSED THROUGH TO SUBRECIPIENTS
<u>U.S. Department of Agriculture</u>					
Self-Help Housing Technical and Management Assistance	D	N/A	10.420	\$ 866,546	\$ -
Rural Community Development Initiative	D	N/A	10.446	83,734	-
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>				<u>950,280</u>	<u>-</u>
<u>U.S. Department of Housing and Urban Development</u>					
<u>Passed through HOMEFREE - USA</u>					
Housing Counseling Grant	I	N/A	14.169	35,802	-
<b>TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				<u>35,802</u>	<u>-</u>
<u>U.S. Department of Labor</u>					
<u>Passed through Florida Non-Profit Housing, Inc.</u>					
National Farmworkers Job Program	I	N/A	17.264	71,597	-
<b>TOTAL U.S. DEPARTMENT OF LABOR</b>				<u>71,597</u>	<u>-</u>
<u>U.S. Department of the Treasury</u>					
<u>Passed through Neighborhood Reinvestment Corporation</u>					
Expendable Grant	I	N/A	21.000	261,676	-
Capital Grant	I	N/A	21.000	190,000	-
Total CFDA #21.000				<u>451,676</u>	<u>-</u>
<u>Passed through Community Development Financial Institutions Fund</u>					
Community Development Financial Institutions Program	I	N/A	21.020	1,500,000	-
<b>TOTAL U.S. DEPARTMENT OF THE TREASURY</b>				<u>1,951,676</u>	<u>-</u>
<u>U.S. Department of Criminal Justice</u>					
<u>Passed through Delaware Criminal Justice Council</u>					
Project Safe Neighborhoods	I	N/A	16.609	17,379	-
<b>TOTAL U.S. DEPARTMENT OF CRIMINAL JUSTICE</b>				<u>17,379</u>	<u>-</u>
<b>TOTAL FEDERAL EXPENDITURES</b>				<u>\$ 3,026,734</u>	<u>\$ -</u>

SOURCE CODES:

- D - Direct Funding
- I - Indirect Funding

NATIONAL COUNCIL ON AGRICULTURAL LIFE AND LABOR RESEARCH, INC.

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

NCALL did not use the federal de minimis indirect cost rate of 10 percent on their federal grants for the year ended September 30, 2021.

As required by federal funding sources, in accordance with Office of Management and Budget Guidelines, NCALL 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 2021 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 NCALL's cognizant agency, the U.S. Department of Interior.

## **SCHEDULE OF FINDINGS AND RECOMMENDATIONS**



NATIONAL COUNCIL ON AGRICULTURAL LIFE AND LABOR RESEARCH, INC.

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  No
- Significant deficiency(ies) identified?  Yes  None reported
- Noncompliance material to financial statements noted?  Yes  No

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  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  No

Identification of major program:

CFDA Number

Name of Federal Program or Cluster

21.020

Community Development Financial Institutions Program

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

Yes  No

NATIONAL COUNCIL ON AGRICULTURAL LIFE AND LABOR RESEARCH, INC.

SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)

**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.