



CLARK SCHAEFER HACKETT
BUSINESS ADVISORS

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

Financial Statements

December 31, 2022 and 2021

with Independent Auditors' Report

TABLE OF CONTENTS

Independent Auditors' Report	1 – 3
Financial Statements:	
Consolidated Statements of Financial Position	4
Consolidated Statements of Activities	5 – 6
Consolidated Statements of Functional Expenses	7 – 8
Consolidated Statements of Cash Flows	9
Notes to the Consolidated Financial Statements	10 – 17
Supplementary Information:	
Consolidating Schedule of Financial Position - 2022	18
Consolidating Schedule of Financial Position - 2021	19
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	20 – 21

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Neighborhood Housing Partnership of Greater Springfield, Inc. (a nonprofit organization) and Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Neighborhood Housing Partnership of Greater Springfield, Inc. and Subsidiary as of December 31, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Neighborhood Housing Partnership of Greater Springfield, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 Neighborhood Housing Partnership of Greater Springfield, Inc.'s ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibility 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 auditors' 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 generally accepted auditing standards 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 generally accepted auditing standards 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 Neighborhood Housing Partnership of Greater Springfield, Inc.'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 Neighborhood Housing Partnership of Greater Springfield, Inc.'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.

Report on Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information 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 May 31, 2023 on our consideration of Neighborhood Housing Partnership of Greater Springfield, Inc. and Subsidiary'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 the Neighborhood Housing Partnership of Greater Springfield, Inc. and Subsidiary's 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 Neighborhood Housing Partnership of Greater Springfield, Inc. and Subsidiary's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
May 31, 2023

Neighborhood Housing Partnership of Greater Springfield, Inc. and Subsidiary
Consolidated Statements of Financial Position
December 31, 2022 and 2021

Assets

	<u>2022</u>	<u>2021</u>
Current assets:		
Cash	\$ 517,562	290,199
Certificates of deposit	-	585,798
Accounts receivable	4,394	4,273
Development fee receivable, current	108,838	60,417
Mortgages receivable, current	42,215	41,013
Grants receivable	29,277	26,718
Prepaid expenses	19,711	16,945
	<u>721,997</u>	<u>1,025,363</u>
Noncurrent assets:		
Development fee receivable, long-term	250,555	251,067
Mortgages receivable, long-term, net	358,327	412,296
Notes receivable - related party	689,002	689,002
Assets held for rehabilitation	1,696	193,085
Property and equipment, net	1,641,659	1,531,886
Investment in The Community Gardens	215,238	92,600
	<u>3,156,477</u>	<u>3,169,936</u>
	<u>\$ 3,878,474</u>	<u>4,195,299</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable, trade	\$ 15,185	10,944
Accrued wages and benefits payable	48,892	111,724
Accrued liabilities	84,498	83,759
Current portion of capital lease obligation	2,006	2,006
Security deposits and prepaid rent	5,510	6,085
Contractor fees payable	5,040	43,333
	<u>161,131</u>	<u>257,851</u>
Noncurrent liabilities:		
Mortgage notes payable	1,844,551	2,012,645
Capital lease obligation, long term	1,039	3,045
	<u>1,845,590</u>	<u>2,015,690</u>
Net assets:		
Without donor restrictions	1,815,200	1,881,066
With donor restrictions	56,553	40,692
	<u>1,871,753</u>	<u>1,921,758</u>
	<u>\$ 3,878,474</u>	<u>4,195,299</u>

See accompanying notes to financial statements.

Neighborhood Housing Partnership of Greater Springfield, Inc. and Subsidiary
Consolidated Statement of Activities
Year Ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue, gains and support:			
Contributions	\$ 29,703	-	29,703
Neighborhood Reinvestment			
Corporation grants	227,493	-	227,493
Other federal grants	200,318	-	200,318
Other grants	7,105	9,887	16,992
Forgiveness of mortgage notes payable	168,094	-	168,094
Interest income from loans issued	-	8,227	8,227
Program fees	9,326	-	9,326
Rental income	68,846	-	68,846
Development fee	118,125	-	118,125
Miscellaneous income	5,178	-	5,178
Gain on sale of real estate	<u>25,451</u>	<u>-</u>	<u>25,451</u>
	859,639	18,114	877,753
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>2,253</u>	<u>(2,253)</u>	<u>-</u>
	<u>861,892</u>	<u>15,861</u>	<u>877,753</u>
Expenses:			
Program services	831,579	-	831,579
Management and general	<u>96,179</u>	<u>-</u>	<u>96,179</u>
	<u>927,758</u>	<u>-</u>	<u>927,758</u>
Change in net assets	(65,866)	15,861	(50,005)
Net assets, beginning of year	<u>1,881,066</u>	<u>40,692</u>	<u>1,921,758</u>
Net assets, end of year	\$ <u><u>1,815,200</u></u>	<u><u>56,553</u></u>	<u><u>1,871,753</u></u>

See accompanying notes to financial statements.

Neighborhood Housing Partnership of Greater Springfield, Inc. and Subsidiaries
Consolidated Statement of Activities
Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and support:			
Contributions	\$ 62,169	27,950	90,119
Neighborhood Reinvestment Corporation grants	396,227	-	396,227
Other federal grants	96,811	-	96,811
Other grants	200,207	3,675	203,882
Forgiveness of mortgage notes payable	83,409	-	83,409
Interest income from loans issued	-	11,280	11,280
Program fees	4,275	-	4,275
Rental income	65,809	-	65,809
Development fee	26,027	-	26,027
Miscellaneous income	1,214	-	1,214
	<u>936,148</u>	<u>42,905</u>	<u>979,053</u>
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>3,839</u>	<u>(3,839)</u>	<u>-</u>
	<u>939,987</u>	<u>39,066</u>	<u>979,053</u>
Expenses:			
Program services	857,256	-	857,256
Management and general	<u>229,958</u>	<u>-</u>	<u>229,958</u>
	1,087,214	-	1,087,214
Loss on sale of real estate	<u>83,409</u>	<u>-</u>	<u>83,409</u>
	<u>1,170,623</u>	<u>-</u>	<u>1,170,623</u>
Change in net assets	(230,636)	39,066	(191,570)
Net assets, beginning of year	<u>2,111,702</u>	<u>1,626</u>	<u>2,113,328</u>
Net assets, end of year	\$ <u>1,881,066</u>	<u>40,692</u>	<u>1,921,758</u>

See accompanying notes to financial statements.

Neighborhood Housing Partnership of Greater Springfield, Inc. and Subsidiary
Consolidated Statement of Functional Expenses
Year Ended December 31, 2022

	<u>Lending</u>	<u>Education & Counseling</u>	<u>Foreclosure</u>	<u>Real Estate Development</u>	<u>Total Programs</u>	<u>Management and General</u>	<u>Total</u>
Payroll and related expenses:							
Salaries	\$ 111,474	217,023	10,031	29,369	367,897	40,063	407,960
Employee benefits	47,134	61,840	972	2,844	112,790	21,980	134,770
Payroll taxes	8,437	16,175	750	2,160	27,522	3,011	30,533
	<u>167,045</u>	<u>295,038</u>	<u>11,753</u>	<u>34,373</u>	<u>508,209</u>	<u>65,054</u>	<u>573,263</u>
Operating expenses:							
Advertising	3,564	3,575	-	-	7,139	1,853	8,992
Contractor payments	112,751	-	-	3,740	116,491	-	116,491
Credit reports	987	593	192	-	1,772	14	1,786
Depreciation and amortization	3,125	-	-	33,657	36,782	8,615	45,397
Downpayment assistance	-	-	-	-	-	2,367	2,367
Dues, subscriptions and licenses	4,462	2,599	-	-	7,061	1,800	8,861
Fees and interest	1,160	95	-	109	1,364	147	1,511
Liability insurance	3,800	3,800	-	3,966	11,566	1,900	13,466
Meetings and training	3,124	2,749	-	-	5,873	1,575	7,448
Office expenses	4,211	4,995	-	334	9,540	1,660	11,200
Professional services	18,125	16,602	-	1,000	35,727	5,947	41,674
Real estate taxes	-	-	-	4,360	4,360	-	4,360
Rent	3,429	3,429	-	-	6,858	1,714	8,572
Repairs and maintenance	2,497	2,497	-	50,553	55,547	1,247	56,794
Software expense	3,181	1,811	-	-	4,992	906	5,898
Utilities	2,759	2,759	-	12,780	18,298	1,380	19,678
	<u>167,175</u>	<u>45,504</u>	<u>192</u>	<u>110,499</u>	<u>323,370</u>	<u>31,125</u>	<u>354,495</u>
Total expenses	\$ <u>334,220</u>	<u>340,542</u>	<u>11,945</u>	<u>144,872</u>	<u>831,579</u>	<u>96,179</u>	<u>927,758</u>

See accompanying notes to financial statements.

Neighborhood Housing Partnership of Greater Springfield, Inc. and Subsidiary
Consolidated Statement of Functional Expenses
Year Ended December 31, 2021

	<u>Lending</u>	<u>Education & Counseling</u>	<u>Foreclosure</u>	<u>Real Estate Development</u>	<u>Total Programs</u>	<u>Management and General</u>	<u>Total</u>
Payroll and related expenses:							
Salaries	\$ 119,653	208,466	3,726	21,970	353,815	168,657	522,472
Employee benefits	41,018	52,210	339	1,926	95,493	18,595	114,088
Payroll taxes	9,193	15,979	280	1,692	27,144	13,430	40,574
	<u>169,864</u>	<u>276,655</u>	<u>4,345</u>	<u>25,588</u>	<u>476,452</u>	<u>200,682</u>	<u>677,134</u>
Operating expenses:							
Advertising	3,602	3,622	-	-	7,224	1,802	9,026
Contractor payments	151,913	-	-	-	151,913	-	151,913
Credit reports	1,135	678	-	-	1,813	79	1,892
Depreciation and amortization	3,125	-	-	33,657	36,782	6,361	43,143
Downpayment assistance	-	-	-	1,000	1,000	-	1,000
Dues, subscriptions and licenses	4,586	2,592	4	-	7,182	1,297	8,479
Fees and interest	916	199	-	18	1,133	183	1,316
Rental assistance	-	4,433	-	-	4,433	-	4,433
Liability insurance	2,980	2,980	-	4,270	10,230	1,491	11,721
Meetings and training	1,914	1,744	-	-	3,658	1,099	4,757
Office expenses	3,599	3,935	-	890	8,424	2,359	10,783
Professional services	30,405	32,322	-	26,357	89,084	10,243	99,327
Real estate taxes	-	-	-	4,315	4,315	-	4,315
Rent	6,626	3,126	-	-	9,752	1,564	11,316
Repairs and maintenance	1,629	1,629	-	19,974	23,232	1,034	24,266
Software expense	3,171	1,811	-	-	4,982	657	5,639
Utilities	2,216	2,216	-	11,215	15,647	1,107	16,754
	<u>217,817</u>	<u>61,287</u>	<u>4</u>	<u>101,696</u>	<u>380,804</u>	<u>29,276</u>	<u>410,080</u>
Total expenses	\$ <u>387,681</u>	<u>337,942</u>	<u>4,349</u>	<u>127,284</u>	<u>857,256</u>	<u>229,958</u>	<u>1,087,214</u>

See accompanying notes to financial statements.

Neighborhood Housing Partnership of Greater Springfield, Inc. and Subsidiary
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ (50,005)	(191,570)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Amortization	3,125	3,125
Depreciation	42,272	40,018
(Gain) loss on sale of real estate	(25,451)	83,409
Forgiveness of mortgage notes payable	(168,094)	(83,409)
Effects of changes in operating assets and liabilities:		
Accounts receivable	(121)	(1,991)
Development fee receivable	(47,909)	44,000
Mortgage receivable	49,642	24,969
Grants receivable	(2,559)	197,691
Prepaid expenses	(2,766)	(415)
Accounts payable	4,241	(1,639)
Accrued wages and benefits payable	(62,832)	55,884
Accrued liabilities	739	297
Security deposits and prepaid rent	(575)	-
Contractor fees payable	<u>(38,293)</u>	<u>17,233</u>
Net cash from operating activities	<u>(298,586)</u>	<u>187,602</u>
Cash flows from investing activities:		
Rehabilitation costs	184,934	(202,033)
Investment in The Community Gardens	(122,638)	-
Proceeds from sale of real estate	31,906	93,000
Net (purchase) redemption of certificates of deposit	585,798	(97,139)
Purchase of property and equipment	<u>(152,045)</u>	<u>(7,923)</u>
Net cash from investing activities	<u>527,955</u>	<u>(214,095)</u>
Cash flows from financing activities:		
Proceeds from mortgage notes payable	-	118,046
Payments on mortgage notes payable	-	(88,565)
Payments for capital leases	<u>(2,006)</u>	<u>(1,894)</u>
Net cash from financing activities	<u>(2,006)</u>	<u>27,587</u>
Net change in cash	227,363	1,094
Cash, beginning of year	<u>290,199</u>	<u>289,105</u>
Cash, end of year	\$ <u>517,562</u>	<u>290,199</u>
<u>Supplemental disclosure of cash flow information:</u>		
Cash paid for interest	\$ <u>238</u>	<u>350</u>
Noncash investing and financing transactions:		
Mortgages and loans forgiven by funder	\$ <u>168,094</u>	<u>83,409</u>

See accompanying notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Description of organization

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

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

On January 25, 2019, NHP formed and became the sole shareholder of NHP Housing Partners, Inc., an Ohio corporation. NHP Housing Partners, Inc. is the .01% general partner of Community Gardens II L.P., an Ohio limited partnership, which was formed to develop, construct, and operate a 60-unit senior housing development.

Principles of consolidation

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

Method of accounting

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

Financial statement presentation

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

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

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions that are likely to be met by actions of the Organization or by the passage of time. Some donor restrictions are permanent in nature whereby the principal is to be maintained intact in perpetuity and that only the income from investment thereof be expended either for the general purpose of the Organization, or purposes specified by the donor. Revolving loan and capital projects funds represent funds provided by Neighborhood Reinvestment Corporation for making loans and for capital projects. All resources granted to this fund must be maintained perpetually. The Organization is permitted to transfer or expend the income derived from capital assets in excess of the relevant perpetual funds (see Note 10). There were no net assets with perpetual donor restrictions as of December 31, 2022 and 2021.

Contributions and grants

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

Cash and cash equivalents

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

Accounts, grants and loans receivable

Accounts and unconditional grants receivable are stated at the amount management expects to collect from outstanding balances. Conditional grants receivable are recognized when the conditions have been met, which is likely when the related expenditures have been incurred. Grants awarded but not yet recognized due to conditions not being met were \$45,489 and \$37,917 at December 31, 2022 and 2021, respectively.

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

Forgivable loans are given to clients for down payment assistance. If the client does not sell or transfer their home within the specified term based on the amount of the subsidy, the loan is forgiven.

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

Property and equipment and depreciation

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

Advertising

The Organization uses advertising to promote its programs among the community it serves. Advertising costs are expensed as incurred. Advertising expense recognized for the years ended December 31, 2022 and 2021 was \$8,992 and \$9,026, respectively.

Income taxes and uncertain tax positions

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

Functional allocation of expenses

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

Estimates

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

Investment in subsidiary

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

Revenue from contracts with customers

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

Subsequent events

The Organization evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying consolidated financial statements consider events through, May 31, 2023, the date which the consolidated financial statements were available to be issued.

2. CONCENTRATIONS OF RISK:

Financial instruments that potentially subject the Organization to a concentration of credit risk consist principally of cash, certificates of deposit and accounts and notes receivable. The Organization maintains its cash and certificates of deposit accounts in various financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Organization's uninsured cash balances were \$0 at December 31, 2022 and 2021 respectively.

Concentrations of credit risk with respect to accounts and grants receivable is limited due to the contractual relationship with grantors and other funding sources. There is a concentration of credit risk related to mortgages receivable to the extent the fair values of mortgaged properties exceed loan balances for any past due loan balances and due to the low-income nature of the mortgagees. The Organization receives a significant portion of its revenues from federal grants that are dependent on continued funding.

3. MORTGAGES RECEIVABLE:

Mortgages receivable consisted of the following at December 31:

	<u>2022</u>		<u>2021</u>	
	<u>Balance</u>	<u>Number of Loans</u>	<u>Balance</u>	<u>Number of Loans</u>
HOME funds	\$ 100,400	4	106,089	4
NSP-2 funds	792	1	1,584	1
NSP-3 loan pool	194,719	41	227,265	41
NHP unrestricted funds	<u>232,506</u>	<u>33</u>	<u>246,246</u>	<u>33</u>
	528,417	<u>79</u>	581,184	<u>79</u>
Less: Allowance for uncollectible loans	<u>127,875</u>		<u>127,875</u>	
	\$ <u>400,542</u>		<u>453,309</u>	

Two and one loan(s) were delinquent greater than thirty days as of December 31, 2022 and 2021, respectively. Delinquent loans greater than 90 days past due were \$49,368 and \$50,598 at December 31, 2022 and 2021, respectively. The Organization does not place any past due loans on nonaccrual status.

4. PROPERTY AND EQUIPMENT:

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

	<u>2022</u>	<u>2021</u>
Land, buildings and improvements - City View	\$ 1,820,091	1,820,091
Land	20,900	-
Building	89,317	-
Building and leasehold improvements	123,463	87,633
Furniture and fixtures	24,628	24,628
Equipment	48,847	42,849
Office equipment	36,434	36,434
Software	<u>29,691</u>	<u>29,691</u>
	2,193,371	2,041,326
Less: Accumulated depreciation	<u>551,712</u>	<u>509,440</u>
	<u>\$ 1,641,659</u>	<u>1,531,886</u>

City View is a low-income senior multi-unit residential rental project. Depreciation expense for the years ended December 31, 2022 and 2021 was \$42,272 and \$40,018, respectively.

5. NOTES RECEIVABLE – RELATED PARTY:

As of December 31, 2022 and 2021, the Organization had 2.00% interest notes receivable from The Community Gardens L.P. in the amount of \$389,002. Unpaid principal and interest shall be payable from available cash flow, as defined in the Partnership Agreement, or payable in full at the end of the 30-year terms.

As of December 31, 2022 and 2021, the Organization had a 0.50% interest note receivable from The Community Gardens L.P. in the amount of \$300,000. Unpaid principal and interest are due and payable at maturity on August 22, 2047.

Management has elected to place these notes receivable on nonaccrual status due to the uncertainty of collection. Therefore, the approximately \$34,060 and \$26,280 of accrued interest is not recorded as of December 31, 2022 and 2021, respectively.

6. MORTGAGE NOTES PAYABLE:

Mortgage notes payable consisted of the following at December 31:	<u>2022</u>	<u>2021</u>
An open-end HOME / NSP-2 funded demand promissory note secured by a \$1,340,000 mortgage at zero percent interest was executed between the City of Springfield, Ohio and NHP for the construction of the City View residential project.	\$ 1,323,643	1,323,643
Open-end HOME funded demand promissory notes secured by mortgages at zero percent interest were executed between the City of Springfield, Ohio and NHP for the construction of The Community Gardens project.	220,908	389,002
An open-end promissory note secured by a \$300,000 mortgage at 0.50% interest was executed between the Ohio Housing Finance Agency and NHP for the construction of The Community Gardens project. Principal and interest are due annually based on available cash flow, as defined, maturing on August 22, 2047.	<u>300,000</u>	<u>300,000</u>
Total mortgage notes payable	1,844,551	2,012,645
Less current portion of mortgage notes payable	<u>-</u>	<u>-</u>
Mortgage notes payable, long term	<u>\$ 1,844,551</u>	<u>2,012,645</u>

As of December 31, 2022, the only known future maturity is the current portion expected to be paid or forgiven in 2023.

7. LEASES:

Operating lease:

Office space – In June 2019, a lease was signed for a 12-month term with monthly payments of \$943, ending June 30, 2020. During 2020, NHP started negotiations to purchase the building. The lease terminated when the building was purchased in 2022.

Capitalized lease:

In May 2019, the Organization signed a new lease for a copier with an acquisition cost of \$9,730. Accumulated depreciation related to this asset was \$6,973 and \$5,027 at December 31, 2022 and 2021, respectively.

A schedule of future minimum lease payments is as follows:

2023	\$ 2,244
2024	<u>935</u>
	3,179
Amount representing interest	<u>(134)</u>
	<u>\$ 3,045</u>

8. PENSION PLAN:

The Organization maintains a 401(K) Profit Sharing Plan that covers all employees with six months of service with the Organization. The Plan provides for partial vesting after one year and full vesting after three years of service, and benefits are principally based on employees' earnings and/or length of service. The Organization follows the policy of funding the retirement plan contributions as accrued. The amount of pension cost recognized during the years ended December 31, 2022 and 2021 was \$39,367 and \$37,414, respectively.

9. NET ASSETS WITH DONOR RESTRICTIONS:

Purpose Restricted

Net assets with donor restrictions at December 31, 2022 and 2021 were available for the following purposes:

	<u>2022</u>	<u>2021</u>
NSP 3 Clark County loan pool	\$ 38,814	9,067
Emergency repair funds	<u>17,939</u>	<u>31,625</u>
Net assets with donor restrictions	<u>\$ 56,553</u>	<u>40,692</u>

10. NEIGHBORWORKS®AMERICA GRANTS:

The following NeighborWorks®America (NWA) grants were in effect during the years ended December 31, 2022 and 2021:

Support without NWA restrictions

NWA provided \$227,493 and \$396,227 in expendable grants during the years ended December 31, 2022 and 2021, respectively, to support program activities.

Support with NWA restrictions

NWA provided \$0 capital grants during the years ended December 31, 2022 and 2021, for making affordable loans and capital projects. Capital grants are classified as net assets with donor restrictions although proceeds on capital projects, or interest earned, over and above the corpus may be transferred to net assets without donor restrictions for furthering the Organization's mission. NWA released from perpetual restriction \$0 in 2022 and 2021, respectively.

11. RELATED PARTIES:

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

12. LIQUIDITY:

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

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash	\$ 517,562	290,199
Certificates of deposit	-	585,798
Accounts receivable	4,394	4,273
Development fee receivable	108,838	60,417
Mortgages receivable, current	42,215	41,013
Grants receivable	<u>29,277</u>	<u>26,718</u>
Financial assets available at year end	702,286	1,008,418
Less limitations on available resources:		
Security deposits and prepaid rent	5,510	6,085
Net assets with donor restrictions	<u>56,553</u>	<u>40,692</u>
Financial assets available to meet general expenditures over the next twelve months	\$ <u>640,223</u>	<u>961,641</u>

13. RISKS AND UNCERTAINTIES:

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

Neighborhood Housing Partnership of Greater Springfield, Inc. and Subsidiary
Consolidating Schedule of Financial Position
December 31, 2022

Assets		NHP	NHP	Housing		
	NHP	Senior, Inc.	Partners, Inc.	Eliminations	Consolidated	
Current assets:						
Cash	\$ 517,562	-	-	-	517,562	
Accounts receivable	4,394	-	-	-	4,394	
Development fee receivable, current	108,838	-	-	-	108,838	
Mortgages receivable, current	42,215	-	-	-	42,215	
Grants receivable	29,277	-	-	-	29,277	
Prepaid expenses	19,711	-	-	-	19,711	
	<u>721,997</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>721,997</u>	
Noncurrent assets:						
Development fee receivable, long-term	250,555				250,555	
Mortgages receivable, long-term, net	358,327	-	-	-	358,327	
Notes receivable	689,002	-	-	-	689,002	
Assets held for rehabilitation	1,696	-	-	-	1,696	
Property and equipment, net	1,641,659	-	-	-	1,641,659	
Investment in The Community Gardens	30,600	92,500	92,138	-	215,238	
Investment in Subsidiaries	184,638	-	-	(184,638)	-	
	<u>3,156,477</u>	<u>92,500</u>	<u>92,138</u>	<u>(184,638)</u>	<u>3,156,477</u>	
	<u>\$ 3,878,474</u>	<u>92,500</u>	<u>92,138</u>	<u>(184,638)</u>	<u>3,878,474</u>	
Liabilities and Net Assets						
Current liabilities:						
Accounts payable, trade	\$ 15,185	-	-	-	15,185	
Accrued wages and benefits payable	48,892	-	-	-	48,892	
Accrued liabilities	84,498	-	-	-	84,498	
Current portion of capital lease obligation	2,006	-	-	-	2,006	
Security deposits and prepaid rent	5,510	-	-	-	5,510	
Contractor fees payable	5,040	-	-	-	5,040	
	<u>161,131</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>161,131</u>	
Noncurrent liabilities:						
Mortgage notes payable	1,844,551	-	-	-	1,844,551	
Capital lease obligation, long term	1,039	-	-	-	1,039	
	<u>1,845,590</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,845,590</u>	
Net assets:						
Without donor restrictions	1,815,200	92,500	92,138	(184,638)	1,815,200	
With donor restrictions	56,553	-	-	-	56,553	
	<u>1,871,753</u>	<u>92,500</u>	<u>92,138</u>	<u>(184,638)</u>	<u>1,871,753</u>	
	<u>\$ 3,878,474</u>	<u>92,500</u>	<u>92,138</u>	<u>(184,638)</u>	<u>3,878,474</u>	

See independent auditors' report.

Neighborhood Housing Partnership of Greater Springfield, Inc. and Subsidiary
Consolidating Schedule of Financial Position
December 31, 2021

Assets	NHP	NHP Senior, Inc.	Eliminations	Consolidated
	<u>NHP</u>	<u>Senior, Inc.</u>	<u>Eliminations</u>	<u>Consolidated</u>
Current assets:				
Cash	\$ 290,199	-	-	290,199
Certificates of deposit	585,798	-	-	585,798
Accounts receivable	4,273	-	-	4,273
Development fee receivable	60,417	-	-	60,417
Mortgages receivable, current	41,013	-	-	41,013
Grants receivable	26,718	-	-	26,718
Prepaid expenses	16,945	-	-	16,945
	<u>1,025,363</u>	<u>-</u>	<u>-</u>	<u>1,025,363</u>
Noncurrent assets:				
Development fee receivable, long-term	251,067	-	-	251,067
Mortgages receivable, long-term, net	412,296	-	-	412,296
Note receivable	689,002	-	-	689,002
Assets held for rehabilitation	193,085	-	-	193,085
Property and equipment, net	1,531,886	-	-	1,531,886
Investment in The Community Gardens	100	92,500	-	92,600
Investment in Subsidiaries	92,500	-	(92,500)	-
	<u>3,169,936</u>	<u>92,500</u>	<u>(92,500)</u>	<u>3,169,936</u>
	<u>\$ 4,195,299</u>	<u>92,500</u>	<u>(92,500)</u>	<u>4,195,299</u>
Liabilities and Net Assets				
Current liabilities:				
Accounts payable, trade	\$ 10,944	-	-	10,944
Accrued wages and benefits payable	111,724	-	-	111,724
Accrued liabilities	83,759	-	-	83,759
Current portion of capital lease obligation	2,006	-	-	2,006
Security deposits and prepaid rent	6,085	-	-	6,085
Contractor fees payable	43,333	-	-	43,333
	<u>257,851</u>	<u>-</u>	<u>-</u>	<u>257,851</u>
Noncurrent liabilities:				
Mortgage note payable	2,012,645	-	-	2,012,645
Capital lease obligation, long term	3,045	-	-	3,045
	<u>2,015,690</u>	<u>-</u>	<u>-</u>	<u>2,015,690</u>
Net assets:				
Without donor restrictions	1,881,066	92,500	(92,500)	1,881,066
With donor restrictions	40,692	-	-	40,692
	<u>1,921,758</u>	<u>92,500</u>	<u>(92,500)</u>	<u>1,921,758</u>
	<u>\$ 4,195,299</u>	<u>92,500</u>	<u>(92,500)</u>	<u>4,195,299</u>

See independent auditors' report.

**INDEPENDENT AUDITORS' 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**

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

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 Neighborhood Housing Partnership of Greater Springfield, Inc. and Subsidiaries (the Organization), which comprise the consolidated statement of financial position as of December 31, 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, and have issued our report thereon dated May 31, 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 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 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 entity's consolidated 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 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 and significant deficiencies may exist that have not been identified.

Compliance and Other Matters

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 consolidated 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*.

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 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.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
May 31, 2023

