

**Neighborhood Reinvestment  
Corporation  
(d.b.a. NeighborWorks® America)**

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**Financial Statements, Supplementary  
Information, Schedule of Expenditures of  
Federal Awards, and Independent  
Auditors' Reports Required by  
*Government Auditing Standards* and  
Uniform Guidance  
Years Ended September 30, 2019 and 2018**



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AUDIT, TAX, AND  
CONSULTING**

**Neighborhood Reinvestment Corporation  
(d.b.a. NeighborWorks® America)**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Neighborhood Reinvestment Corporation  
(d.b.a. NeighborWorks® America)  
Washington, DC

We have audited the accompanying financial statements of **Neighborhood Reinvestment Corporation (d.b.a. NeighborWorks® America)** which comprise the statements of financial position as of September 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Neighborhood Reinvestment Corporation (d.b.a. NeighborWorks® America)** as of September 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors  
Neighborhood Reinvestment Corporation  
(d.b.a. NeighborWorks® America)

*Other Matters*

*Change in Accounting Principle*

As discussed in Note 2 to the financial statements, the entity adopted new accounting guidance contained in Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

*Other Information*

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2020, on our consideration of Neighborhood Reinvestment Corporation (d.b.a. NeighborWorks® America)'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 result of that testing, and not to provide an opinion on the effectiveness of Neighborhood Reinvestment Corporation (d.b.a. NeighborWorks America)'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 Reinvestment Corporation (d.b.a. NeighborWorks® America)'s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Greenbelt, Maryland  
February 6, 2020

# Financial Statements

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**Neighborhood Reinvestment Corporation**  
**(d.b.a. NeighborWorks® America)**

**Statements of Financial Position (Amounts in 000's)**

<i>September 30,</i>	2019	2018
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 50,133	\$ 94,516
Short-term investments	2,496	2,500
Receivables:		
Contributions receivable	191	408
Grant and contract receivables	1,680	635
Other receivables - net	200	636
Prepaid expenses and other assets	2,105	1,383
<b>Total current assets</b>	<b>56,805</b>	<b>100,078</b>
<b>Noncurrent assets</b>		
Deposits	316	347
Property and equipment, net	4,079	5,430
<b>Total noncurrent assets</b>	<b>4,395</b>	<b>5,777</b>
<b>Total assets</b>	<b>\$ 61,200</b>	<b>\$ 105,855</b>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 8,289	\$ 7,111
Pass-through liability	21,715	39,948
Grant commitments:		
Expendable Grants	623	-
Foreclosure prevention	-	1,066
Deferred revenue:		
Foreclosure prevention	1,145	2,218
Registration Fees/Shared Equity	2,231	223
<b>Total current liabilities</b>	<b>34,003</b>	<b>50,566</b>
<b>Noncurrent liabilities</b>		
Deferred rent liability	4,708	5,772
<b>Total noncurrent liabilities</b>	<b>4,708</b>	<b>5,772</b>
<b>Total liabilities</b>	<b>38,711</b>	<b>56,338</b>
<b>Commitments and contingencies</b>		
<b>Net assets</b>		
Without donor restriction	8,212	8,730
With donor restriction	14,277	40,787
<b>Total net assets</b>	<b>22,489</b>	<b>49,517</b>
<b>Total liabilities and net assets</b>	<b>\$ 61,200</b>	<b>\$ 105,855</b>

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

**Neighborhood Reinvestment Corporation**  
**(d.b.a. NeighborWorks® America)**

**Statement of Activities (Amounts in 000's)**

<i>Year ended September 30,</i>	2019		
	Without Donor Restriction	With Donor Restriction	Total
<b>Revenue, Gains, and Other Support</b>			
Congressional appropriations	\$ 151,192	\$ -	\$ 151,192
Grants and contracts	5,341	-	5,341
Training registration fees	3,104	-	3,104
Contributions	1,288	9,377	10,665
Publications and subscriptions	681	-	681
Other income	273	-	273
Interest income	1,237	59	1,296
Net assets released from restrictions:			
Satisfaction of program restrictions	35,946	(35,946)	-
<b>Total revenue, gains, and other support</b>	<b>199,062</b>	<b>(26,510)</b>	<b>172,552</b>
<b>Expenses</b>			
Program Services:			
Capacity Building	120,928	-	120,928
National Foreclosure Mitigation Counseling	1,665	-	1,665
Preserving Affordable Housing	41,492	-	41,492
Training and Information	19,649	-	19,649
Organizational Assessment	7,338	-	7,338
<b>Total program services</b>	<b>191,072</b>	<b>-</b>	<b>191,072</b>
Supporting Services:			
General and Administrative Support	7,692	-	7,692
Resource Development	816	-	816
<b>Total supporting services</b>	<b>8,508</b>	<b>-</b>	<b>8,508</b>
<b>Total expenses</b>	<b>199,580</b>	<b>-</b>	<b>199,580</b>
<b>Change in net assets</b>	<b>(518)</b>	<b>(26,510)</b>	<b>(27,028)</b>
<b>Net assets, beginning of year</b>	<b>8,730</b>	<b>40,787</b>	<b>49,517</b>
<b>Net assets, end of year</b>	<b>\$ 8,212</b>	<b>\$ 14,277</b>	<b>\$ 22,489</b>

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

**Neighborhood Reinvestment Corporation**  
**(d.b.a. NeighborWorks® America)**

**Statement of Activities (Amounts in 000's)**

<i>Year ended September 30,</i>	2018		
	Without Donor Restriction	With Donor Restriction	Total
<b>Revenue, Gains, and Other Support</b>			
Congressional appropriations	\$ 142,839	\$ -	\$ 142,839
Grants and contracts	5,744	-	5,744
Training registration fees	3,135	-	3,135
Contributions	735	13,410	14,145
Publications and subscriptions	659	-	659
Other income	409	-	409
Interest income	1,117	29	1,146
Net assets released from restrictions:			
Satisfaction of program restrictions	62,946	(62,946)	-
<b>Total revenue, gains, and other support</b>	<b>217,584</b>	<b>(49,507)</b>	<b>168,077</b>
<b>Expenses</b>			
Program Services:			
Capacity Building	139,600	-	139,600
National Foreclosure Mitigation Counseling	3,601	-	3,601
Preserving Affordable Housing	38,448	-	38,448
Training and Information	19,557	-	19,557
Organizational Assessment	6,872	-	6,872
<b>Total program services</b>	<b>208,078</b>	<b>-</b>	<b>208,078</b>
Supporting Services:			
General and Administrative Support	7,044	-	7,044
Resource Development	1,155	-	1,155
<b>Total supporting services</b>	<b>8,199</b>	<b>-</b>	<b>8,199</b>
<b>Total expenses</b>	<b>216,277</b>	<b>-</b>	<b>216,277</b>
<b>Change in net assets</b>	<b>1,307</b>	<b>(49,507)</b>	<b>(48,200)</b>
<b>Net assets, beginning of year</b>	<b>7,423</b>	<b>90,294</b>	<b>97,717</b>
<b>Net assets, end of year</b>	<b>\$ 8,730</b>	<b>\$ 40,787</b>	<b>\$ 49,517</b>

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

**Neighborhood Reinvestment Corporation**  
**(d.b.a. NeighborWorks® America)**

**Statement of Functional Expenses - Year Ended September 30, 2019 (Amounts in 000's)**

	Program Services					Supporting Services				2019 Total
	Capacity Building	National Foreclosure Mitigation Counseling	Preserving Affordable Housing	Training and Informing	Organizational Assessment	Total Program Services	General and Administrative	Resource Development	Total Supporting Services	
Grants and grant commitments	\$ 85,270	\$ -	\$ 41,492	\$ 2,075	\$ -	\$ 128,837	\$ 183	\$ 10	\$ 193	\$ 129,030
Personnel	17,333	747	-	6,296	4,094	28,470	14,063	383	14,446	42,916
Professional services	3,991	186	-	3,159	215	7,551	1,808	6	1,814	9,365
Other operating costs	1,427	255	-	1,991	76	3,749	3,470	43	3,513	7,262
Occupancy	1,229	38	-	497	448	2,212	1,728	120	1,848	4,060
Conferences and workshops	591	15	-	1,782	22	2,410	490	13	503	2,913
Travel	1,607	15	-	405	244	2,271	325	32	357	2,628
Depreciation and amortization	-	-	-	-	-	-	1,406	-	1,406	1,406
<b>Total expenses</b>	<b>111,448</b>	<b>1,256</b>	<b>41,492</b>	<b>16,205</b>	<b>5,099</b>	<b>175,500</b>	<b>23,473</b>	<b>607</b>	<b>24,080</b>	<b>199,580</b>
Overhead allocation	9,480	409	-	3,444	2,239	15,572	(15,781)	209	(15,572)	-
<b>Total expenses, after overhead allocation</b>	<b>\$ 120,928</b>	<b>\$ 1,665</b>	<b>\$ 41,492</b>	<b>\$ 19,649</b>	<b>\$ 7,338</b>	<b>\$ 191,072</b>	<b>\$ 7,692</b>	<b>\$ 816</b>	<b>\$ 8,508</b>	<b>\$ 199,580</b>

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

**Neighborhood Reinvestment Corporation**  
**(d.b.a. NeighborWorks® America)**

**Statement of Functional Expenses - Year Ended September 30, 2018 (Amounts in 000's)**

	Program Services					Supporting Services					2018 Total
	Capacity Building	National Foreclosure Mitigation Counseling	Preserving Affordable Housing	Training and Informing	Organizational Assessment	Total Program Services	General and Administrative	Resource Development	Total Supporting Services		
Grants and grant commitments	\$ 105,697	\$ 721	\$ 38,448	\$ 2,068	\$ -	\$ 146,934	\$ 1	\$ -	\$ 1	\$ 146,935	
Personnel	17,025	1,104	-	6,595	3,934	28,658	13,266	625	13,891	42,549	
Professional services	3,673	818	-	3,240	163	7,894	1,705	7	1,712	9,606	
Other operating costs	929	213	-	1,862	46	3,050	3,877	13	3,890	6,940	
Occupancy	1,169	85	-	462	409	2,125	1,477	111	1,588	3,713	
Conferences and workshops	518	40	-	1,372	23	1,953	599	15	614	2,567	
Travel	1,549	34	-	456	208	2,247	227	52	279	2,526	
Depreciation and amortization	-	-	-	-	-	-	1,441	-	1,441	1,441	
<b>Total expenses</b>	<b>130,560</b>	<b>3,015</b>	<b>38,448</b>	<b>16,055</b>	<b>4,783</b>	<b>192,861</b>	<b>22,593</b>	<b>823</b>	<b>23,416</b>	<b>216,277</b>	
Overhead allocation	9,040	586	-	3,502	2,089	15,217	(15,549)	332	(15,217)	-	
<b>Total expenses, after overhead allocation</b>	<b>\$ 139,600</b>	<b>\$ 3,601</b>	<b>\$ 38,448</b>	<b>\$ 19,557</b>	<b>\$ 6,872</b>	<b>\$ 208,078</b>	<b>\$ 7,044</b>	<b>\$ 1,155</b>	<b>\$ 8,199</b>	<b>\$ 216,277</b>	

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

**Neighborhood Reinvestment Corporation**  
**(d.b.a. NeighborWorks® America)**

**Statements of Cash Flows (Amounts in 000's)**

<i>Years ended September 30,</i>	2019	2018
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (27,028)	\$ (48,200)
<b>Adjustments to reconcile change in net assets to net cash used by operating activities:</b>		
Bad debt expense	15	20
Depreciation and amortization	1,406	1,441
<b>(Increase) decrease in assets:</b>		
Receivables:		
Contributions receivable	217	1,616
Grant and contract receivables	(1,045)	363
Other receivables Net	436	(376)
Prepaid expenses and other assets	(722)	(175)
Deposits	31	(48)
<b>Increase (decrease) in liabilities:</b>		
Accounts payable and accrued expenses	1,178	(2,023)
Pass-through liability	(18,235)	6,348
Grant commitments:		
Foreclosure prevention	(1,066)	(3,212)
Expendable Grants	623	-
Deferred revenue:		
Foreclosure prevention	(1,073)	(2,557)
Registration Fees	2,008	45
Deferred rent liability	(1,064)	(996)
<b>Net cash used by operating activities</b>	<b>(44,319)</b>	<b>(47,754)</b>
<b>Cash flows from investing activities</b>		
Purchases of investments	(2,500)	(2,500)
Sales of Investments	2,500	2,647
Purchases of property and equipment	(64)	(225)
<b>Net cash used by investing activities</b>	<b>(64)</b>	<b>(78)</b>
<b>Decrease in cash and cash equivalents</b>	<b>(44,383)</b>	<b>(47,832)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>94,516</b>	<b>142,348</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 50,133</b>	<b>\$ 94,516</b>

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

**Neighborhood Reinvestment Corporation**  
**(d.b.a. NeighborWorks® America)**

**Notes to Financial Statements (Amounts in \$000's)**

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## **1. Organization, Mission, and Program Services**

### **Organization**

Neighborhood Reinvestment Corporation (d.b.a. NeighborWorks® America) (the Corporation) was established by Congress in 1978, by the Neighborhood Reinvestment Corporation Act under 42 U.S.C. 8101-8107. The Corporation is a private nonprofit charitable organization under IRC 501(c)(3). As stated in its enabling documents the purpose of the Corporation is to continue the joint efforts of the federal financial supervisory agencies and the Department of Housing and Urban Development (HUD) in promoting reinvestment in older neighborhoods by local financial institutions in cooperation with the community, residents and local governments. These efforts were previously conducted by the Urban Reinvestment Task Force, which the Corporation succeeded.

Funding for the Corporation is primarily through Congressional appropriation as well as through grants from federal and state government agencies, corporations, foundations and private donors. The Corporation's board of directors is determined by statute and consists of the heads of the Comptroller of the Currency, Federal Reserve, National Credit Union Administration, Federal Deposit Insurance Corporation (FDIC) and the U.S. Department of Housing and Urban Development (HUD), who are presidential appointees subject to Senate confirmation, or their designated representatives.

### **Mission**

The Corporation provides financial, technical and organizational support approximately 245 independent, community-based nonprofit organizations operating in all 50 states and the District of Columbia, known collectively as the NeighborWorks® network, that help low- and moderate- income families rent, purchase and maintain affordable homes. The NeighborWorks® network also revitalizes communities through resident leadership and private and public partnerships that encourage local investment in sustainable projects.

The Corporation provides its services to the NeighborWorks® network through four distinct program service areas, Capacity Building, Preserving Affordable Housing, Training and Informing, and Organizational Assessment as described below. In addition, the Corporation administers the National Foreclosure Mitigation Counseling (NFMC) Program which was enacted by Congress on December 26, 2007 in response to the nationwide subprime foreclosure crisis. Since its passage, Congress has appropriated ten successive annual rounds of funding totaling approximately \$848 million to NeighborWorks® America for continuation of the program.

The Corporation maintains its national headquarters in Washington, DC and supports its NeighborWorks® network locally through regional offices in Boston, New York, Atlanta, Kansas City, Denver, and Los Angeles.

**Neighborhood Reinvestment Corporation**  
**(d.b.a. NeighborWorks® America)**

**Notes to Financial Statements (Amounts in \$000's)**

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**Program Services**

*Capacity Building*

Capacity building refers to the practical assistance the Corporation provides to strengthen the performance of NeighborWorks® network organizations, enabling them to respond most effectively and efficiently to the needs of their communities. The Corporation expands the capacity of network members by providing onsite technical assistance and limited funding. As part of Capacity Building, the Corporation promotes increased access to the capital markets through its support of Community Housing Capital and NeighborWorks Capital Corporation. These affiliated organizations play a critical role in meeting the NeighborWorks® network's capital needs by bringing low-cost, flexible private-sector capital and innovative loan products to network members. Flexible loan products help meet the financing needs for housing rehabilitation, homeownership and real-estate development.

*National Foreclosure Mitigation Counseling (NFMC)*

The NFMC program is designed to provide mortgage foreclosure mitigation assistance to states and areas with high rates of defaults and foreclosures, primarily in the subprime housing market. Through the state housing finance agencies, HUD-approved housing counseling intermediaries and community-based NeighborWorks® organizations, the Corporation provides free assistance to families at risk of losing their homes, helping clients to understand the complex foreclosure process, and identifying possible courses of action to allow them to make informed decisions and take necessary actions.

*Preserving Affordable Housing*

The Corporation helps NeighborWorks® organizations construct new housing, repair and renovate existing housing, promote homeownership and further mixed-income affordable housing opportunities. The Corporation also supports the organizations' hazard abatement, energy conservation, post-purchase counseling, and foreclosure prevention activities. Equity capital, in the form of highly flexible Corporation grants to local organizations' revolving loan funds, is also vitally important. Revolving loan funds are used to support home repair, down-payment and closing-cost assistance, energy conservation repairs, commercial and small business loans, predevelopment costs, acquisition of problem properties, and a host of other initiatives.

*Training and Informing*

Through communications, publishing, research and training functions, the Corporation collects and disseminates pertinent and useful information for the NeighborWorks® network and the broader community development field. The Corporation imparts this data and information through a variety of vehicles, and trains and informs the network and representatives of the broader industry through national and regional training events, publications, on-line (at [www.nw.org](http://www.nw.org)) and other venues.

*Organizational Assessment*

The Corporation closely monitors the capacity of each NeighborWorks® organization to successfully manage programmatic risks and to ensure their financial and organizational stability. The organizational assessment function evaluates all of the NeighborWorks® network members to successfully predict, mitigate, and manage risk and steadily increase the health, performance, productivity, and effectiveness of the organizations.

**Neighborhood Reinvestment Corporation**  
**(d.b.a. NeighborWorks® America)**

**Notes to Financial Statements (Amounts in \$000's)**

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## 2. Summary of Significant Accounting Policies

### *Basis of Accounting*

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

### *Cash and Cash Equivalents*

Cash and cash equivalents are stated at cost which approximates fair value and include investments with original maturities of three months or less. Cash in excess of amounts required to fund current operations are invested overnight.

Cash held as an agent where the Corporation has neither an administrative or financial direct involvement is recorded as a Pass-Through Liability included on the statements of financial position and amounted to \$21,716 and \$39,948 at September 30, 2019 and 2018, respectively.

As required by their underlying grant agreements, the Corporation maintains a separate bank account related to its Project Reinvest programs.

### *Liquidity*

The Corporation manages cash to be available to meet current needs. The Corporation's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	2019
Cash and cash equivalents	\$ 50,133
Short-term investments	2,496
Receivables	2,071
<b>Total financial assets available within one year</b>	<b>54,700</b>
Less:	
Amounts unavailable for general expenditures within one year, due to:	
Restricted by donors in perpetuity	(2,500)
Restricted by donors with purpose restrictions	(11,777)
Deferred revenue - NFMC	(1,145)
Deferred revenue - shared equity	(1,881)
Pass-through amounts for LIFT program	(21,715)
<b>Total amounts unavailable for general expenditures within one year</b>	<b>(39,018)</b>
<b>Total financial assets available to management for general expenditure within one year</b>	<b>\$ 15,682</b>

**Neighborhood Reinvestment Corporation**  
**(d.b.a. NeighborWorks® America)**

**Notes to Financial Statements (Amounts in \$000's)**

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*Investment*

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 9 for discussion of fair value measurements. The investment policy of the board of directors limits investment of the Corporation's funds to U.S. Treasury and Federal Agency Securities or mutual funds consisting of such securities.

Included in investments on the statement of financial position are endowment funds of \$2,500 related to the George Knight Scholarship Endowment more fully described in Note 5. These funds are included as net assets with donor restriction and are invested consistent with board policy.

Purchases and sales of securities are recorded on a trade-date basis and interest income is recorded on the accrual basis. Investment income or loss is included in the change in without donor restricted net assets unless their use is with donor restricted by donor stipulations or by law.

*Receivables*

*Contributions* - Contributions receivable consist of amounts due from private corporations and foundations. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows when the difference between present and nominal value is material. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Conditional promises to give are not included as support until the conditions are substantially met. There were no long-term receivables at September 30, 2019 and 2018.

*Grants and Contracts* - Grants and contracts receivable consist of amounts due from federal agencies, corporations, and foundations resulting from allowable expenditures incurred which have not been recovered as of the end of the fiscal year.

*Other Receivables* - Other receivables consist of contracts and miscellaneous receivables from sources other than federal agencies and donor corporations and foundations.

*Allowance for Doubtful Accounts* - The Corporation uses the allowance method to provide for receivables deemed uncollectible based on management's evaluation of potential uncollectible amounts at year-end. Contributions, grants, and contracts receivable due from federal and state government agencies, foundations and major corporations are generally deemed collectible and no allowance was established for such receivables at September 30, 2019 and 2018. Other receivables are evaluated as to their collectability using the most recent information available.

*Property and Equipment*

Property and equipment consist primarily of computer equipment and related software, furniture and fixtures, and leasehold improvements. Property and equipment is recorded at cost, which includes all costs required to put the asset into service. The Corporation capitalizes all expenditures for property and equipment with a per-unit cost over \$5K. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 10 years, or the lesser of the minimum lease period or the asset's useful life for leasehold improvements. When assets are sold or otherwise disposed of, the asset and the related accumulated depreciation and amortization are removed from the accounts and any remaining gain or loss is included in operations. Repairs and maintenance are charged to expense when incurred.

**Neighborhood Reinvestment Corporation**  
**(d.b.a. NeighborWorks® America)**

**Notes to Financial Statements (Amounts in \$000's)**

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Certain costs of internally developed software are capitalized and once the development project is complete and the software put into service, these costs are amortized over the estimated useful lives of the software, which range from 3 to 5 years.

***Impairment of Long-Lived Assets***

The Corporation reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

***Financial Instruments and Credit Risk***

Financial instruments which potentially subject the Corporation to concentrations of credit risk consist principally of cash and cash equivalents and cash held for long term purposes held at creditworthy financial institutions. At September 30, 2019 and 2018, substantially all of the Corporation's cash and cash equivalents and cash held for long-term purposes were held at financial institution in accounts over FDIC limits.

Credit risk with respect to contributions receivable, grants receivable and other receivables is limited due to the nature of the grantor, typically the federal government, its Agencies and large financial institutions, and the fact that the Corporation's private donors are dispersed over a large geographic area.

***Major Source of Funding***

The Corporation receives a substantial portion of its revenue from congressional appropriations, 88% and 85% for the years ended September 30, 2019 and 2018, respectively. The continued receipt of the appropriation may be dependent upon future overall economic and political conditions and while the Corporation's management anticipates that it will continue to have access to the resources necessary to carry out its programs in their current form, its ability to do so and the extent to which it continues, may be dependent on the above factors.

***Grant Commitments***

Grant commitments are the committed but unpaid balances to grantees under the National Foreclosure Mitigation Counseling Program funded through congressional appropriations. These amounts will be paid to grantees on submission of the required progress reports under the programs. NFMC grants are expensed when the grant commitment is made.

***Conditional Grants***

The Corporation has entered into various grants agreements supporting homeownership programs. During fiscal year 2019 and 2018 total grant expenses incurred under these grants were \$24,282 and \$48,837, respectively. These expenses are included in the grants and grants commitments line on the statement of activities. Additionally, amounts awarded with conditions, but not yet met as of September 30, 2019 and 2018, were \$-0- and \$19,454, respectively.

**Neighborhood Reinvestment Corporation**  
**(d.b.a. NeighborWorks® America)**

**Notes to Financial Statements (Amounts in \$000's)**

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The Corporation has awarded several HUD certified housing counseling organizations to provide housing counseling program. At September 30, 2019, the Corporation has accrued \$623 in grants commitment.

*Deferred Revenue*

Deferred revenue consists of training registration fees, shared equity, unearned contract revenue and uncommitted grants of the National Foreclosure Mitigation Counseling Program under congressional appropriations. Training registration fees and contract revenue received in advance and not yet earned are deferred to the applicable period. Congressional appropriations for the National Foreclosure Mitigation Counseling Program, received but not yet awarded to sub-recipients, are deferred to the period to which the awards will be made.

*Deferred Rent Liability*

The Corporation leases office space under long arrangements which contain rent abatements, escalation clauses and tenant build-out allowances. Rent expense is recognized on a straight-line basis over the life of the underlying lease taking into consideration all such adjustments. The difference between the contractual cash liability and rent expense is recorded as deferred rent liability on the statement of financial position. The liability is amortized as an adjustment to rent expense over the life of the underlying lease.

*Net Assets*

- a) *Net Assets Without Donor Restriction* - Net assets without donor restrictions include resources available for general operations of the Corporation, invested primarily in its property and equipment, or designated by the board of directors for a specific use and is not subject to donor-imposed restrictions.
- b) *Net Assets With Donor Restrictions* - Net assets with donor restrictions consist of assets whose use is limited by donor-imposed restrictions. Additionally, some restrictions stipulate that resources be maintained perpetuity but permit the Corporation to expend the income generated in accordance with the provisions of the agreements.

*Pass-Through Liability*

Under certain agency agreements, the Corporation receives assets from the donor and agrees to use those assets on behalf of or transfer those assets, the return on investment of those assets, or both to a specified beneficiary. When such agency agreements are without variance power, the Corporation records the receipt and disbursement of funds on the statement of financial position as a Pass-Through Liability. Accordingly, there is no impact on the statement of activities for such grants.

*Revenue Recognition*

The Corporation is funded through several different sources: congressional appropriations, grants and contracts from government agencies, corporations and foundations, contributions, training registration fees, sale of publications and subscriptions, performance of miscellaneous consulting services, and investment income.

**Neighborhood Reinvestment Corporation**  
**(d.b.a. NeighborWorks® America)**

**Notes to Financial Statements (Amounts in \$000's)**

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The Corporation's primary source of funding is through federal appropriations. Without donor restricted federal appropriations are recognized as without donor restriction revenue when the legislation is enacted. Appropriations under the NFMC Program are initially deferred and subsequently recognized as related program grant commitments are made and allowable operating expenses incurred.

Grants and contracts may involve different arrangements such as reimbursement of cost, milestone payments, fee-for-service or donation. Revenue is recognized under reimbursement of allowable cost and milestone arrangements on a systematic basis as qualifying costs are incurred or contractual milestones are reached and customer concurrence, if required, has occurred. Revenue is recognized under fee-for-service contracts as services are rendered.

Unconditional contributions are recorded when pledged and are considered to be available for without donor restricted use unless specifically restricted by the donor.

Fees received in advance of a training event are deferred and recognized when the related training has been completed. Fees for consulting services and investment income are recognized when earned.

*Functional Allocation of Expenses*

Costs of program activities and supporting services are presented on a functional basis. Accordingly, certain direct and indirect expenses have been allocated among the programs and supporting services benefited.

Expenses incurred by Programs, General Administration, and Resource Development are directly recorded to their respective departments. The General and Administration expenses are allocated to programs and resource development based on time and effort. See Note 1 for description of program services and below for description of supporting services.

*General and Administrative*

In accordance with the National Affordable Housing Act (P.L. 101-625), the Corporation's administrative expenses are consistently held to less than 15% of expenditures. These expenses include the offices of the chief executive officer, the chief operating officer, the chief financial officer and the general counsel as well as the finance, information management, public policy and legislative affairs, human resources, and administrative services units.

*Resource Development*

This supporting service category includes expenditures which provide the structure necessary to encourage and secure private financial support.

*Use of Estimates*

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

**Neighborhood Reinvestment Corporation**  
**(d.b.a. NeighborWorks® America)**

**Notes to Financial Statements (Amounts in \$000's)**

*Income Taxes*

The Corporation is exempt from federal income taxes under provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, the Corporation has been classified by the Internal Revenue Service as a publicly supported organization under Section 509(a)(1) of the Internal Revenue Code. The Corporation follows the income tax standard for uncertain tax positions. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Corporation has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Corporation believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Corporation's financial position, results of activities or cash flows. Accordingly, the Corporation has not recorded any reserves or related accruals for interest and penalties for uncertain income tax positions at September 30, 2019 and 2018.

*Fair Value*

Certain financial instruments are required to be recorded at fair value. Changes in assumptions or estimation methods could affect the fair value estimates; however, we do not believe any such changes would have a material impact on our financial condition, results of operations or cash flows. Cash equivalents are recorded at cost, which approximates fair value. The fair values of investments held by the endowment fund are disclosed in Note 9.

*New Accounting Pronouncement*

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Corporation has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented, except for liquidity which resulted in no change to the previously reported net assets.

**3. Property and Equipment**

Property and equipment consist of the following:

<u>September 30,</u>	<u>2019</u>	<u>2018</u>
Computer and software equipment	\$ 5,252	\$ 5,252
Leasehold improvements	10,055	10,055
Furniture and fixtures	1,107	1,052
<b>Total property and equipment at cost</b>	<b>16,414</b>	<b>16,359</b>
<b>Less: accumulated depreciation and amortization</b>	<b>(12,335)</b>	<b>(10,929)</b>
<b>Total property and equipment, net</b>	<b>\$ 4,079</b>	<b>\$ 5,430</b>

Depreciation and amortization expense for the years ended September 30, 2019 and 2018, was \$1,406 and \$1,441, respectively.

**Neighborhood Reinvestment Corporation**  
**(d.b.a. NeighborWorks® America)**

**Notes to Financial Statements (Amounts in \$000's)**

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**4. Net Assets With Donor Restriction**

At September 30, 2019 and 2018, with donor restricted net assets consist of the following:

	2019	2018
Purpose Restricted:		
Bank of America	\$ -	\$ 26,164
Bank of West	80	-
Wells Fargo	10,518	8,923
JP Morgan	290	1,851
RW Johnson	15	-
Citi	3	93
Scholarship/Endowment	82	23
Kresge	464	863
Morgan Stanley	165	98
All Others	160	272
<b>Total purpose restricted</b>	<b>11,777</b>	<b>38,287</b>
 Perpetual in nature	 2,500	 2,500
 <b>Total with donor restriction</b>	 <b>\$ 14,277</b>	 <b>\$ 40,787</b>

**Neighborhood Reinvestment Corporation**  
**(d.b.a. NeighborWorks® America)**

**Notes to Financial Statements (Amounts in \$000's)**

At September 30, 2019 and 2018, net assets released from restriction consisted of the following:

	2019	2018
Purpose restrictions accomplished:		
Bank of America	\$ 26,164	\$ 51,936
Suntrust	-	1,764
Bank of West	83	9
Wells Fargo	7,257	6,121
JP Morgan	1,561	1,792
RW Johnson	84	102
Citi	-	119
Kresge	400	545
Morgan Stanley	34	91
All Others	363	421
<b>Total purpose restricted</b>	<b>35,946</b>	<b>62,900</b>
Release of appropriated endowment		
returns without donor restrictions	-	46
<b>Total restrictions released</b>	<b>\$ 35,946</b>	<b>\$ 62,946</b>

## 5. Endowment

The Corporation received \$2,500 as part of the 20001 Congressional Appropriation for the purpose of establishing The George Knight Scholarship Endowment and funding Training Institute scholarships. The Endowment funds' principal balances will remain in perpetuity, while interest income from the endowments will be used to fund Training Institute scholarships.

### *Interpretation of Relevant Law*

The board of directors of the Corporation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Corporation classifies as net assets with donor restriction (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment, and (c) accumulations to the donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund remain as net assets with donor restriction until those amounts are appropriated for expenditure by the Corporation. The Corporation reports these funds in accordance with, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosures for All Endowment Funds*. These endowment funds are invested in highly rated Federal Agency securities consistent with board policy. The returns on the endowment funds invested have been included in net assets with donor restriction investment income on the statements of activities.

**Neighborhood Reinvestment Corporation**  
**(d.b.a. NeighborWorks® America)**

**Notes to Financial Statements (Amounts in \$000's)**

*Endowment Net Asset Composition and Changes in Balances*

The following table represents the composition of the Corporation's endowment by net asset class and the changes in donor restricted endowment funds at September 30, 2019 and 2018.

	Subject to Spending Policy and Appropriation	Perpetual in Nature	Total
Endowment net assets - 09/30/2017	\$ 40	\$ 2,500	\$ 2,540
Investment income	29	-	29
Amounts appropriated for expenses	(46)	-	(46)
Endowment net assets - 09/30/2018	23	2,500	2,523
Investment income	59	-	59
Amounts appropriated for expenses	-	-	-
Endowment net assets - 09/30/2019	\$ 82	\$ 2,500	\$ 2,582

*Return Objectives and Risk Parameters*

By policy, the endowment fund assets are invested and maintained in a balanced investment program. The primary objective of the Directors for managing the investment process is to preserve principal and provide reasonable returns. The Directors consider the combination of broad asset classes; reduction of risk through diversification; and then select the portfolio that may obtain the highest return given an acceptable level of risk within established corporate investment policies.

The endowment assets are invested in a manner that balances the following investing objectives:

1. Capital Preservation: the achievement of adequate investment growth such that the purchasing power of the principal amount of the endowment assets is maintained over a reasonable time horizon.
2. Liquidity: the generation of interest and dividends to provide sufficient cash flow and liquidity to fund distribution requirements.
3. Yield: the achievement of growth in such a manner to protect the endowment assets from excessive volatility in market value from year to year.

*Spending Policy*

In order to protect the restricted endowments against losses and to ensure relative stability in its annual earnings (which are needed to fund the Training Institute scholarships), management invests the funds in government secured instruments consistent with the Organization's investment policies.

**Neighborhood Reinvestment Corporation**  
**(d.b.a. NeighborWorks® America)**

**Notes to Financial Statements (Amounts in \$000's)**

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## 6. Capital Corporations

Community Housing Capital: Community Housing Capital is a national intermediary serving as a direct lender to the NeighborWorks® network, providing financing for the development and preservation of single-family and multi-family affordable housing. Grants made by the Corporation to Community Housing Capital amounted to \$2,400 and \$2,300 for the years ended September 30, 2019 and 2018, respectively.

NeighborWorks® Capital Corporation: NeighborWorks® Capital Corporation (NWCC) is an independently incorporated tax-exempt nonprofit organization and certified Community Development Financial Institution (CDFI). NWCC serves the NeighborWorks® network by developing and enhancing resources for the acquisition, development, sale, financing or ownership of affordable single- and multi-family properties and commercial projects. Grants made by the Corporation to NWCC amounted to \$2,400 and \$2,300 for the years ended September 30, 2019 and 2018, respectively.

## 7. Commitments and Contingencies

### *Operating Leases*

On June 1, 2013, the Corporation entered into a 10-year lease agreement for its main headquarters office, which expires in May 2023. The lease provides for a tenant improvement allowance of approximately \$4,900 and one year rent abatement. The Corporation also has other lease agreements with regional offices expiring at various times through 2025.

Minimum lease payments under noncancelable operating leases are as follows:

Years ending September 30,	
2020	\$ 4,781
2021	4,476
2022	4,328
2023	3,151
2024	672
Thereafter	467
	<u>\$ 17,875</u>

Occupancy expense for the years ended September 30, 2019 and 2018, amounted to \$4,059 and \$3,713, respectively.

The Corporation is party to office equipment leases, primarily for copiers and media production equipment, which typically have a term of 60 months. Equipment lease expense for the years ended September 30, 2019 and 2018, amounted to \$289 and \$364, respectively. Commitments under noncancelable office equipment operating leases are as follows: FY2020 \$11.

**Neighborhood Reinvestment Corporation**  
**(d.b.a. NeighborWorks® America)**

**Notes to Financial Statements (Amounts in \$000's)**

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*Commitments and Contingencies*

The Corporation enters into contracts for hotel accommodations and meeting space in connection with its National Training Institutes and other significant trainings up to three years in advance of the events. The contracts often carry cancellation penalties which vary in severity inversely to the date cancellation notice is given. At September 30, 2019, the Corporation had 34 such contracts in place extending through fiscal 2021. The maximum penalty assuming all contracts were cancelled at the latest possible date is \$3,213 in fiscal 2020, and \$2,342 in fiscal 2021.

The Corporation receives funds from federal sources that are subject to audit by the various awarding agencies. The Corporation has not been informed of any intent to conduct an audit. In the event of such an audit, management does not believe that any material adjustments will be necessary.

As per the Recapture and De-obligation Procedure of the NFMC program, in the event that counseling demand falls short of the goals projected in the Grantee's application and Grant Agreement or in the event that the grantee does not comply with the terms and conditions of the grant as outlined in the Final Funding Announcement, Notice of Intent to Award Funds, and Grant Agreement, the Corporation may recapture funds already distributed to the Grantee and/or rescind its obligation to distribute un-disbursed awarded funds to the grantee. Pursuant to this procedure, subsequent to year-end, some organizations have voluntarily returned funds or requested funds to be de-obligated. In the ordinary course of activities, the Corporation is party to various legal and administrative actions, including employment matters and claims by organizations in the NeighborWorks® network. In the opinion of management, the potential adverse impact of these legal and administrative actions is insignificant to the financial statements of the Corporation.

## **8. Retirement Plan**

The Corporation has a defined contribution retirement plan subject to independent audit which meets the requirements of Section 401(k) of the U.S. Internal Revenue Code. Each eligible participant may enter into a salary deferral agreement with the Corporation in an amount equal to but not less than 1% or more than 75% of his or her compensation for the contribution period capped at the legal allowable maximum dollar deferral. The Corporation matches each eligible participant's pre-tax contributions at 100% up to a maximum of 6%, and this matching contribution is 100% vested. The Corporation may also contribute a discretionary amount equal to 6% of the social security integration level in effect and 11.7% of each eligible participant's compensation in excess of the social security integration level. This discretionary employer contribution to eligible participants has a 5-year vesting schedule as follows: 20% year 2; 40% year 3; 80% year 4; and 100% year 5. Employees may also borrow against their vested benefits. Employees are eligible for both the discretionary and matching contributions after one year of service.

Total retirement plan expense for fiscal years 2019 and 2018 are \$3,223 and \$3,382, respectively.

## **9. Fair Value**

A fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value is established by generally accepted accounting principles. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under generally accepted accounting principles are described as follows:

**Neighborhood Reinvestment Corporation**  
(d.b.a. NeighborWorks® America)

**Notes to Financial Statements (Amounts in \$000's)**

Basis of Fair Value Measurement

*Level 1*—Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

*Level 2*—Inputs to the valuation methodology include: (1) quoted prices for similar assets or liabilities in active markets; (2) quoted prices for identical or similar assets or liabilities in inactive markets; (3) inputs other than quoted prices that are observable for the asset or liability; and (4) inputs that are derived principally from or corroborated by observable market data by correlation or other means.

*Level 3*—Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following tables set forth by level, within the fair value hierarchy, the Corporation's investment assets at fair value as of September 30, 2019 and 2018. Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

**September 30, 2019**

Description	Quoted Prices in Active Markets			Balance as of September 30, 2019
	for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	
Freddie Mac US Domestic Unsecured	\$ -	\$ 2,496	\$ -	\$ 2,496
<b>Total</b>	<b>\$ -</b>	<b>\$ 2,496</b>	<b>\$ -</b>	<b>\$ 2,496</b>

**September 30, 2018**

Description	Quoted Prices in Active Markets			Balance as of September 30, 2018
	for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	
Freddie Mac US Domestic Unsecured	\$ -	\$ 2,500	\$ -	\$ 2,500
<b>Total</b>	<b>\$ -</b>	<b>\$ 2,500</b>	<b>\$ -</b>	<b>\$ 2,500</b>

**Neighborhood Reinvestment Corporation**  
**(d.b.a. NeighborWorks® America)**

**Notes to Financial Statements (Amounts in \$000's)**

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Government securities classified as Level 2 are valued using quoted market prices for similar assets and liabilities in active markets. There are no unfunded commitments at September 30, 2019 and 2018.

### **10. Separation Pay**

The Corporation will provide pay to separated employees under the following involuntary separation conditions:

*Severance* - position elimination, voluntary early retirement and reduction in force.

*Transition Pay* - term-limited positions, resignation in lieu of termination for performance-based or for cause terminations, declination to relocate with position move (outside of existing commuting area) or resignation due to other mutual decision to end the employment relationship.

Employees who are terminated for any other reasons (i.e., performance, cause, misconduct) will not be eligible for severance or transition pay.

In the event an employee accepts other employment with the Corporation prior to the date of a position elimination or reduction in force, the employee will not be eligible for severance pay. If an employee is rehired after separation, he or she may be required to reimburse the severance pay on a pro rata basis, based on whether the total number of weeks on severance pay was more than the number of weeks in which the employee was not employed by the Corporation. The method of repayment will be considered on a case-by- case basis. Further, an employee will be considered to have voluntarily resigned and will not be eligible for severance pay if he or she rejects NeighborWorks America's offer of employment within the same commuting area and pay classification prior to separation.

The Corporation entered into separation agreements with twenty-one employees during FY 2019 for a total of \$321. As a result, these agreements includes payment totaling \$277 in FY19. The Corporation entered into separation agreements that cross over into FY 2020 and were accrued at September 30, 2019, totaling \$44.

### **11. Subsequent Events**

Subsequent events were evaluated through February 6, 2020, which is the date the financial statements were available to be issued. There were no events noted that required adjustment or disclosure to these financial statements except those noted above.

## Supplementary Information

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**Neighborhood Reinvestment Corporation  
(d.b.a. NeighborWorks® America)**

**Schedule of Expenditures of Federal Awards**

Schedule of Expenditures of Federal Awards			
<i>Year ended September 30, 2019</i>			
Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA/ Public Law Number	Passed Through to Subrecipients	Federal Expenditures
Congressional Appropriation - NeighborWorks® National Foreclosure Mitigation Counseling Program			
Appropriation - NFMC	21.114.113	\$ -	\$ 1,072,891
Total - NeighborWorks® National Foreclosure Mitigation Counseling Program		-	1,072,891
Congressional Appropriation - NeighborWorks® System Program			
FY 2019 Appropriation	21.116.6	99,262,804	150,000,000
FY 2019 Shared Equity	21.116.6	-	119,006
<b>Total Congressional Appropriations</b>		<b>99,262,804</b>	<b>151,191,897</b>
U.S. Department of Housing and Urban Development:			
Housing Counseling Training Program	14.169	2,575,000	2,999,911
Housing Counseling Training Program	14.316	264,811	1,104,430
<b>Total U.S. Department of Housing and Urban Development</b>		<b>2,839,811</b>	<b>4,104,341</b>
U.S. Department of Agriculture			
NeighborWorks® Rural Community Development	10.446	36,612	82,707
Corporation for National and Community Service			
Volunteers in Service to America	94.013	721	122,940
National Endowment For The Arts			
	45.024	-	20,510
<b>Total Expenditures of Federal Awards</b>		<b>\$ 102,139,948</b>	<b>\$ 155,522,395</b>

**Neighborhood Reinvestment Corporation**  
**(d.b.a. NeighborWorks® America)**

**Notes to Schedule of Expenditures of Federal Awards**

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**1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of the Corporation under programs of the federal government for the year ended September 30, 2019. The information in this schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Corporation, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Corporation. Therefore, some amounts presented in the schedule may differ from amounts presented in the financial statements.

**2. Summary of Significant Accounting Policies**

Expenditures reported on the schedule are reported on the accrual basis of accounting with the exception of capital expenditures and deferred rent, which are reported in the schedule when paid or accrued for payment. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Corporation does not charge indirect costs to federal awards and as such did not elect to use the 10-percent de minimis indirect cost rate.

**3. Federal Endowments**

The federal endowments listed in the schedule are administered directly by the Corporation, and balances and transactions relating to these programs are included in the Corporation's financial statements. There were no transactions impacting the endowment balance during 2019.



**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 Reinvestment Corporation**  
**(d.b.a. NeighborWorks® America)**  
Washington, DC

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 financial statements of **Neighborhood Reinvestment Corporation (d.b.a. NeighborWorks® America)**, which comprise the statement of financial position as of September 30, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 6, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered **Neighborhood Reinvestment Corporation (d.b.a. NeighborWorks® America)**'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of **Neighborhood Reinvestment Corporation (d.b.a. NeighborWorks® America)**'s internal control. Accordingly, we do not express an opinion on the effectiveness of **Neighborhood Reinvestment Corporation (d.b.a. NeighborWorks® America)**'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 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 may exist that have not been identified.

To the Board of Directors  
Neighborhood Reinvestment Corporation  
(d.b.a. NeighborWorks® America)

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Neighborhood Reinvestment Corporation (d.b.a. NeighborWorks® America)**'s 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 result of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Greenbelt, Maryland  
February 6, 2020



## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors  
Neighborhood Reinvestment Corporation  
(d.b.a. NeighborWorks® America)  
Washington, DC

### Report on Compliance for Each Major Federal Program

We have audited Neighborhood Reinvestment Corporation (d.b.a. NeighborWorks® America)'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Neighborhood Reinvestment Corporation (d.b.a. NeighborWorks® America)'s major federal programs for the year ended September 30, 2019. Neighborhood Reinvestment Corporation (d.b.a. NeighborWorks® America)'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### *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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on compliance for each of Neighborhood Reinvestment Corporation (d.b.a. NeighborWorks® America)'s major federal programs 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* 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 Neighborhood Reinvestment Corporation (d.b.a. NeighborWorks® America)'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Neighborhood Reinvestment Corporation (d.b.a. NeighborWorks® America)'s compliance.

### *Opinion on Each Major Federal Program*

In our opinion, Neighborhood Reinvestment Corporation (d.b.a. NeighborWorks® America) complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.

To the Board of Directors  
Neighborhood Reinvestment Corporation  
(d.b.a. NeighborWorks® America)

### Report on Internal Control Over Compliance

Management of Neighborhood Reinvestment Corporation (d.b.a. NeighborWorks® America) 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 Neighborhood Reinvestment Corporation (d.b.a. NeighborWorks® America)'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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 Neighborhood Reinvestment Corporation (d.b.a. NeighborWorks® America)'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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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.



CliftonLarsonAllen LLP

Greenbelt, Maryland  
February 6, 2020

**Neighborhood Reinvestment Corporation  
(d.b.a. NeighborWorks® America)**

**Schedule of Findings and Questioned Costs**

*Section I - Summary of Auditors' Results*

***Financial Statements***

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? \_\_\_\_\_ yes      x   no
  - Significant deficiency(ies) identified? \_\_\_\_\_ yes      x   none reported
3. Noncompliance material to financial statements noted? \_\_\_\_\_ yes      x   no

***Federal Awards***

1. Internal control over major federal programs:
- Material weakness(es) identified? \_\_\_\_\_ yes      x   no
  - Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ yes      x   none reported
2. Type of auditors' report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ yes      x   no

***Identification of Major Federal Programs***

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.116.6	Congressional Appropriation - NeighborWorks System Program, FY 2019 Appropriation
Dollar threshold used to distinguish between Type A and Type B programs:	\$ <u>  3,000,000  </u>
Auditee qualified as low-risk auditee	_____ x _____ yes    _____ no

Neighborhood Reinvestment Corporation  
(d.b.a. NeighborWorks® America)

Schedule of Findings and Questioned Costs

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*Section II - Financial Statement Findings*

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Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

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*Section III - Findings and Questioned Costs - Major Federal Programs*

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Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.