



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

**Financial Statements, Schedule of  
Expenditures of Federal Awards, and  
Independent Auditor's Reports Required  
by *Government Auditing Standards* and  
the Uniform Guidance**

Years ended September 30, 2020 and 2019

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

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Expenditures of Federal Awards, and  
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Years ended September 30, 2020 and 2019

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

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## **Independent Auditor's Report**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of **Neighborhood Reinvestment Corporation (d.b.a. NeighborWorks® America)** (the Corporation), which comprise the statement of financial position as of September 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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

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

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***2019 Financial Statements***

The 2019 financial statements of the Corporation were audited by other auditors, whose report dated February 6, 2020, expressed an unmodified opinion on those financial statements.

#### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to 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 April 23, 2021 on our consideration of the Corporation'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 Corporation'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 the Corporation's internal control over financial reporting and compliance.

**BDO USA, LLP**

April 23, 2021

## 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>	<b>2020</b>	<b>2019</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 44,916	\$ 50,133
Short-term investments	2,502	2,496
Receivables:		
Contributions receivable	-	191
Grant and contract receivables	1,560	1,680
Other receivables - net	393	200
Prepaid expenses and other assets	1,776	2,105
<b>Total current assets</b>	<b>51,147</b>	<b>56,805</b>
<b>Noncurrent assets</b>		
Deposits	302	316
Property and equipment, net	2,908	4,079
<b>Total noncurrent assets</b>	<b>3,210</b>	<b>4,395</b>
<b>Total assets</b>	<b>\$ 54,357</b>	<b>\$ 61,200</b>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 4,680	\$ 8,289
Pass-through liability	16,724	21,715
Grant commitments:		
Expendable grants	5	623
Refundable advances:		
Foreclosure prevention	905	1,145
Grants/shared equity/other	11,315	1,881
Deferred revenue	2	350
<b>Total current liabilities</b>	<b>33,631</b>	<b>34,003</b>
<b>Noncurrent liabilities</b>		
Deferred rent liability	3,539	4,708
<b>Total liabilities</b>	<b>37,170</b>	<b>38,711</b>
<b>Commitments and contingencies</b>		
<b>Net assets</b>		
Without donor restrictions	5,122	8,212
With donor restrictions	12,065	14,277
<b>Total net assets</b>	<b>17,187</b>	<b>22,489</b>
<b>Total liabilities and net assets</b>	<b>\$ 54,357</b>	<b>\$ 61,200</b>

*See accompanying notes to financial statements.*

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

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

<i>Year ended September 30, 2020</i>	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, gains, and other support</b>			
Congressional appropriations	\$ 159,100	\$ -	\$ 159,100
Grants	4,055	-	4,055
Contributions	789	20,159	20,948
Training registration fees	1,411	-	1,411
Contracts	1,319	-	1,319
Publications and subscriptions	373	-	373
Other income	116	-	116
Investment returns, net	347	42	389
Net assets released from restrictions:			
Satisfaction of program restrictions	22,413	(22,413)	-
<b>Total revenue, gains, and other support</b>	<b>189,923</b>	<b>(2,212)</b>	<b>187,711</b>
<b>Expenses</b>			
<b>Program services:</b>			
Capacity building	117,248	-	117,248
National foreclosure mitigation counseling	1,153	-	1,153
Preserving affordable housing	40,485	-	40,485
Training and informing	16,974	-	16,974
Organizational assessment	7,678	-	7,678
<b>Total program services</b>	<b>183,538</b>	<b>-</b>	<b>183,538</b>
<b>Supporting services:</b>			
General and administrative support	7,700	-	7,700
Resource development	1,775	-	1,775
<b>Total supporting services</b>	<b>9,475</b>	<b>-</b>	<b>9,475</b>
<b>Total expenses</b>	<b>193,013</b>	<b>-</b>	<b>193,013</b>
<b>Change in net assets</b>	<b>(3,090)</b>	<b>(2,212)</b>	<b>(5,302)</b>
<b>Net assets, beginning of year</b>	<b>8,212</b>	<b>14,277</b>	<b>22,489</b>
<b>Net assets, end of year</b>	<b>\$ 5,122</b>	<b>\$ 12,065</b>	<b>\$ 17,187</b>

*See accompanying notes to financial statements.*

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

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

<i>Year ended September 30, 2019</i>	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, gains, and other support</b>			
Congressional appropriations	\$ 151,192	\$ -	\$ 151,192
Grants	4,330	-	4,330
Contributions	1,288	9,377	10,665
Training registration fees	3,104	-	3,104
Contracts	1,011	-	1,011
Publications and subscriptions	681	-	681
Other income	273	-	273
Investment returns, net	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>			
<b>Program services:</b>			
Capacity building	120,928	-	120,928
National foreclosure mitigation counseling	1,665	-	1,665
Preserving affordable housing	41,492	-	41,492
Training and informing	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>
<b>Supporting services:</b>			
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>

*See accompanying notes to financial statements.*

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

**Statement of Functional Expenses (Amounts in 000's)**

	Program Services					Supporting Services					Total
	Capacity Building	National Foreclosure Mitigation Counseling	Preserving Affordable Housing	Training and Informing	Organizational Assessment	Total Program Services	General and Administrative Support	Resource Development	Total Supporting Services		
<i>Year ended September 30, 2020</i>											
Grants and grant commitments	\$ 83,787	\$ -	\$ 40,485	\$ 972	\$ 6	\$ 125,250	\$ 16	\$ 2	\$ 18	\$ 125,268	
Personnel	22,588	462	-	9,341	5,810	38,201	4,631	1,345	5,976	44,177	
Professional services	4,592	229	-	2,778	457	8,056	681	54	735	8,791	
Other operating costs	2,837	429	-	1,647	429	5,342	1,279	129	1,408	6,750	
Occupancy	1,847	12	-	842	673	3,374	477	178	655	4,029	
Conferences and workshops	392	4	-	882	56	1,334	146	16	162	1,496	
Depreciation and amortization	511	10	-	211	131	863	429	30	459	1,322	
Travel	694	7	-	301	116	1,118	41	21	62	1,180	
<b>Total expenses</b>	<b>\$ 117,248</b>	<b>\$ 1,153</b>	<b>\$ 40,485</b>	<b>\$ 16,974</b>	<b>\$ 7,678</b>	<b>\$ 183,538</b>	<b>\$ 7,700</b>	<b>\$ 1,775</b>	<b>\$ 9,475</b>	<b>\$ 193,013</b>	

*See accompanying notes to financial statements.*

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

**Statement of Functional Expenses (Amounts in 000's)**

	Program Services					Supporting Services					Total
	Capacity Building	National Foreclosure Mitigation Counseling	Preserving Affordable Housing	Training and Informing	Organizational Assessment	Total Program Services	General and Administrative Support	Resource Development	Total Supporting Services		
<i>Year ended September 30, 2019</i>											
Grants and grant commitments	\$ 85,343	\$ 4	\$ 41,492	\$ 2,103	\$ 17	\$ 128,959	\$ 59	\$ 12	\$ 71	\$ 129,030	
Personnel	23,013	992	-	8,359	5,436	37,800	4,608	508	5,116	42,916	
Professional services	4,721	217	-	3,424	387	8,749	594	22	616	9,365	
Other operating costs	2,829	315	-	2,500	407	6,051	1,137	74	1,211	7,262	
Occupancy	1,927	68	-	750	613	3,358	567	135	702	4,060	
Conferences and workshops	789	24	-	1,854	69	2,736	160	17	177	2,913	
Depreciation and amortization	568	24	-	206	134	932	461	13	474	1,406	
Travel	1,738	21	-	453	275	2,487	106	35	141	2,628	
<b>Total expenses</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>	

*See accompanying notes to financial statements.*

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

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

<i>Years ended September 30,</i>	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (5,302)	\$ (27,028)
<b>Adjustments to reconcile change in net assets to net cash used in operating activities:</b>		
Bad debt expense	35	15
Depreciation and amortization	1,322	1,406
<b>(Increase) decrease in assets</b>		
Receivables:		
Contributions receivable	191	217
Grant and contract receivables	120	(1,045)
Other receivables - net	(228)	436
Prepaid expenses and other assets	329	(722)
Deposits	14	31
<b>Increase (decrease) in liabilities</b>		
Accounts payable and accrued expenses	(3,609)	1,178
Pass-through liability	(4,991)	(18,235)
Grant commitments:		
Expendable grants	(618)	623
Foreclosure prevention	-	(1,066)
Refundable advances:		
Foreclosure prevention	(240)	(1,073)
Grants/shared equity/other	9,434	2,008
Deferred revenue	(348)	-
Deferred rent liability	(1,169)	(1,064)
<b>Net cash used in operating activities</b>	<b>(5,060)</b>	<b>(44,319)</b>
<b>Cash flows from investing activities</b>		
Purchases of investments	(2,506)	(2,500)
Sales of investments	2,500	2,500
Purchases of property and equipment	(151)	(64)
<b>Net cash used in investing activities</b>	<b>(157)</b>	<b>(64)</b>
<b>Decrease in cash and cash equivalents</b>	<b>(5,217)</b>	<b>(44,383)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>50,133</b>	<b>94,516</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 44,916</b>	<b>\$ 50,133</b>

*See accompanying notes to 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 U.S. 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, who are presidential appointees subject to Senate confirmation, or their designated representatives.

#### *Mission*

The Corporation provides financial, technical and organizational support to approximately 239 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, D.C. and supports its NeighborWorks® network locally through regional offices in Boston, New York, Atlanta, Kansas City, Denver, and Los Angeles.

#### *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,

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

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

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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.

## **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 (U.S. GAAP).

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

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

***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 nor financial direct involvement is recorded as a pass-through liability included on the statements of financial position and amounted to \$16,724 and \$21,715 at September 30, 2020 and 2019, 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 available for general expenditure are as follows:

<u>September 30,</u>	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 44,916	\$ 50,133
Short-term investments	2,502	2,496
Receivables	1,953	2,071
<hr/>		
Total financial assets available within one year	49,371	54,700
<hr/>		
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Restricted by donors in perpetuity	(2,500)	(2,500)
Restricted by donors with purpose restrictions	(9,565)	(11,777)
Refundable advances - NFMC	(905)	(1,145)
Refundable advances - grants and contracts	(9,793)	-
Refundable advances - shared equity	(1,522)	(1,881)
Pass-through amounts for LIFT program	(16,724)	(21,715)
<hr/>		
Total amounts unavailable for general expenditures within one year	(41,009)	(39,018)
<hr/>		
Total financial assets available to management for general expenditure within one year	\$ 8,362	\$ 15,682

***Investments***

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.

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

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

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Included in investments on the statements 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 restrictions 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 net assets without donor restrictions unless their use is restricted by donor stipulations or by law.

***Receivables***

***Contributions*** - Contributions receivable consists 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, 2020 and 2019.

***Grants and Contracts*** - Grant and contract receivables 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, 2020 and 2019. 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 \$5. 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.

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.

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

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

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***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 held at creditworthy financial institutions short-term investments, and receivables. At September 30, 2020 and 2019, substantially all of the Corporation's cash and cash equivalents were held at financial institutions in accounts over the Federal Deposit Insurance Corporation (FDIC) limits. Amounts in excess of the FDIC insured limit totaled approximately \$44.9 million as of September 30, 2020.

Short-term investments are subject to market fluctuations that may materially affect the investment balance. 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, 85% and 88% for the years ended September 30, 2020 and 2019, 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.

***Conditional Grants***

The Corporation has entered into various grantor agreements supporting homeownership programs. During fiscal year 2020 and 2019, total grant expenses incurred under these grants were \$576 and \$24,282, respectively. These expenses are included in the grants and grant commitments line on the statements of functional expenses.

The Corporation has awarded several HUD certified housing counseling organizations to provide pre and post purchase housing counseling programs. At September 30, 2020 and 2019, the Corporation has accrued \$5 and \$623, respectively, in grant commitments.

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

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

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***Refundable Advances***

Refundable advances consists of shared equity, conditional contributions for which the conditions have not been met, and uncommitted grants of the National Foreclosure Mitigation Counseling Program under congressional appropriations. Grants and conditional contributions received in advance for which the conditions have not been met are refundable until those conditions are met. Congressional appropriations for the National Foreclosure Mitigation Counseling Program, received but not yet awarded to sub-recipients, are refundable until the awards are made.

***Deferred Revenue***

Deferred revenue consists of training registration fees and unearned contract revenue. Training registration fees and contract revenue received in advance and not yet earned are deferred to the applicable period.

***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 Restrictions***

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 statements of financial position as a pass-through liability. Accordingly, there is no impact on the statements of activities for such grants.

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***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.

***Congressional Appropriations*** - The Corporation's primary source of funding is through congressional appropriations. Without donor restricted congressional appropriations are recognized as contribution revenue without donor restrictions when the legislation is enacted. Appropriations under the NFMC Program are considered to be conditional contributions and are recognized as refundable advances and recognized as revenue as related program grant commitments are made and allowable operating expenses incurred.

***Grants*** - Grants revenue is comprised of conditional contributions for cost reimbursable federal grants 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.

***Contributions*** - The Corporation recognizes all unconditional contributed support in the reporting period in which the commitment is made. The Corporation reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. The Corporation also reports investment income on funds with donor restrictions as revenue with donor restrictions. When expenses in accordance with the donors' restrictions are incurred, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Amounts that have not been collected as of year-end are included in contributions receivable in the accompanying statements of financial position. Conditional contributions are recognized when the conditions are substantially met.

The Corporation recognizes revenue when it satisfies a performance obligation by transferring a promised good to, or performing a service for, a customer. The amount of revenue recognized reflects the consideration the Corporation expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not meet the criteria to be considered distinct, the Corporation combines it with other performance obligations until a distinct bundle of goods or services exists. The Corporation expects that the period between when the Corporation transfers goods and services to their customers and when the customers pay for those goods and services will be one year or less. Therefore, the Corporation has elected the practical expedient not to adjust the promised amount of consideration for the effects of a significant financing component. Amounts received in advance of services performed, but not yet earned, are recorded as deferred revenue.

***Training Registration Fees*** - Training registration revenue includes revenue from registrations related to trainings. Performance obligations are satisfied at a point in time, the time of the training, when the services are transferred. Discounts are not offered. Refunds are allowed for registrations within 14 days before the conference. Refunds are not significant. Therefore, no refund liability was recorded. Payment is primarily due at the time of registration.

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**Contracts** - Contract revenue includes placed based training, success measures, and other fee-for-service programs. Contracts revenue is recognized over time as the Corporation incurs time and expense, the input method. Amounts paid in advance are recorded as a liability until the services are provided to the customer.

**Publications** - For publication fees, the transaction price is the price charged by the Corporation for Realizing the American Dream and Keeping the American Dream publications. These books are sold through a third-party where payment is due when the publication is ordered. The third-party vendor also distributes the publications to the customer for a fee. Upon the customer's purchase of the publication, the Corporation defers the revenue until the date the third-party ships the publication at which time the Corporation's performance obligation has been completed and, as such, the Corporation recognizes revenue at a point in time, on the shipping date. Amounts paid in advance are recorded as a liability until the goods are provided to the customer. Refunds are allowed within 30 days. Refunds are not significant therefore no refund liability was recorded.

**Subscriptions** - Under the terms of the subscription software license agreement, the Corporation will give the customer access to proprietary software and related resources for a specified period of time, usually one year. Subscription fees are recognized as revenue over the subscription period. The Corporation's performance obligation in the contract is the "stand ready obligation" to provide access to the software for the subscription period. The Corporation providing the "stand ready obligation" for use of the software over the subscription period represents a single performance obligation of which the Corporation expects the customer to receive and consume the benefits of its obligation ratably, and as such, the Corporation recognizes subscription fees ratably over time, the subscription period, using the output method. Refunds may be requested within 90 days of receipt of the order and are reviewed for approval on an individual basis. Refunds are not significant, and therefore no refund liability has been recorded.

**Investment Returns, Net** - Investment returns are recognized when earned. Unrealized and realized gains and losses and interest and dividends netted against external and direct internal investment expenses are included in the investment returns, net, in the statements of activities.

***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 and Administrative, and Resource Development are directly recorded to their respective departments. The General and Administrative 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.

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*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 U.S. GAAP 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.

*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, 2020 and 2019.

*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, management does not believe any such changes would have a material impact on the Corporation's 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.

*Reclassifications*

Certain amounts in the 2019 financial statements have been reclassified to conform to the 2020 presentation. These reclassifications have no effect on the previously reported change in net assets.

*Recently Adopted Accounting Pronouncements*

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This update, along with ASU 2016-08, *Revenue from Contracts with Customers (Topic 606)*, *Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*, ASU 2016-10, *Revenue from Contracts with Customers (Topic 606)*, *Identifying Performance Obligations and Licensing*, and ASU 2016-12, *Revenue from Contracts with Customers (Topic 606)*, *Narrow-Scope Improvements and Practical Expedients*, ASU 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*

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establishes a comprehensive revenue recognition standard. The updates require that revenue should be recognized to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Additional disclosure is also required to enable financial statement users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Management has adopted this standard during the year ended September 30, 2020. The adoption of this update did not have a material effect on the financial statements.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments - Overall (Subtopic 825-10), Recognition and Measurement of Financial Assets and Financial Liabilities*. This update, along with ASU 2018-03, *Technical Corrections and Improvements to Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, that clarifies the guidance in ASU No. 2016-01, affects the accounting for equity investments and financial liabilities under the fair value option, as well as the presentation and disclosure requirements for financial instruments. Management has adopted this standard during the year ended September 30, 2020. The adoption of this update did not have a material effect on the financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230)*. The update standardizes how certain transactions should be classified in the statement of cash flows. Management has adopted this standard during the year ended September 30, 2020. The adoption of this update did not have a material effect on the financial statements.

In June 2018, the FASB issued ASU No. 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The update clarifies and improves current guidance by providing criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. The update also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. Management has adopted this update for resource recipients and resource providers during the year ended September 30, 2020. Under this ASU, the Corporation's grants and contracts revenue are considered contributions because the customer does not receive commensurate value for the consideration received by the Corporation; rather, the purpose of these arrangements is for the benefit of the general public. Therefore, the Corporation concluded that the agreements are conditional due to rights of return/release and barriers to entitlement to funds. Revenue is recognized when the condition is satisfied. Because the nature of conditions is either based on incurring qualifying expenses or satisfying a milestone or other deliverable, the pattern of revenue recognition remained consistent with previous years. Therefore, under the prospective approach, there was no material change in the revenue recognition for grants and contracts revenue. Under this ASU, a refundable advance is recorded when the Corporation receives assets in advance of the satisfaction of the conditions within these arrangements. As of September 30, 2019, there was \$3,026 in deferred revenue recorded related to grants and contracts. In accordance with the prospective transition approach in this ASU, the deferred revenue balances were reclassified to refundable advances on October 1, 2019. There was no effect on net assets reported at September 30, 2019 as a result of adopting this ASU.

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***Recent Accounting Pronouncements Not Yet Adopted***

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This ASU requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments. For leases with a lease term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize a right-of-use asset or lease liability. A lessee making this accounting policy election would recognize lease expense over the term of the lease, generally in a straight-line pattern. This guidance is effective for financial statements issued for fiscal years beginning after December 15, 2019. Early adoption is permitted. In transition, a lessee and a lessor will recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach includes a number of optional practical expedients. These practical expedients relate to identifying and classifying leases that commenced before the effective date, initial direct costs for leases that commenced before the effective date, and the ability to use hindsight in evaluating lessee options to extend or terminate a lease or to purchase the underlying asset. ASU 2018-11 was issued in June 2018 that also permits entities to choose to initially apply ASU 2016-02 at the adoption date and recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption. ASU 2016-02 is effective for the Corporation's fiscal year 2023. Management is currently evaluating the impact of this ASU on their financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. The update modifies certain disclosure requirements in Topic 820, *Fair Value Measurement*. The guidance is effective for the Corporation's fiscal year 2021. Management is currently evaluating the impact of this ASU on their financial statements.

The Corporation has assessed other accounting pronouncements issued or effective during the year ended September 30, 2020 and deemed they were not applicable to the Corporation or are not anticipated to have a material effect on the financial statements.

**3. Property and Equipment**

Property and equipment consist of the following:

<i>September 30,</i>	<b>2020</b>	<b>2019</b>
Computer and software equipment	\$ 5,291	\$ 5,252
Leasehold improvements	10,055	10,055
Furniture and fixtures	1,219	1,107
<b>Total property and equipment at cost</b>	<b>16,565</b>	<b>16,414</b>
<b>Less: accumulated depreciation and amortization</b>	<b>(13,657)</b>	<b>(12,335)</b>
<b>Total property and equipment, net</b>	<b>\$ 2,908</b>	<b>\$ 4,079</b>

Depreciation and amortization expense for the years ended September 30, 2020 and 2019 was \$1,322 and \$1,406, respectively.

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**4. Net Assets With Donor Restrictions**

At September 30, 2020 and 2019, net assets with donor restrictions consist of the following:

	2020	2019
Purpose restricted:		
Wells Fargo	\$ 7,960	\$ 10,518
Republic Services Charitable Foundation	879	-
Kresge	248	464
Morgan Stanley	167	165
Scholarship/Endowment	124	82
Capital One	53	42
Fifth Third Foundation	30	6
Bank of the West	-	80
JP Morgan	-	290
RW Johnson	-	15
All others	104	115
<b>Total purpose restricted</b>	<b>9,565</b>	<b>11,777</b>
<b>Perpetual in nature</b>	<b>2,500</b>	<b>2,500</b>
<b>Total net assets with donor restrictions</b>	<b>\$ 12,065</b>	<b>\$ 14,277</b>

During the years ended September 30, 2020 and 2019, net assets released from donor restrictions consist of the following:

	2020	2019
Purpose restrictions accomplished:		
Wells Fargo	\$ 19,521	\$ 7,257
Capital One	698	-
Truist Foundation	618	-
Fifth Third Foundation	576	-
JP Morgan	290	1,561
Kresge	216	400
Bank of the West	136	83
Republic Services Charitable Foundation	121	-
Morgan Stanley	98	34
RW Johnson	16	84
Bank of America	-	26,164
All others	123	363
<b>Total purpose restricted</b>	<b>22,413</b>	<b>35,946</b>
<b>Total net assets released from donor restrictions</b>	<b>\$ 22,413</b>	<b>\$ 35,946</b>

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

**5. Endowment**

The Corporation received \$2,500 as part of the 2001 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 restrictions' investment income on the statements of activities.

*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, 2020 and 2019.

		Subject to Spending Policy and Appropriation		Perpetual in Nature		Total
Endowment net assets, September 30, 2018	\$	23	\$	2,500	\$	2,523
Investment income		59		-		59
Amounts appropriated for expenses		-		-		-
Endowment net assets, September 30, 2019	\$	82	\$	2,500	\$	2,582
Investment income		42		-		42
Amounts appropriated for expenses		-		-		-
Endowment net assets, September 30, 2020	\$	124	\$	2,500	\$	2,624

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

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

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### *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 board of directors for managing the investment process is to preserve principal and provide reasonable returns. The board of 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 Corporation's investment policies.

## **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 \$2,500 and \$2,400 for the years ended September 30, 2020 and 2019, 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 \$2,500 and \$2,400 for the years ended September 30, 2020 and 2019, 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

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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 non-cancelable operating leases are as follows:

*Years ending September 30,*

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2021	\$	4,543
2022		4,397
2023		3,220
2024		737
2025		511

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	\$	13,408
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Occupancy expense for the years ended September 30, 2020 and 2019, amounted to \$4,029 and \$4,060, 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, 2020 and 2019, amounted to \$181 and \$289, respectively. Commitments under noncancelable office equipment operating leases are as follows: \$137 in FY2021, \$94 in FY2022, and \$39 in FY2023.

*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, 2020, the Corporation had 12 such contracts in place extending through fiscal 2023. The maximum penalty assuming all contracts were cancelled at the latest possible date is \$1,505 in FY2021, \$239 in FY2022, and \$164 in FY2023.

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.

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

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## **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 2020 and 2019 are \$3,082 and \$3,223, respectively.

## **9. Fair Value Measurements**

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:

### *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 Corporation 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 short-term investments at fair value as of September 30, 2020 and 2019. Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

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Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Balance as of September 30, 2020
Freddie Mac US Bonds Domestic Unsecured	\$ -	\$ 2,502	\$ -	\$ 2,502
<b>Total</b>	<b>\$ -</b>	<b>\$ 2,502</b>	<b>\$ -</b>	<b>\$ 2,502</b>

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

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, 2020 and 2019.

## 10. Separation Plan

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 the Corporation's offer of employment within the same commuting area and pay classification prior to separation.

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

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

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The Corporation entered into separation agreements with three and twenty-one employees during the years ended September 30, 2020 and 2019, respectively, for a total of \$26 and \$321, respectively. As a result of these agreements, the Corporation made payments totaling \$22 and \$277 during the years ended September 30, 2020 and 2019, respectively. The Corporation entered into separation agreements during the years ended September 30, 2020 and 2019 that cross over into the subsequent year and were accrued at September 30, 2020 and 2019, totaling \$4 and \$44, respectively.

### 11. COVID-19 and CARES Act

Beginning in late calendar year 2019 and continuing through September 30, 2020, and beyond, the outbreak of the novel coronavirus disease, or COVID-19, has resulted in the declaration of a global pandemic and has adversely affected economic activity across virtually all sectors and industries on a local, national, and global scale. The impact of COVID-19 on the economy and the Corporation's business continues to be a fluid situation.

In response to the COVID-19 pandemic, many state, local and foreign governments have put in place, and others in the future may put in place, quarantines, executive orders, shelter-in place orders, and similar government orders and restrictions in order to control the spread of the disease. Such orders or restrictions, or the perception that such orders or restrictions could occur, have resulted in business closures, work stoppages, slowdowns and delays, work-from-home policies, and travel restrictions, among other effects that could negatively impact productivity and disrupt the Corporation's operations.

Operationally, the Corporation has remained focused on supporting its clients, community, and employees during this time. Through September 30, 2020, the Corporation has not seen a significant adverse impact to the financial position, change in net assets, and cash flows and liquidity as a result of COVID-19. The values of the Corporation's investments have and will fluctuate in response to changing market conditions and impact on the Corporation's liquidity. The ultimate impact of COVID-19 on the business is not estimable at this time and will be largely dependent upon a number of factors outside of the Corporation's control including the extent and duration of the outbreak as well as any mitigating actions which may be undertaken by global governments and the general public.

In addition, while the potential impact and duration of the COVID-19 pandemic on the global economy and the Corporation's business in particular may be difficult to assess or predict, the pandemic has resulted in, and may continue to result in, significant disruption of global financial markets, which could result in a reduction of the Corporation's net reserve fund held in the form of marketable investments, and therefore negatively affect future liquidity.

The global pandemic of COVID-19 continues to rapidly evolve, and the Corporation will continue to monitor the COVID-19 situation closely. The ultimate impact of the COVID-19 pandemic or a similar health epidemic is highly uncertain and subject to change. The Corporation does not yet know the full extent of potential delays or impacts on business, operations, or the global economy as a whole, which makes future results difficult to predict.

On March 27, 2020, the "Coronavirus Aid, Relief, and Economic Security (CARES) Act." The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased

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

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

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limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property. The Corporation did not partake in programs under the CARES Act.

Management continues to monitor the impact the COVID-19 pandemic and CARES Act could have on the Corporation's operations and financial position in fiscal year 2021.

**12. Subsequent Events**

On December 27, 2020, the Consolidated Appropriations Act, 2021 (the 2020 Act) was passed which includes \$900 billion in stimulus relief as a result of the COVID-19 pandemic. Under the 2020 Act, PL# 116-260 the Corporation received \$163,000 in core appropriation for fiscal year 2021 and \$2,000 for shared equity through fiscal year 2024.

On March 10, 2021, the American Rescue Plan Act of 2021 (the 2021 Act) was passed, a \$1.9 trillion stimulus relief package to provide support to individuals and businesses affected by COVID-19. Under the 2021 Act, PL# 117.2 the Corporation received \$100,000 through fiscal year 2025.

Subsequent events were evaluated through April 23, 2021, which is the date the financial statements were available to be issued. There were no other events noted that required adjustment or disclosure to these financial statements except those noted above.

**Schedule of Expenditures of Federal Awards**

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

**Schedule of Expenditures of Federal Awards**

*Year ended September 30, 2020*

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal CFDA/ Public Law Number</b>	<b>Provided to Subrecipients</b>	<b>Total Federal Expenditures</b>
<b>Congressional Appropriations:</b>			
NeighborWorks® National Foreclosure Mitigation Counseling Program	21.114.113	\$ -	\$ 240,132
NeighborWorks® System Program			
FY 2020 Appropriation	21.116.94	104,996,502	157,500,000
FY 2019 Shared Equity	21.116.6	1,195,000	1,359,394
<b>Total NeighborWorks® System Program</b>		<b>106,191,502</b>	<b>158,859,394</b>
<b>Total Congressional Appropriations</b>		<b>106,191,502</b>	<b>159,099,526</b>
<b>U.S. Department of Housing and Urban Development:</b>			
Housing Counseling Assistance Program	14.169	2,612,000	3,051,009
Housing Counseling Training Program	14.316	68,280	808,721
<b>Total U.S. Department of Housing and Urban Development</b>		<b>2,680,280</b>	<b>3,859,730</b>
<b>Corporation for National and Community Service:</b>			
Volunteers in Service to America	94.013	-	115,814
<b>National Endowment for Humanities:</b>			
National Endowment for the Arts	45.024	-	79,490
<b>Total Expenditures of Federal Awards</b>		<b>\$ 108,871,782</b>	<b>\$ 163,154,560</b>

*See notes to schedule of expenditures of federal awards.*

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

**Notes to Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2020**

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**1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of Neighborhood Reinvestment Corporation (d.b.a. NeighborWorks® America) (the Corporation) under programs of the federal government for the year ended September 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Corporation, it is not intended to and does not present the statements of financial position, change in net assets or cash flows of the Corporation.

**2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. 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.

**3. Indirect Cost Rate**

The Corporation has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**4. 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 2020.

**Independent Auditor's  
Reports Required by  
*Government Auditing Standards*  
and the Uniform Guidance**

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**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

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

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)** (the Corporation), which comprise the statement of financial position as of September 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 23, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Corporation'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 or significant deficiencies may exist that have not been identified.



### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Corporation'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 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 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.

BDO USA, LLP

April 23, 2021



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## **Independent Auditor's 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, D.C.

### **Report on Compliance for Each Major Federal Program**

We have audited **Neighborhood Reinvestment Corporation (d.b.a. NeighborWorks® America)**'s (the Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Corporation's major federal programs for the year ended September 30, 2020. The Corporation's major federal programs are identified in the summary of auditor's 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.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Corporation'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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Corporation'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 the Corporation's compliance.



### ***Opinion on Each Major Federal Program***

In our opinion, the Corporation 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, 2020.

### **Report on Internal Control Over Compliance**

Management of the Corporation 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 the Corporation'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 the Corporation'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. 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.

*BDO USA, LLP*

April 23, 2021

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

**Schedule of Findings and Questioned Costs  
Year Ended September 30, 2020**

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**Section I - Summary of Auditor's Results**

***Financial Statements***

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes      X   no
- Significant deficiency(ies) identified? \_\_\_\_\_ yes      X   none reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ yes      X   no

***Federal Awards***

Internal control over major federal programs:

- Material weakness(es) identified? \_\_\_\_\_ yes      X   no
- Significant deficiency(ies) identified? \_\_\_\_\_ yes      X   none reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

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>
21.116.94	Congressional Appropriation NeighborWorks® System Program FY 2020 Appropriation
21.116.6	Congressional Appropriation NeighborWorks® System Program FY 2019 Shared Equity
14.169	Housing Counseling Assistance Program

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

\$3,000,000

Auditee qualified as low-risk auditee?

  X   yes    \_\_\_\_\_ no

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

**Schedule of Findings and Questioned Costs  
Year Ended September 30, 2020**

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**Section II - Financial Statement Findings**

There were no findings related to the financial statements which are required to be reported in accordance with generally accepted government auditing standards (GAGAS).

**Section III - Federal Award Findings and Questioned Costs**

There were no findings or questioned costs for federal awards (as defined in Section 2 CFR 200.516(a) of the Uniform Guidance) that are required to be reported.