

**NEIGHBORHOOD COMMUNITY
DEVELOPMENT FUND AND SUBSIDIARY**

**CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2022 AND 2021

NEIGHBORHOOD COMMUNITY DEVELOPMENT FUND AND SUBSIDIARY
YEARS ENDED DECEMBER 31, 2022 AND 2021

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Independent Auditor's Report

Board of Directors
Neighborhood Community Development Fund and Subsidiary

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Neighborhood Community Development Fund and Subsidiary ("Organization"), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2022, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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



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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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



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Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations 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 consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Supplementary Information – Consolidating Schedules

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules presented on pages 28 through 30 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The supplementary information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2023 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization'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 Organization's internal control over financial reporting and compliance.

Other Matter

The consolidated financial statements of the Organization for the year ended December 31, 2021, were audited by another auditor, who expressed an unmodified opinion on those statements on May 27, 2022.

Pittsburgh, Pennsylvania
June 13, 2023

Zelenkofske Axelrod LLC

Zelenkofske Axelrod LLC

NEIGHBORHOOD COMMUNITY DEVELOPMENT FUND AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
YEARS ENDED DECEMBER 31, 2022 AND 2021

Assets	2022	2021
Current Assets		
Cash and cash equivalents	\$ 1,653,307	\$ 437,099
Restricted cash	4,003,819	5,102,727
Account receivable	174,178	101,886
Grant receivable	650,911	205,886
Loans receivable - Current portion	1,154,575	451,116
Other current assets	<u>22,393</u>	<u>3,616</u>
Total Current Assets	7,659,183	6,302,330
Fixed assets, net	141,396	76,492
Loans receivable, net of current portion	7,834,644	4,621,477
Less: Allowance for loan losses	<u>(672,789)</u>	<u>(672,789)</u>
Loans receivable, net of current portion and allowance for loan losses	7,161,855	3,948,688
Right-of-use assets	<u>117,855</u>	<u>-</u>
Total Assets	<u>\$ 15,080,289</u>	<u>\$ 10,327,510</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 182,443	\$ 106,802
Accrued interest	60,289	69,065
Deferred revenue	1,995	54
Lease liabilities - Current portion	28,992	-
Notes payable - Current portion	<u>1,591,800</u>	<u>1,637,303</u>
Total Current Liabilities	1,865,519	1,813,224
Lease liabilities - Long term portion, net	89,135	-
Notes payable, net	<u>7,525,769</u>	<u>3,326,446</u>
Total Liabilities	<u>9,480,423</u>	<u>5,139,670</u>
Net Assets:		
Without donor restrictions:		
Designated for loan and grant programs	4,872,651	4,025,431
Undesignated	<u>500,001</u>	<u>422,014</u>
Total Net Assets Without donor restrictions:	5,372,652	4,447,445
With donor restrictions:	<u>227,214</u>	<u>740,395</u>
Total Net Assets	<u>5,599,866</u>	<u>5,187,840</u>
Total Liabilities and Net Assets	<u>\$ 15,080,289</u>	<u>\$ 10,327,510</u>

See accompanying notes to the consolidated financial statements.

NEIGHBORHOOD COMMUNITY DEVELOPMENT FUND AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
<u>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</u>		
Revenue and support		
Federal grants	\$ 516,078	\$ 359,600
Qualified debt relief grant	492,210	28,236
Interest income	382,403	223,162
Advertising income	84,839	75,590
Loan fees	63,356	29,068
Community grants and donations	45,000	45,000
COVID-19 relief grant	-	72,378
Miscellaneous income	60,209	2,811
Net assets released from restriction	963,181	249,956
Total Revenue and support	<u>2,607,276</u>	<u>1,085,801</u>
Expenses		
Programs		
Loan and investment programs	1,274,599	793,284
Northside Chronicle	181,856	151,647
Other	-	39,317
COVID-19 support	-	1,949
	<u>1,456,455</u>	<u>986,197</u>
Management and general	103,960	24,336
Fundraising	<u>121,654</u>	<u>6,305</u>
Total Expenses	<u>1,682,069</u>	<u>1,016,838</u>
Increase in Net Assets Without Donor Restrictions	<u>925,207</u>	<u>68,963</u>
<u>CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS:</u>		
Net assets released from restriction	(963,181)	(249,956)
Restricted grants	<u>450,000</u>	<u>934,000</u>
Change in net assets with donor restrictions	<u>(513,181)</u>	<u>684,044</u>
Change in Net Assets	<u>412,026</u>	<u>753,007</u>
Net Assets - Beginning of Year	<u>5,187,840</u>	<u>4,434,833</u>
Net Assets - End of Year	<u>\$ 5,599,866</u>	<u>\$ 5,187,840</u>

See accompanying notes to the consolidated financial statements.

NEIGHBORHOOD COMMUNITY DEVELOPMENT FUND AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	Programs				
	Loans and Investment Programs	Northside Chronicle	Management and General	Fundraising	Total
Salaries	\$ 490,661	\$ 104,386	\$ 66,646	\$ 62,473	\$ 724,166
Interest	179,046	42	376	418	179,882
Employee benefits	76,773	16,043	10,252	15,778	118,846
Professional fees	67,052	8,920	7,021	7,819	90,812
Advertising	211,352	2	18	20	211,392
Payroll taxes	41,651	8,927	5,653	5,373	61,604
Rent	18,498	231	2,081	2,312	23,122
Consultants	15,584	-	-	-	15,584
Miscellaneous	50,518	19,460	3,987	1,349	75,314
Printing and copying	3,950	20,255	444	494	25,143
Insurance	14,703	184	1,654	1,838	18,379
Equipment	7,229	89	805	1,094	9,217
Computer expenses	7,680	96	864	960	9,600
Telephone	7,011	88	789	876	8,764
Loan fees	45,070	-	-	-	45,070
Utilities	2,070	26	238	261	2,595
Travel and meals	-	1,730	-	-	1,730
Office supplies	11,618	112	1,005	1,116	13,851
Postage and shipping	137	1,028	-	-	1,165
Meeting costs	14,194	114	1,024	18,248	33,580
Depreciation	9,802	123	1,103	1,225	12,253
	<u>\$ 1,274,599</u>	<u>\$ 181,856</u>	<u>\$ 103,960</u>	<u>\$ 121,654</u>	<u>\$ 1,682,069</u>

See accompanying notes to the consolidated financial statements.

NEIGHBORHOOD COMMUNITY DEVELOPMENT FUND AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	Programs						
	Loans and Investment Programs	Northside Chronicle	Other	Covid-19 Support	Management and General	Fundraising	Total
Salaries	\$ 357,433	\$ 80,077	\$ 23,267	\$ -	\$ 13,504	\$ 5,096	\$ 479,377
Interest	117,738	578	356	-	178	-	118,850
Employee benefits	58,613	17,059	3,573	-	2,391	808	82,444
Professional fees	44,080	13,615	3,589	-	1,793	-	63,077
Advertising	57,370	-	-	1,332	-	-	58,702
Payroll taxes	28,132	6,310	1,828	-	1,064	401	37,735
Rent	27,000	4,680	2,880	-	1,440	-	36,000
Consultants	31,360	-	-	617	-	-	31,977
Miscellaneous	20,261	4,584	459	-	2,292	-	27,596
Printing and copying	3,690	17,020	394	-	197	-	21,301
Insurance	13,278	2,302	1,416	-	708	-	17,704
Equipment	10,673	376	232	-	116	-	11,397
Computer expenses	9,695	662	407	-	204	-	10,968
Telephone	3,975	689	424	-	210	-	5,298
Loan fees	4,398	-	-	-	-	-	4,398
Utilities	2,993	519	319	-	160	-	3,991
Travel and meals	398	1,659	15	-	1	-	2,073
Office supplies	1,438	241	148	-	74	-	1,901
Postage and shipping	440	1,276	7	-	3	-	1,726
Meeting costs	319	-	3	-	1	-	323
	<u>\$ 793,284</u>	<u>\$ 151,647</u>	<u>\$ 39,317</u>	<u>\$ 1,949</u>	<u>\$ 24,336</u>	<u>\$ 6,305</u>	<u>\$ 1,016,838</u>

See accompanying notes to the consolidated financial statements.

NEIGHBORHOOD COMMUNITY DEVELOPMENT FUND AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

Cash Flows From Operating Activities:	<u>2022</u>	<u>2021</u>
Change in net assets	\$ 412,026	\$ 753,007
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Provision for loan losses	-	(580)
Interest added to long-term debt principal	10,793	18,011
Depreciation	12,252	-
Change in:		
Accounts receivable	(72,292)	(30,203)
Grants receivable	(445,025)	(144,428)
Other current assets	(18,777)	125
Account payable	75,642	(35,241)
Accrued interest	(8,776)	(20,282)
Deferred revenue	1,941	(2,080)
Other	<u>272</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>(31,944)</u>	<u>538,329</u>
Cash Flows From Investing Activities		
Loans receivable	(5,917,761)	(1,359,975)
Payment on loan receivable	2,001,135	1,750,141
Purchases of property and equipment	<u>(77,156)</u>	<u>(76,492)</u>
Net cash provided by (used in) investing activities	<u>(3,993,782)</u>	<u>313,674</u>
Cash Flows From Financing Activities		
Proceeds from notes payable	5,531,516	259,341
Payment on notes payable	<u>(1,388,490)</u>	<u>(691,498)</u>
Net cash provided by (used in) financing activities	<u>4,143,026</u>	<u>(432,157)</u>
Net Increase in Cash, Cash Equivalents, and Restricted Cash	<u>117,300</u>	<u>419,846</u>
Cash, Cash Equivalents and Restricted Cash		
Beginning of year	<u>5,539,826</u>	<u>5,119,980</u>
End of year	<u>\$ 5,657,126</u>	<u>\$ 5,539,826</u>
Cash and cash equivalents	\$ 1,653,307	\$ 437,099
Restricted cash	<u>\$ 4,003,819</u>	<u>\$ 5,102,727</u>
Total Cash, Cash Equivalents and Restricted Cash	<u>\$ 5,657,126</u>	<u>\$ 5,539,826</u>
Supplemental Information		
Cash paid for interest	<u>\$ 188,659</u>	<u>\$ 139,132</u>

See accompanying notes to the consolidated financial statements.

NEIGHBORHOOD COMMUNITY DEVELOPMENT FUND AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The accompanying consolidated financial statements include the accounts of Neighborhood Community Development Fund (the Fund) and its wholly-owned for-profit subsidiary, The Northside Chronicle LLC (the Chronicle), collectively referred to as the Organization. All significant intercompany transactions and balances have been eliminated in the consolidation.

The Fund was incorporated in Pennsylvania as a non-profit corporation on February 24, 2000. Its purpose is to provide development services and financing products to promote community development in Allegheny County. The Fund is a member organization with one member, the Northside Leadership Conference (NSLC), a non-profit organization incorporated in 1992. The NSLC is a community development corporation operating housing, commercial development, and employment initiatives in the city of Pittsburgh's Northside neighborhood.

In order to accomplish its mission, the Fund operates several loan and grant programs, funded by federal, state, and local governments, as well as private organizations.

The basic programs of the Fund are development services and financing products to encourage business expansion, job creation, entrepreneurship, development of women and minority-owned businesses, and housing and commercial development. The product mix currently includes micro-enterprise loans, business expansion financing, and commercial development investment. Direct development services include business planning assistance and technical assistance to community organizations.

The primary purpose of Chronicle is to publish a monthly community newspaper and website (<http://thenorthsidechronicle.com>) devoted to the Northside area of Pittsburgh, Pennsylvania.

COVID-19 Impact

The ongoing COVID-19 pandemic has caused an economic downturn on a global scale, disrupted global supply chains, and created significant uncertainty, volatility, and disruption across economies and financial markets. The extent of the future impact of COVID-19 on the Organization and its financial results is uncertain.

The Organization expanded its efforts through 2021, to help small businesses mitigate the uncertainties caused by the pandemic. The Organization advocated for state government to commit approximately \$225,000,000 to small business grants, encouraged all eligible loan portfolio borrowers to apply for funding, provided loan payment deferrals and debt relief to portfolio borrowers that requested assistance, and provided technical assistance to more than 3,000 businesses in southwestern Pennsylvania. Additionally, the Organization secured a grant to provide for additional loan loss reserves.

NEIGHBORHOOD COMMUNITY DEVELOPMENT FUND AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

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

Cash and Cash Equivalents

The Organization considers all highly liquid investments with original maturities of 90 days or less to be cash equivalents. At times, the cash deposits may exceed federally insured limits. The Organization has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Restricted Cash

Restricted cash consists of funds being held for use in loan and grant programs. Restricted cash totaled \$3,832,377 and \$5,102,727 as of December 31, 2022 and 2021, respectively.

Accounts and Grants Receivable

Accounts and grant receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts and grant receivable. Management has determined that no valuation allowance was necessary as of December 31, 2022 and 2021.

One grantor comprised 100% of grant receivable at December 31, 2022 and 2021.

Loans Receivable and Allowance for Loan Losses

Loans receivable are stated at the amount management expects to collect from outstanding balances representing unpaid principal net of an allowance for loan losses. Interest on these loans is calculated by using the simple interest method on daily balances of the principal amount outstanding.

Loans receivable are considered to be on accrual status through the maturity date established by the terms of the agreement and interest is accrued accordingly. Loans receivable are placed on non-accrual status once there are clear instructions that collectability is in doubt. Principal-only payments are then recognized as long as such loans continue on non-accrual status. The Fund resumes accrual of interest only if a restructured loan agreement is established and such creditors have the ability to make regular payments and remain current with such restructure. In the event that such interest is accrued, a recoupment of interest revenue is recorded over the restructured payment terms.

NEIGHBORHOOD COMMUNITY DEVELOPMENT FUND AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans and Allowance for Loan Losses (Continued)

An allowance for loan losses is established through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes collection of a loan balance is unlikely or when the value is deemed to be impaired. Subsequent recoveries of these loan losses are added back to the allowance at the time of receipt.

The allowance for loan losses is evaluated monthly by management, and is based on payment performance criteria and management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of underlying collateral and prevailing economic conditions.

The determination of the adequacy of the allowance for loan losses is based on estimates that are sensitive to significant changes in the economic environment and market conditions. While management uses all available information to estimate losses on loans, it is reasonably possible that adjustments in the carrying amounts of loans may be necessary in the near term based on changes in local economic conditions.

Property and Equipment

Property and equipment are recorded at cost. Maintenance and repairs which are not considered to extend the useful lives of assets are charged to operations as incurred.

Depreciation and amortization of property and equipment is provided by use of the straight-line method over the estimated useful lives of the assets as follows:

Leasehold improvements	Term of lease
Office Equipment	5 years

Concentration of Credit and Investment Risk

As part of its loan and investment programs, the Fund makes loans and investments only to qualified business in the Allegheny County neighborhoods of Pittsburgh, Pennsylvania, and therefore, has a geographic concentration of credit and investment risk.

NEIGHBORHOOD COMMUNITY DEVELOPMENT FUND AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The Organization determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The Organization does not report ROU assets and lease liabilities for short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term. The Organization does not have any short-term leases at December 31, 2022.

Revenue Recognition

The Fund recognizes contributions from community grants and donations when cash, securities or other assets, which comprise an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

A portion of the Fund's support is derived from cost-reimbursable federal contracts and grants, which are conditioned upon certain performance measurements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Fund has incurred expenditures in compliance with specific contract or grant provisions.

All donor-restricted support that was initially a conditional contribution and for which the donor-imposed conditions and restrictions are met in the same reporting period are reported as increase in net assets without donor restrictions. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, new assets with donor restrictions are reclassified to net assets without donor restrictions. Additionally, the Organization accounts for forgivable loans as a conditional contribution. Accordingly, proceeds from such loans are recorded as a refundable advance, with the refundable advance reduces and the contribution recognized once the conditions of release have been substantially met or explicitly waived.

The Chronicle's revenue from contracts with customers is principally from the sale of advertising spots within the monthly printed newsletter or on the website. The Chronicle recognizes revenue when the Chronicle satisfies its performance obligation under the contract by providing the advertising service to the customer at the point in time when the advertising occurs. Billing for the advertising occurs monthly. Differences in timing of revenue recognition and contractual billing and payment terms result in recognition of contract assets and liabilities. Contract liabilities primarily represent billings or payments received in advance of revenue recognition and is contingent upon the satisfaction of performance obligations, and are presented as deferred revenues in the consolidated statement of financial position.

The Chronicle elects the following practical expedients and policy elections when recognizing revenue and related contract costs: (1) to apply certain practical expedients available with respect to disclosure requirements and (1) Accounting Standards Codification (ASC) 606 is applied to a portfolio of contracts (or performance obligations) with similar characteristics.

NEIGHBORHOOD COMMUNITY DEVELOPMENT FUND AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The consolidated statements of activities and functional expenses report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include those noted in the accompanying consolidated statement of functional expenses, the most significant of which are personnel costs and interest expense. Personnel costs are based on the time incurred by employee's functional area and interest expense is directly related to the loan and investment programs.

Income Taxes

The Fund is exempt from federal income tax under sections 501(1) of the Internal Revenue Code as an organization described in section 501(c)(3), except on net income derived from unrelated business activities. Further the Fund annually files a Form 990. The Chronicle files the Form 1120 with the Internal Revenue Service (IRS). In addition, the Chronicle files annual returns with the State of Pennsylvania.

The Organization recognizes and discloses uncertain tax positions in accordance with GAAP. As of and during the years ended December 31, 2022 and 2021, the Organization did not have a liability for unrecognized tax benefits.

Recently Adopted Accounting Standards

In 2022, the Organization adopted ASC 842, *Leases*. This standard required lessees to recognize leases on the statement of financial position as right-of-use (ROU) assets and lease liabilities based on the value of discounted future lease payments. In adopting ASC 842, the Organization elected to use practical expedients, including but not limited to, not reassessing past lease and easement accounting, and not recording assets or liabilities with terms of one year or less.

Reclassification

Certain amounts reported in the 2021 consolidated financial statements have been reclassified to conform to the 2022 consolidated financial statement presentation. This reclassification had no effect on the previously reported increase in net assets.

Subsequent Events

Management has evaluated subsequent events through June 13, 2023, the date the consolidated financial statements were available to be issued.

NEIGHBORHOOD COMMUNITY DEVELOPMENT FUND AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021

2. LIQUIDITY AND AVAILABILITY OF RESOURCES

The primary source of liquidity for the Fund is the collection of grants and repayments received for loans receivable. The Fund manages its liquid resources by aligning long-term loan receivable repayments with long-term debt payment obligations. In addition, the Fund focuses on obtaining grants to cover the program and administrative expenses.

Financial assets available to meet needs for general expenditures within one year were as follows at December 31:

	<u>2022</u>	<u>2021</u>
Financial assets - At year-end		
due within one year	\$ 7,636,790	\$ 6,298,714
Less those unavailable for general expenditures		
within one year, due to:		
Board-designated net assets restricted for		
loan and grant programs, in excess of cash		
designated for loan and grant programs	-	393,248
Donor-imposed restrictions	(227,214)	(740,395)
Cash and cash equivalents		
designated for loan and grant programs	<u>(4,003,819)</u>	<u>(5,102,727)</u>
Financial assets available to meet cash needs for		
general expenditures within one year	<u>\$ 3,405,757</u>	<u>\$ 848,840</u>

The Board of Directors can release the restrictions of Board-designated net assets at any time, allowing for liquidity of \$4,872,651 and \$4,025,431 at December 31, 2022 and 2021, respectively.

3. CASH, CASH EQUIVALENTS AND RESTRICTED CASH

Cash, cash equivalents and restricted cash consist of interest and non-interest-bearing accounts at various local banks. At December 31, 2022, \$1,602,430 was insured by federal depository insurance and \$3,994,510 was uninsured and uncollateralized. At December 31, 2021, \$1,565,724 was insured by federal depository insurance and \$3,974,102 was uninsured and uncollateralized. The majority of the funding sources for the loan programs require the Fund to establish separate bank accounts for the program. The book balances as of December 31, 2022 and 2021, are as follows:

NEIGHBORHOOD COMMUNITY DEVELOPMENT FUND AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021

3. CASH, CASH EQUIVALENTS AND RESTRICTED CASH (CONTINUED)

	2022	2021
Bank Loan Funds		
Citizens Bank:		
Loan funds	\$ 123,731	\$ 159,142
Loan loss reserve funds	100,948	100,791
PNC Bank:		
Loan funds	97,563	326,104
Loan loss reserve funds	49,960	49,980
Key Bank:		
Loan funds	12,235	346,334
First National Banks:		
Loan funds	21,226	213,987
SSB Bank		
Loan funds	5,874	3,368
WesBanco Bank:		
Loan funds	18,337	18,342
Loan loss reserve funds	25,051	25,029
Government Loans/EQ2		
PA Community Development Bank Program:		
Loan funds	198,566	540,141
SBA microloan programs:		
Loan funds	1,048,844	479,864
Loan loss reserve funds	489,267	291,058
SBLF EQ2 Program		
EQ2 funds	341	13,173
Grant Funds:		
CDFI/SECA Grants	470,743	772,676
Rapid Response Program Funds	258,828	685,179
Loan loss reserve funds	275,152	485,152
NSLC/Rivers Casino Grants	686,077	362,456
State Small Business Credit Initiative Grants	65,277	174,152
Buhl FEAP Grants	55,799	55,799
Total cash and cash equivalents, designated for loan and grant programs	4,003,819	5,102,727
Sweep account	22,828	182,017
Security deposits	3,151	8,281
Operating funds	1,627,328	246,801
	\$ 5,657,126	\$ 5,539,826

NEIGHBORHOOD COMMUNITY DEVELOPMENT FUND AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021

3. CASH, CASH EQUIVALENTS AND RESTRICTED CASH (CONTINUED)

The Small Business Administration (SBA) has a security interest in all deposit accounts holding the SBA loan and SBA loan loss reserve funds. All financial institutions have a security interest in all of their respective deposit accounts and the underlying notes receivable maintained by the Fund. Note 10 offers details on the security interests of the Fund's various Notes Payable.

For the SBA Microloan Program, the Fund is required to maintain a separate loan loss reserve cash account equal to 15% of the total outstanding principal amount due on SBA microloan receivables. The SBA requires that any loan receivable originating under the SBA Microloan Program be charged against the loan loss reserve fund once there is an uncured default of 120 days. In addition, for other financial institution lending programs, the Fund maintains separate loan loss reserve cash accounts, as disclosed in the table above and as described further in Note 10.

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
Leasehold improvements	\$ 121,373	\$ 65,171
Office equipment	<u>32,275</u>	<u>11,321</u>
	153,648	76,492
Less: Accumulated Depreciation	<u>(12,252)</u>	<u>-</u>
Total Property Plant and Equipment	<u>\$ 141,396</u>	<u>\$ 76,492</u>

Depreciation and amortization expenses in 2022 was \$12,252. No depreciation and amortization expense was incurred in 2021.

5. LOANS RECEIVABLE

The Fund's loan portfolio consisted of 152 and 81 loans outstanding at December 31, 2022 and 2021, respectively. The loans bear interest at rates ranging from 3.00% to 8.50% with final maturities through 2030. It is the Fund's policy to require collateral for each loan, which may consist of a variety of assets, including real estate, accounts receivable, equipment, or personal assets and guarantees.

NEIGHBORHOOD COMMUNITY DEVELOPMENT FUND AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021

5. LOANS RECEIVABLE (CONTINUED)

The Fund had loans receivable under the following programs at December 31:

	# of Loans	2022	# of Loans	2021
Microloans	83	\$ 1,794,301	48	\$ 1,550,420
Small business loans	45	4,004,823	13	744,048
Affordable housing loans	16	1,965,445	8	973,254
Strategic commercial real estate loans	6	1,056,823	10	1,692,871
Community service loans	2	167,827	2	112,000
	152	8,989,219	81	5,072,593
Less: Allowance for loan losses		(672,789)		(672,789)
		<u>\$ 8,316,430</u>		<u>\$ 4,399,804</u>

There were no nonperforming loans as of December 31, 2022 and 2021. The activity in the Fund's allowance for uncollectible notes consists of the following for the years ended December 31:

	2022	2021
Allowance - Beginning of year	\$ 672,789	\$ 673,369
Provision for loan losses	-	(580)
Allowance - End of year	<u>\$ 672,789</u>	<u>\$ 672,789</u>

Loan Commitments

As of December 31, 2022 and 2021, approximately \$775,000 and \$435,000, respectively, of approved loans were not fully disbursed.

6. NET ASSETS

Program restrictions

Net assets with donor restrictions represent funds restricted for use in the support of businesses located in Allegheny County and funds restricted for the CDFI Rapid Response Program (CDFI RRP). Net assets with donor restrictions were as follows for the years ended December 31:

	2022	2021
CDFI RRP	\$ 170,863	\$ 684,044
Local Business Support	<u>56,351</u>	<u>56,351</u>
Net Assets with Donor Restrictions	<u>\$ 227,214</u>	<u>\$ 740,395</u>

For the years ended December 31, 2022 and 2021, all net assets released from donor restriction related to the CDFI RRP program.

NEIGHBORHOOD COMMUNITY DEVELOPMENT FUND AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021

6. NET ASSETS (CONTINUED)

Net assets without donor restrictions

Net assets without donor restrictions are classified as undesignated or designated for loan and grant programs. The Board of Directors designates a portion of the Fund's net assets without donor restrictions for lending purposes on an annual basis.

7. NORTHSIDE LEADERSHIP CONFERENCE (NSLC)

The NSLC is the sole member of the Fund and retains the right to elect the Fund's Board of Directors (Board). During 2009, the Fund entered into a consulting agreement with NSLC totaling \$45,000 per year. Under the agreement, NSLC is to provide various business and financial assistance to businesses located in the Northside. This agreement expired in June 2021. After the date, both parties have agreed to continue the agreement under the same terms until a new agreement is executed. At December 31, 2022 and 2021, the Fund has approximately \$12,000 and \$7,000, respectively, in accounts payable due to NSLC. At December 31, 2022 and 2021, the Fund has approximately \$90,000 and \$92,000, respectively, in accounts receivable due from NSLC.

8. LEASES

The Organization evaluated current contracts to determine which met the criteria of a lease. The right-of-use (ROU) assets represent the Organization's right to use underlying assets for the lease term, and the lease liabilities represent the Organization's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. The Organization uses the US Treasury Risk Free Rate per the start date of the leases. The Organization utilizes 2.77% for copier lease and 2.66% for the office lease. The right-of-use asset and lease liability are recorded as separate line items on the statement of financial position in the amount of \$117,855 and \$118,127, respectively, which are noncash transactions for statement of cash flows purposes.

The Organization entered into an office space lease agreement expiring in August 2027, with up to a five-year renewal option. The terms of the lease agreement call for monthly base rent for the first three years of approximately \$2,170 per month and for years four and five a monthly base rent of approximately \$2,306. If the organization elects to renew the agreement at the end of the lease term, the monthly base rent would increase annually at a rate of 50 cents per square foot. At the time of the agreement, the Organization was not reasonably certain that it would exercise the option; therefore, the payments associated with the extension are not included in the ROU asset nor the lease liability recognized as of December 31, 2022.

The Organization also holds a lease agreement for office equipment that has a monthly amount of approximately \$328, which expires in September 2023.

For the year ended December 31, 2022, total operating lease costs were \$14,786. There were no noncash investing and financing transactions related to leasing other than the transition entry to initially record the ROU asset and lease liability.

NEIGHBORHOOD COMMUNITY DEVELOPMENT FUND AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021

8. LEASES (CONTINUED)

Approximate future maturities of lease liabilities are presented in the following table for the year ended December 31:

	<u>Amount</u>
2023	\$ 28,992
2024	26,040
2025	26,720
2026	27,672
2027	16,142
Total lease liabilities	125,566
Lease present value discount	<u>(7,439)</u>
Total lease obligations	<u><u>\$ 118,127</u></u>

9. RETIREMENT PLAN

The Fund maintains a SIMPLE IRA plan covering all full-time employees. Employee contributions are voluntary. Employee contributions are matched at the discretion of the Fund, but will not exceed 50% of the employee's contributions up to the first 3% of compensation. Total contributions by the Fund were approximately \$20,000 in 2022 and \$13,000 in 2021.

10. NOTES PAYABLE

Future maturities of notes payable at December 31, 2022, are as follows:

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>Thereafter</u>	<u>Total</u>
SBA - micro	\$ 306,674	\$ 431,989	\$ 436,668	\$ 388,061	\$ 345,351	\$ 833,054	\$ 2,741,797
PNC Bank	-	-	-	-	1,202,681	-	1,202,681
Dollar Bank - EQ2	-	-	-	-	1,200,000	-	1,200,000
Key Bank	899,000	-	-	-	-	-	899,000
Citizens Bank	25,914	153,622	473	506	542	702,626	883,683
FNB	104,567	219,308	98,553	131,296	75,830	209,968	839,522
FNB-EQ2	-	-	500,000	-	-	-	500,000
PCD Bank	-	-	-	-	-	445,240	445,240
SSB	250,000	-	-	-	-	-	250,000
SBA - EIDL	-	-	1,314	3,649	3,751	141,287	150,001
SBA - PPP	5,645	-	-	-	-	-	5,645
Total	<u>\$ 1,591,800</u>	<u>\$ 804,919</u>	<u>\$ 1,037,008</u>	<u>\$ 523,512</u>	<u>\$ 2,828,155</u>	<u>\$ 2,332,175</u>	<u>\$ 9,117,569</u>

NEIGHBORHOOD COMMUNITY DEVELOPMENT FUND AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021

10. NOTES PAYABLE (CONTINUED)

Citizens Bank of Pennsylvania

The Fund has had outstanding notes payment with Citizens Bank of Pennsylvania relationship since May, 2003; in November, 2014, the Note was amended by changing the debt covenants to include furnishing borrower loan statements, maintaining a deposit account equal to 10% of the commitment amount and setting the interest rate to 2.5%, to be reset on a daily basis. In May, 2022, this note was extended and amended with a commitment through September 29, 2022. This note is secured with loans receivable.

In 2022, the Fund paid off two sub loans to the line of credit for approximately \$248,000 and drew three new sub loans to the line of credit agreement for a total of \$505,000. The new loans associated with the line of credit are due upon demand or 2029. These loans have an interest rate of 6.87% as of December 31, 2022.

At December 31, 2022 and 2021, interest rates on historical sub loans to the line of credit were approximately 6.84% and 2.60%, respectively. At December 31, 2022 and 2021, there was \$378,683 and \$664,339 outstanding, respectively. Security for this note payable is provided by underlying third-party loans and a right to offset against all deposit accounts maintained by Citizens Bank of Pennsylvania.

U.S. Small Business Administration ("SBA")

Microloan Program

The Fund has multiple loans with the SBA under its Microloan Program. Each loan has the same terms: the loan is payable over 10 years. During the first twelve months, no payments or principal or interest are required. The interest rate varies based on the average size of loans outstanding to qualifying microloan borrowers. All loans disbursed to borrowers through the SBA Microloan program are \$50,000 or less.

In June 2012, the Fund entered into a loan agreement with the SBA under its Microloan Program in the amount of \$300,000. The interest rate at December 31, 2021 was 0% and the balance outstanding was \$24,915. As of December 31, 2022, the loan has been fully paid off.

In August 2015, the Fund entered into a loan agreement with the SBA under its Microloan Program in the amount of \$300,000. The interest rate at December 31, 2022 and 2021, was 0.25%, and the balance outstanding was \$110,431 and \$144,960, respectively.

In November 2016, the Fund entered into a loan agreement with the SBA under its Microloan Program in the amount of \$500,000. During 2016, the Fund made a drawdown of \$100,000 on the loan. During 2017, the Fund made an additional drawdown of \$400,000. The interest rate at December 31, 2022 and 2021, was 0%, and the balance outstanding was \$235,108 and \$297,803, respectively.

NEIGHBORHOOD COMMUNITY DEVELOPMENT FUND AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021

10. NOTES PAYABLE (CONTINUED)

U.S. Small Business Administration (Continued)

Microloan Program (continued)

In April 2019, the Fund entered into a loan agreement with the SBA under its Microloan Program in the amount of \$300,000. During 2019, the Fund made a drawdown of \$300,000. The interest rate at December 31, 2022 and 2021, was 1.25%, and the balance outstanding was \$217,036 and \$252,015, respectively.

In August 2019, the Fund entered into a loan agreement with the SBA under its Microloan Program in the amount of \$1,000,000. During 2019, the Fund made a drawdown of \$300,000. During 2020, the Fund made an additional drawdown of \$500,000. During 2022, the Fund made an additional drawdown of \$200,000. The interest rate at December 31, 2022 and 2021, was 0.625%, and the balance outstanding was \$779,222 and \$677,940, respectively.

In March 2022, the Fund entered into a loan agreement with the SBA under its Microloan Program in the amount of \$400,000. The interest rate at December 31, 2022 was 1.125%, and the balance outstanding was \$400,000.

In September 2022, the Fund entered into a loan agreement with the SBA under its Microloan Program in the amount of \$1,500,000. The interest rate on December 31, 2022 was 1.125%, and the balance outstanding was \$1,000,000.

All SBA Microloans Payable are collateralized with SBA Microloans Receivable and cash deposits in SBA Microloan Loan Loss Reserve Accounts totaling \$489,267 and SBA Microloan Revolving Loan Fund Accounts totaling \$1,048,844. In accordance with SBA guidelines, the Fund must maintain assets consisting of SBA Microloans receivable + cash in revolving loan accounts + cash in loan loss reserve accounts equal to 115% of the outstanding balance of loans payable to the SBA from the Microloan Program. At year end December 31, 2022, the Fund had an Asset to Liability Coverage percentage of 122%.

SBA Paycheck Protection Program

In April 2020, the Organization received proceeds totaling \$81,164 as guaranteed by the SBA's Paycheck Protection Program (PPP). In June 2021, the Organization received additional proceeds of \$72,155 as guaranteed by the SBA's PPP under the Consolidated Appropriations Act, 2021 (CAA Act) (PPP2). These PPP and PPP2 loans are 100% forgiven as long as specific criteria, as defined, are met for a specified covered period following receipt of the loan proceeds, including maintaining specific employee headcount and compensation during that time period, as well as demonstrating that the funds were used for payroll costs, rent, mortgage interest, or utilities.

NEIGHBORHOOD COMMUNITY DEVELOPMENT FUND AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021

10. NOTES PAYABLE (CONTINUED)

U.S. Small Business Administration (Continued)*SBA Paycheck Protection Program (Continued)*

The Organization has incurred adequate qualifying expenses of \$72,155 and \$75,164 as of December 31, 2021 and 2020, respectively, and has met the employee headcount and compensation requirements during 2021 and 2020. Management thus considered conditions met on a portion of the PPP loan and all of the PPP2 loan and recognized the proceeds and accrued interest of \$72,378 and \$75,650 in COVID-19 relief grants in 2021 and 2020, respectively. As of December 31, 2022 and 2021, the outstanding balance of the PPP loan was \$5,645, which was forgiven in 2023.

SBA Economic Injury Disaster Loan

In June 2020, the Organization entered into an Economic Injury Disaster Loan (EIDL) with the SBA for total proceeds of \$150,000 with 2.75% annual interest and a maturity date of June 15, 2050. During the first twelve months, no payments of principal or interest were required. In March 2021, the SBA extended the deferral period for EIDL by an additional twelve months. Beginning in June 2022, the Organization began repayment in monthly installments of \$641, including interest.

Pennsylvania Community Development Bank

In May 2009, the Fund was awarded a \$250,000 commitment from the Pennsylvania Community Development (PCD) Bank. The interest rate is 1% and the funds are to be used for the PCD Bank Direct Loan program. All principal and interest payments are deferred and were due upon maturity in June 2019. In April 2019, the note was extended for 10 years at the same rates and terms. The balance outstanding at December 31, 2022 and 2021, was \$250,000. This note is unsecured.

In February 2012, the Fund was awarded a \$200,000 commitment from PCD Bank. In September 2012, the Fund made a drawdown of \$200,000 on the commitment with an interest rate of 1% and is to be used for the PCD Bank Direct Loan program. All principal and interest payments were deferred and were due upon maturity in October 2022. On March 16, 2022, the commitment was extended an additional ten years to October 2032. The balance outstanding at December 31, 2022 and 2021, was \$195,240 and \$200,000, respectively. This note is unsecured.

Slovak Savings Bank ("SSB")

In April 2015, the Fund entered into a line of credit agreement with Slovak Savings Bank in the amount of \$750,000. The interest rate on the line of credit is the floating Wall Street Journal Prime Rate (7.50% and 3.25% at December 31, 2022 and 2021, respectively). During October 2015, the agreement was amended, and the line of credit was increased to \$1,050,000. In March 2022, the loan maturity date was extended to January 2023. As of December 31, 2022 and 2021, the balance outstanding was \$250,000 and \$457,690, respectively. This note is secured by the underlying loans receivable made to borrowers with these funds.

NEIGHBORHOOD COMMUNITY DEVELOPMENT FUND AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021

10. NOTES PAYABLE (CONTINUED)

First National Bank ("FNB")

Notes Payable with FNB are offered under a master line of credit agreement. Each draw down is set-up as a separate sub-note that matches the term and amortization provided to the Fund's borrower. Each time the Fund draws down a sub-note, the available borrowings under the master line of credit are reduced by the amount of that sub-note.

In August 2016, the Fund was approved for a loan for 48-months in the amount of \$64,839 to provide funds for community development lending with a maturity date of September 2022. During 2016, the Fund made a drawdown of \$64,839 on the loan. The interest rate at December 31, 2021 was 3.25% and the balance outstanding was \$34,473. The loan was paid off at maturity.

In January 2017, the Fund received a loan for \$195,000 with a term of 84 months, maturing January 2024, for community development lending. The interest rate at December 31, 2022 and 2021, was 4.75% and 3.25%, and the balance outstanding was \$139,844 and \$151,512, respectively.

In June 2019, the Fund received a loan for \$50,000 with a term of 84 months, maturing January 2026, for community development lending. The interest rate at December 31, 2021 was 3.25% and the balance outstanding was \$37,207. The loan was paid in full in 2022.

In July 2019, the Fund received a \$115,000 loan with a term of 84 months, maturing July 2026 for community development lending. The interest rate at December 31, 2022 and 2021, was 7.50% and 3.25%, and the balance outstanding was \$69,690 and \$86,842, respectively.

In September 2019, the Fund received a \$100,000 loan with a term of 84 months, maturing September 2026 for community development lending. The interest rate at December 31, 2022 and 2021, was 6.25% and 3.25%, and the balance outstanding was \$77,331 and \$86,128, respectively.

In November 2019, the Fund received a loan in the amount of \$130,000 for 84 months, maturing November 2026, for community development lending. The interest rate at December 31, 2021 was 3.25% and the balance outstanding was \$114,631. The loan was paid in full in 2022.

In June 2022, the Fund received a \$250,000 loan for 84 months, maturing June 2029, for community development lending. The interest rate at December 31, 2022 was 4.50% and the balance outstanding was \$234,413.

In August 2022, the Fund received a \$200,000 loan for 84 months, maturing August 2029, for community development lending. The interest rate at December 31, 2022 was 5.50% and the balance outstanding was \$192,120.

In September 2022, the Fund received a \$127,500 loan for 84 months, maturing September 2029, for community development lending. The interest rate at December 31, 2022 was 5.50% and the balance outstanding was \$126,125.

NEIGHBORHOOD COMMUNITY DEVELOPMENT FUND AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021

10. NOTES PAYABLE (CONTINUED)

FNB Equity Investment Agreement

In November 2022, the Fund entered into an unsecured Equity Equivalent Investment (FNB EQ2) with FNB in the amount of \$500,000 at an interest rate of 3% and an initial term of 36 months. The balance outstanding at December 31, 2022 was \$500,000.

PNC Bank

In 2012, the Fund entered into an loan agreement for an Equity Equivalent Note (PNC EQ2) up to \$500,000 at 3.5% interest with PNC Bank. The maximum borrowings under the PNC EQ2 was increased to \$1,000,000 in 2019 and \$2,000,000 in 2022. Each disbursement from the loan must have a minimum principal amount of \$50,000. The PNC EQ2 has a Final Draw date in October 2024. Under the agreement, the Fund is required to maintain a ratio of total net assets to total assets of not less than twenty percent (20%) and an Operating Liquidity Ratio of not less than 1.0 to 1.0. As of December 31, 2022, the interest rate was prime rate minus 0.75% or 6.75%. As of December 31, 2021, the interest rate was prime rate minus 0.50%, or 2.75%. Balances outstanding were \$1,202,681 and \$501,410 at December 31, 2022 and 2021, respectively. The loan is secured by deposits held at the Fund's PNC Bank accounts.

Dollar Bank

In November 2022 the Fund entered into an unsecured Equity Equivalent Investment (DB EQ2) with Dollar Bank in the amount of \$1,200,000 at an interest rate of 4% with an initial term of five years. The balance outstanding at December 31, 2022 was \$1,200,000.

WesBanco

In 2017 the Fund received three separate loans from WesBanco totaling \$209,500 with 84 month terms. The interest rate of all three loans was equal to the Prime Rate. During 2021 all three loans were repaid in full.

Key Bank

In November 2017, the Fund entered into a line of credit agreement with Key Bank in the amount of \$1,000,000 at an interest rate of Prime Rate plus .5%. Balances outstanding at December 31, 2022 and 2021, were \$899,000 and \$826,240, respectively.

At December 31, 2022 and 2021, the Fund was in compliance with all covenants associated with its notes payable.

11. DISAGGREGATION OF REVENUE FROM CONTACTS WITH CUSTOMERS

The Chronicle disaggregates revenue based on the method of measuring satisfaction of the performance obligation over time or at a point in time. All of the Chronicle's revenue is satisfied at a point in time for the years ended December 31, 2022 and 2021.

NEIGHBORHOOD COMMUNITY DEVELOPMENT FUND AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021

12. COVID-19 RELIEF GRANTS

During 2021, the Fund was awarded \$1,826,265 as part of Community Development Financial Institutions Fund (CDFI) Rapid Response Program (RRP). At that time, the Fund made an initial draw of \$934,000. The award was granted to close Financial Products in the Fund's approved Target Market in response to the economic impact of the COVID-19 pandemic, as defined in the award. To be considered compliant with the grant, the Fund must meet certain performance goals, as defined in the award. Expenditures for administering closing the Financial Products, as defined in the award, are limited to approximately \$274,000. The initial draw is presented as federal grant revenue and support in the accompanying consolidated statement of activities.

During 2022, the Fund made an additional draw of \$450,000 on the CDFI RRP award. During 2022, approximately \$963,000 was disbursed, of which \$200,000 was to cover operating expenses, and the remainder in the form of loans.

13. RELATED PARTIES

In the normal course of business, the Fund maintains deposits at local banks whose employees are represented on the Loan Review Committee. The Fund has an established policy whereby local banks are no longer permitted to serve on the Board of Directors. Local banks where the Fund holds depository accounts also have employees on the Loan Review Committee. Likewise, local banks may participate in financing packages to the Fund's borrowers.

It is the Fund's policy that no director or officer of the Fund shall be invested directly or indirectly in any contract relating to the operations conducted by the Fund, nor in any contract for furnishing services or supplies to the Fund, unless such contract is expressly authorized by the Board and unless the fact of such interest shall have been disclosed or known to the Board at the meeting at which such contract is so authorized.

14. CONTINGENCIES

From time to time in the ordinary course of business, there are various matters of pending litigation in which the Organization is involved. The amount of liability, if any, related to these matters at year-end is not subject to determination. Accordingly, the consolidated financial statements do not include any adjustment for possible effects of these cases. Management is of the opinion that these matters will not result in material adverse effect on the Organization's operations and financial position.

Additionally, in the ordinary course of business, the Organization is subject to state and federal audits by grantor agencies. These laws and regulations are complex and subject to interpretation. The Organization is not aware of any pending audit involving prior or current years; however, compliance with such laws and regulations can be subject to future reviews and interpretation, which could result in disallowed costs.

NEIGHBORHOOD COMMUNITY DEVELOPMENT FUND AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021

14. CONTINGENCIES (CONTINUED)

Laws and regulations over federal funds received by the Organization as a result of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) are complex and subject to interpretation. Potential noncompliance with these laws and regulations can be subject to future government review and interpretation as well as regulatory action. The Organization believes it is in compliance with all applicable laws and regulations and believes there are no material contingencies related to laws and regulations governing the Organization's use of federal funds.

SUPPLEMENTARY INFORMATION

NEIGHBORHOOD COMMUNITY DEVELOPMENT FUND AND SUBSIDIARY
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

Assets	NCDF	Chronicle	Eliminations	Total
Current Assets				
Cash and cash equivalents	\$ 1,593,151	\$ 60,156	\$ -	\$ 1,653,307
Restricted cash	4,003,819	-	-	4,003,819
Account receivable	333,754	26,017	(185,593)	174,178
Grant receivable	650,911	-	-	650,911
Loans receivable - Current portion	1,154,575	-	-	1,154,575
Other current assets	22,393	-	-	22,393
Total Current Assets	7,758,603	86,173	(185,593)	7,659,183
Fixed assets, net	141,396	-	-	141,396
Loans receivable, net of current portion	7,834,644	-	-	7,834,644
Less: Allowance for loan losses	(672,789)	-	-	(672,789)
Loans receivable, net of current portion and allowance for loan losses	7,161,855	-	-	7,161,855
Right-of-use asset	117,855	-	-	117,855
Total Assets	\$ 15,179,709	\$ 86,173	\$ (185,593)	\$ 15,080,289
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	\$ 132,286	\$ 235,750	\$ (185,593)	\$ 182,443
Accrued interest	60,289	-	-	60,289
Deferred revenue	-	1,995	-	1,995
Lease liabilities - Current portion	28,992	-	-	28,992
Notes payable - Current portion	1,591,800	-	-	1,591,800
Total Current Liabilities	1,813,367	237,745	(185,593)	1,865,519
Lease liabilities - Long term portion, net	89,135	-	-	89,135
Notes payable, net	7,525,769	-	-	7,525,769
Total Liabilities	9,428,271	237,745	(185,593)	9,480,423
Net Assets:				
Without donor restrictions:				
Designated for loan and grant programs	4,872,651	-	-	4,872,651
Undesignated	651,573	(151,572)	-	500,001
Total Without donor restrictions:	5,524,224	(151,572)	-	5,372,652
With donor restrictions:	227,214	-	-	227,214
Total Net Assets	5,751,438	(151,572)	-	5,599,866
Total Liabilities and Net Assets	\$ 15,179,709	\$ 86,173	\$ (185,593)	\$ 15,080,289

NEIGHBORHOOD COMMUNITY DEVELOPMENT FUND AND SUBSIDIARY
CONSOLIDATING STATEMENT OF ACTIVITIES
DECEMBER 31, 2022

CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>NCDF</u>	<u>Chronicle</u>	<u>Eliminations</u>	<u>Total</u>
Revenue and support				
Federal grants	\$ 516,078	\$ -	\$ -	\$ 516,078
Qualified debt relief grant	492,210	-	-	492,210
Interest income	382,388	15	-	382,403
Advertising income	-	117,272	(32,433)	84,839
Loan fees	63,356	-	-	63,356
Community grants and donations	45,000	-	-	45,000
COVID-19 relief grant	-	-	-	-
Miscellaneous income	58,776	1,433	-	60,209
Net assets released from restriction	963,181	-	-	963,181
	<u>2,520,989</u>	<u>118,720</u>	<u>(32,433)</u>	<u>2,607,276</u>
Expense				
Programs				
Loan and investment programs	1,307,032	-	(32,433)	1,274,599
Northside Chronicle	172,606	9,250	-	181,856
	<u>1,479,638</u>	<u>9,250</u>	<u>(32,433)</u>	<u>1,456,455</u>
Management and general	103,960	-	-	103,960
Fundraising	121,654	-	-	121,654
	<u>225,614</u>	<u>-</u>	<u>-</u>	<u>225,614</u>
Increase in Net Assets Without Donor Restrictions	815,737	109,470	-	925,207
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS:				
Net assets released from restriction	(963,181)	-	-	(963,181)
Restricted grants	450,000	-	-	450,000
Change in net assets with donor restrictions	<u>(513,181)</u>	<u>-</u>	<u>-</u>	<u>(513,181)</u>
Changes in net assets	302,556	109,470	-	412,026
Net Assets - Beginning of Year	<u>5,448,882</u>	<u>(261,042)</u>	<u>-</u>	<u>5,187,840</u>
Net Assets - End of Year	<u>\$ 5,751,438</u>	<u>\$ (151,572)</u>	<u>\$ -</u>	<u>\$ 5,599,866</u>

NEIGHBORHOOD COMMUNITY DEVELOPMENT FUND AND SUBSIDIARY
CONSOLIDATING STATEMENT OF CASH FLOWS
DECEMBER 31, 2022

Cash Flows From Operating Activities:	<u>NCDF</u>	<u>Chronicle</u>	<u>Eliminations</u>	<u>Total</u>
Change in net assets	\$ 302,556	\$ 109,470	\$ -	\$ 412,026
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Interest added to long-term debt principal	10,793	-	-	10,793
Depreciation	12,252	-	-	12,252
Change in:				
Accounts receivable	50,884	(14,635)	(108,541)	(72,292)
Grants receivable	(445,025)	-	-	(445,025)
Intercompany receivable		-		-
Other current assets	(18,777)	-	-	(18,777)
Account payable	26,074	(58,973)	108,541	75,642
Accrued interest	(8,776)	-	-	(8,776)
Deferred revenue	-	1,941	-	1,941
Other	272	-	-	272
Net cash provided by (used in) operating activities	(69,747)	37,803	-	(31,944)
Cash Flows From Investing Activities				
Loans receivable	(5,917,761)	-	-	(5,917,761)
Payment on loan receivable	2,001,135	-	-	2,001,135
Purchases of property and equipment	(77,156)	-	-	(77,156)
Net cash provided by (used in) investing activities	(3,993,782)	-	-	(3,993,782)
Cash Flows From Financing Activities				
Proceeds from notes payable	5,531,516	-	-	5,531,516
Payment on notes payable	(1,388,490)	-	-	(1,388,490)
Net cash provided by (used in) financing activities	4,143,026	-	-	4,143,026
Net Increase in Cash, Cash Equivalents and Restricted Cash	<u>79,497</u>	<u>37,803</u>	<u>-</u>	<u>117,300</u>
Cash, Cash Equivalents and Restricted Cash				
Beginning of year	<u>5,517,473</u>	<u>22,353</u>	<u>-</u>	<u>5,539,826</u>
End of year	<u>\$ 5,596,970</u>	<u>\$ 60,156</u>	<u>\$ -</u>	<u>\$5,657,126</u>



Zelenkofske Axelrod LLC

CERTIFIED PUBLIC ACCOUNTANTS

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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

Board of Directors
Neighborhood Community Development Fund

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Neighborhood Community Development Fund and Subsidiary (the Organization), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 13, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. 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*.

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Purpose of this Report

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

Zelenkofske Axelrod LLC

Zelenkofske Axelrod LLC

Pittsburgh, Pennsylvania
June 13, 2023



Zelenkofske Axelrod LLC

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Board of Directors
Neighborhood Community Development Fund

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Neighborhood Community Development Fund and Subsidiary ("the Organization's") compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on the Organization's major federal program for the year ended December 31, 2022. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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



Zelenkofske Axelrod LLC

CERTIFIED PUBLIC ACCOUNTANTS

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Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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



Zelenkofske Axelrod LLC

CERTIFIED PUBLIC ACCOUNTANTS

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

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

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

Zelenkofske Axelrod LLC

Zelenkofske Axelrod LLC

Pittsburgh, Pennsylvania
June 13, 2023

NEIGHBORHOOD COMMUNITY DEVELOPMENT FUND AND SUBSIDIARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2022

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Grantor Identifying Number</u>	<u>Federal Expenditures</u>	<u>Expenditures to Subrecipients</u>
<u>Small Business Administration</u>				
Microloan Program	59.046	Loan No. 5246375000	\$ 24,914	\$ -
Microloan Program	59.046	Loan No. 7510365007	147,247	-
Microloan Program	59.046	Loan No. 8628805008	297,803	-
Microloan Program	59.046	Loan No. 3613047002	255,350	-
Microloan Program	59.046	Loan No. 3882287002	883,196	-
Microloan Program	59.046	Loan No. 3409619100	400,000	-
Microloan Program	59.046	Loan No. 4239899104	1,000,000	-
Microloan Program (Tech Assistance)	59.046	SBAOCAML210261	499,578	-
Total Small Business Administration			3,508,088 *	-
<u>U.S. Department of the Treasury</u>				
CDFI Rapid Response Program - COVID-19	21.024	21RRP056657	963,181 *	-
<u>U.S. Department of Housing and Urban Development</u>				
Passed through the City of Pittsburgh: Community Development Block Grants	14.218	53961	16,500	-
Total expenditures of federal awards			\$ 4,487,769	\$ -

* Denotes tested as a major federal program

See accompanying notes to the Schedule of Expenditures of Federal Awards

NEIGHBORHOOD COMMUNITY DEVELOPMENT FUND AND SUBSIDIARY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2022

NOTE 1: BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards (the Schedule) presents the activity of all federal award programs of Neighborhood Community Development Fund and Subsidiary (the Organization).

NOTE 2: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The information in the Schedule is presented in accordance with the 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). Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

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

NOTE 3: FEDERAL EXPENDITURES

The amount of federal expenditures for the Microloan Programs represents the December 31, 2021, loan balances payable to the Small Business Administration (SBA) and the value of new loans received during the year. The amount for the Microloan technical assistance grant is the amount of administration allowance expended for each SBA Microloan Program.

NEIGHBORHOOD COMMUNITY DEVELOPMENT FUND AND SUBSIDIARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2022

Section I - Summary of Auditor's Results:

Financial Statements

Type of Auditor's report issued: unmodified

Internal control over financial reporting:

Material weakness(es) identified? ☐ yes ☒ no

Significant deficiency(ies) identified not considered to be material weaknesses?

☐ yes ☒ none reported

Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? ☐ yes ☒ no

Significant deficiency(ies) identified not considered to be material weaknesses?

☐ yes ☒ none reported

Type of Auditor's report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform

Guidance: ☐ yes ☒ no

Identification of major programs:

AL Numbers

Name of Federal Programs or Clusters

59.046

Microloan Program

21.024

CDFI Rapid Response Program – COVID-19

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

Auditee qualified as low-risk auditee? ☒ yes ☐ no

NEIGHBORHOOD COMMUNITY DEVELOPMENT FUND AND SUBSIDIARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022

Section II –Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

Section IV – Summary of Prior Year Findings

None.