



Audited Financial Statements

December 31, 2014



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Neighborhood Trust Financial Partners, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Neighborhood Trust Financial Partners, Inc. ("NTFP"), which comprise the statement of financial position as of December 31, 2014, 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.

Auditors' 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. 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 auditors' 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 organization'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 organization'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.

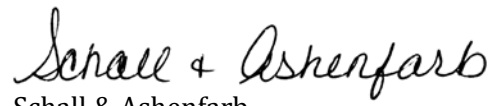
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NTFP as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the NTFP's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 22, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.


Schall & Ashenfarb
Certified Public Accountants, LLC

April 28, 2015

NEIGHBORHOOD TRUST FINANCIAL PARTNERS, INC.
STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2014
(With comparative totals for December 31, 2013)

| | <u>12/31/14</u> | <u>12/31/13</u> |
|---------------------------------------|-------------------------------|-------------------------------|
| Assets | | |
| Cash and cash equivalents | \$1,613,511 | \$1,497,838 |
| Investments (Note 4) | 18,492 | 18,051 |
| Pledges receivable (Note 3) | 1,386,222 | 986,223 |
| Accounts receivable | 429,666 | 414,134 |
| Prepaid expenses | 72,392 | 39,845 |
| Fixed assets, net (Note 5) | 1,629,330 | 1,769,180 |
| Security deposit | <u>78,000</u> | <u>86,233</u> |
| Total assets | <u><u>\$5,227,613</u></u> | <u><u>\$4,811,504</u></u> |
| Liabilities and Net Assets | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | \$105,385 | \$102,533 |
| Deferred rent | 162,159 | 120,038 |
| Deferred revenue | 110,175 | 0 |
| Total liabilities | <u>377,719</u> | <u>222,571</u> |
| Net assets: | | |
| Unrestricted | 3,531,545 | 3,731,307 |
| Board designated reserve fund | <u>25,000</u> | <u>0</u> |
| Total unrestricted net assets | <u>3,556,545</u> | <u>3,731,307</u> |
| Temporarily restricted (Note 6) | <u>1,293,349</u> | <u>857,626</u> |
| Total net assets | <u>4,849,894</u> | <u>4,588,933</u> |
| Total liabilities and net assets | <u><u>\$5,227,613</u></u> | <u><u>\$4,811,504</u></u> |

The attached notes and auditors' report are an integral part of these financial statements.

NEIGHBORHOOD TRUST FINANCIAL PARTNERS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014
(With comparative totals for the year ended December 31, 2013)

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total 12/31/14</u> | <u>Total 12/31/13</u> |
|----------------------------------------------------|-------------------------------|-----------------------------------|-------------------------------|-------------------------------|
| Public support and revenue: | | | | |
| Contributions | \$2,041,755 | \$1,464,500 | \$3,506,255 | \$2,825,227 |
| Fees | 981,883 | | 981,883 | 893,910 |
| Investment income | 3,395 | | 3,395 | 4,984 |
| Net assets released from restrictions | <u>1,028,777</u> | <u>(1,028,777)</u> | <u>0</u> | <u>0</u> |
| Total public support and revenue | <u>4,055,810</u> | <u>435,723</u> | <u>4,491,533</u> | <u>3,724,121</u> |
| Expenses: | | | | |
| Program services: | | | | |
| Financial education and support of credit union | <u>3,418,704</u> | | <u>3,418,704</u> | <u>2,926,231</u> |
| Supporting services: | | | | |
| Management and general | 401,280 | | 401,280 | 295,159 |
| Fundraising | <u>410,588</u> | | <u>410,588</u> | <u>310,402</u> |
| Total supporting services | <u>811,868</u> | <u>0</u> | <u>811,868</u> | <u>605,561</u> |
| Total expenses | <u>4,230,572</u> | <u>0</u> | <u>4,230,572</u> | <u>3,531,792</u> |
| Change in net assets | (174,762) | 435,723 | 260,961 | 192,329 |
| Net assets - beginning of year | <u>3,731,307</u> | <u>857,626</u> | <u>4,588,933</u> | <u>4,396,604</u> |
| Net assets - end of year | <u><u>\$3,556,545</u></u> | <u><u>\$1,293,349</u></u> | <u><u>\$4,849,894</u></u> | <u><u>\$4,588,933</u></u> |

The attached notes and auditors' report are an integral part of these financial statements.

NEIGHBORHOOD TRUST FINANCIAL PARTNERS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014
(With comparative totals for the year ended December 31, 2013)

| | Supporting Services | | | Total Supporting Services | Total Expenses 12/31/14 | Total Expenses 12/31/13 |
|----------------------------------------------------------------|---------------------|------------------------------|------------------|---------------------------------|-------------------------------|-------------------------------|
| | Program Services | Management and General | Fundraising | | | |
| Salaries | \$1,994,630 | \$181,868 | \$258,057 | \$439,925 | \$2,434,555 | \$1,962,643 |
| Payroll taxes and benefits | 387,063 | 52,127 | 43,931 | 96,058 | 483,121 | 380,863 |
| Occupancy | 420,184 | 19,788 | 28,585 | 48,373 | 468,557 | 454,034 |
| Contributions to credit union (Note 7) | 95,652 | | | 0 | 95,652 | 98,105 |
| Telephone | 21,759 | 855 | 1,437 | 2,292 | 24,051 | 25,350 |
| Bank charges | 37 | 2,125 | 24 | 2,149 | 2,186 | 1,811 |
| Office supplies | 11,263 | 3,487 | 2,162 | 5,649 | 16,912 | 17,920 |
| Printing | 43,510 | 1,877 | 2,542 | 4,419 | 47,929 | 33,038 |
| Professional fees | 222,721 | 110,190 | 52,722 | 162,912 | 385,633 | 260,951 |
| Credit reports | 27,189 | | | 0 | 27,189 | 29,034 |
| Insurance | 13,322 | 3,553 | 1,533 | 5,086 | 18,408 | 18,364 |
| Equipment and repairs | 13,178 | 796 | 1,049 | 1,845 | 15,023 | 13,524 |
| Mailing | 4,061 | 814 | 518 | 1,332 | 5,393 | 6,479 |
| Conferences and staff training | 27,173 | 2,631 | 3,942 | 6,573 | 33,746 | 24,083 |
| Staff recruiting | | 9,800 | | 9,800 | 9,800 | 41,349 |
| Miscellaneous | 15,761 | 1,329 | 40 | 1,369 | 17,130 | 18,165 |
| Total expenses before depreciation and amortization | 3,297,503 | 391,240 | 396,542 | 787,782 | 4,085,285 | 3,385,713 |
| Depreciation and amortization | 121,201 | 10,040 | 14,046 | 24,086 | 145,287 | 146,079 |
| Total | \$3,418,704 | \$401,280 | \$410,588 | \$811,868 | \$4,230,572 | \$3,531,792 |

The attached notes and auditors' report are an integral part of these financial statements.

NEIGHBORHOOD TRUST FINANCIAL PARTNERS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014
(With comparative totals for the year ended December 31, 2013)

| | <u>12/31/14</u> | <u>12/31/13</u> |
|-----------------------------------------------------------------------------------------|---------------------------|---------------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$260,961 | \$192,329 |
| Adjustments to reconcile change in net assets to cash provided by operating activities: | | |
| Depreciation and amortization | 145,287 | 146,079 |
| (Increase)/decrease in assets: | | |
| Pledges receivable | (399,999) | 121,477 |
| Accounts receivable | (15,532) | (255,563) |
| Prepaid expenses | (32,547) | (2,278) |
| Increase/(decrease) in liabilities: | | |
| Accounts payable and accrued expenses | 2,852 | 21,113 |
| Deferred rent | 42,121 | 48,493 |
| Deferred revenue | 110,175 | 0 |
| Total adjustments | <u>(139,410)</u> | <u>79,321</u> |
| Net cash flows provided by operating activities | <u>121,551</u> | <u>271,650</u> |
| Cash flows from investing activities: | | |
| Outlays for fixed assets | (5,437) | (8,446) |
| Net investment income reinvested | (441) | (477) |
| Net cash flows used for investing activities | <u>(5,878)</u> | <u>(8,923)</u> |
| Net increase in cash and cash equivalents | 115,673 | 262,727 |
| Cash and cash equivalents - beginning of year | <u>1,497,838</u> | <u>1,235,111</u> |
| Cash and cash equivalents - end of year | <u><u>\$1,613,511</u></u> | <u><u>\$1,497,838</u></u> |
| Supplemental disclosure of cash flow information: | | |
| Interest paid | <u>\$0</u> | <u>\$0</u> |
| Taxes paid | <u>\$0</u> | <u>\$0</u> |

The attached notes and auditors' report are an integral part of these financial statements.

NEIGHBORHOOD TRUST FINANCIAL PARTNERS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1 - Organization and Purpose

Neighborhood Trust Financial Partners, Inc. (“NTFP”) is a not-for-profit organization incorporated in New York on June 13, 1995. Its mission is to empower low-income individuals to become productive participants in the U.S. financial system and achieve their financial goals. It strives to achieve this mission through the creation and support of the Neighborhood Trust Federal Credit Union and the operation of financial educational programs. NTFP’s primary sources of revenue are contributions and fees.

On November 21, 2011, Credit Where Credit Is Due, Inc. changed its name to Neighborhood Trust Financial Partners, Inc.

Note 2 - Summary of Significant Accounting Policies

a. Tax Status

The Internal Revenue Service has determined that NTFP is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and is not a private foundation within the meaning of Section 509(a) of the code.

b. Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting which is the process of recognizing revenue and expenses when earned or incurred rather than when received or paid.

c. Basis of Presentation

NTFP is required to report information regarding its financial position and activities according to the following classes of net assets:

- *Unrestricted* – represents all activity that has not been restricted by donors or applicable law.
- *Temporarily restricted* – represents donor restricted contributions whose restrictions have not been met at year-end but whose restrictions are anticipated to be met in the future.
- *Permanently restricted* – accounts for activity restricted by donors that must remain intact in perpetuity. NTFP did not have any activity of this type.

d. Cash and Cash Equivalents

NTFP considers all liquid investments with a maturity of three months or less to be cash and cash equivalents.

- e. Concentration of Credit Risk
Financial instruments which potentially subject NTFP to concentration of credit risk consist of cash, money market accounts and investment securities which have been placed with financial institutions that management deems to be creditworthy. At year-end and at certain times during the year, NTFP had material uninsured balances; however, they have not suffered any losses due to the failure of any of these institutions.
- f. Investments
Investments are carried at fair value, which is defined as 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. Realized and unrealized gains and losses are reflected in the statement of activities as investment income. (See Note 4 for additional information.)
- g. Contributions
NTFP reports contributions at the earlier of when cash is received or at the time a pledge becomes unconditional in nature. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. However, when a restriction is met in the same period the contribution is received, it is recorded as unrestricted.
- h. Pledges Receivable
Unconditional promises to give are recorded at net realizable value if expected to be received in one year or at fair value using a risk adjusted discount rate if expected to be received after one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Pledges are reviewed for collectability. Management has not established a reserve for uncollectable pledges as they deem all pledges to be collectible.
- i. Accounts Receivable and Fees Income
Fee income is recognized as services are performed. Fees that have not been collected at year-end are reflected as accounts receivable. Amounts collected in advance are treated as deferred revenue.
- j. Fixed Assets
Fixed assets to which NTFP retains title to and that benefit future periods are capitalized at cost, or if donated, at the estimated fair value at the time of donation. Depreciation and amortization is taken using the straight line method over the useful life of the asset or terms of the lease as noted below:
- Leasehold improvements - 15 years
Computers and software - 5 years
Furniture and equipment - 5 years
- k. Deferred Rent
Rent expense is recorded evenly on the straight-line basis over the life of the lease. Rent expense recognized in excess of cash payments is reflected as deferred rent. As future payments exceed the annual expense recognized, deferred rent will be reduced to zero by the end of the lease term.

- l. Accrued Compensation Absences
NTFP has not accrued for vacation earned but not yet taken because the amounts have not been determined. The amount is not considered material.
- m. Management Estimates
The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.
- n. Expense Allocation
The costs of providing various programs and other activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of NTFP.
- o. Comparative Financial Information
The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with NTFP's financial statements for the year ended December 31, 2013, from which the summarized information was derived.
- p. Accounting for Uncertainty of Income Taxes
NTFP does not believe its financial statements include any uncertain tax positions. Tax filings for periods ending December 31, 2011 and later are subject to examination by applicable taxing authorities.
- q. Subsequent Events
Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through April 28, 2015, the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date through our evaluation date that would require adjustment to or disclosure in the financial statements.

Note 3 - Pledges Receivable

Pledges receivable are due as follows:

| | |
|-------------------------------|--------------------|
| Year ended: December 31, 2015 | \$806,722 |
| December 31, 2016 | 370,000 |
| December 31, 2017 | 220,000 |
| December 31, 2018 | <u>20,000</u> |
| Total pledges | 1,416,722 |
| Less: risk adjusted discount | <u>(30,500)</u> |
| Pledges receivable, net | <u>\$1,386,222</u> |

Note 4 - Investments

At December 31, 2014 and 2013, investments consisted of a FJC Loan Fund balance of \$18,492 and 18,051 , respectively.

FASB Accounting Standards Codification (ASC) 820 establishes a fair market hierarchy giving the highest priority to quoted market prices in active markets and the lowest priority to unobservable data. The fair value hierarchy is categorized into three levels based on the inputs as follows:

- Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that NTFP has the ability to access.
- Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
- Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The investments above have been valued based on Level 3 of the above hierarchy.

Changes to Level 3 investments are as follows:

| | <u>2014</u> | <u>2013</u> |
|-------------------|-----------------|-----------------|
| Beginning balance | \$18,051 | \$17,574 |
| Interest income | 623 | 656 |
| Bank service fees | <u>(182)</u> | <u>(179)</u> |
| Ending balance | <u>\$18,492</u> | <u>\$18,051</u> |

Note 5 - Fixed Assets

Property and equipment consist of the following:

| | <u>2014</u> | <u>2013</u> |
|--------------------------------|--------------------|--------------------|
| Leasehold improvements* | \$1,930,764 | \$1,930,764 |
| Computers and software | 78,029 | 72,592 |
| Furniture and equipment | <u>169,905</u> | <u>169,905</u> |
| Total assets | 2,178,698 | 2,173,261 |
| Less: accumulated depreciation | <u>(549,368)</u> | <u>(404,081)</u> |
| Total | <u>\$1,629,330</u> | <u>\$1,769,180</u> |

* See Note 8.

Note 6 - Temporarily Restricted Net Assets

Activity in the temporarily restricted class of net assets can be summarized as follows:

| | <u>1/1/14</u> | <u>New</u> | <u>Released</u> | <u>12/31/14</u> |
|--------------------------|------------------|--------------------|----------------------|--------------------|
| PayGoal | \$113,388 | \$115,000 | (\$113,388) | \$115,000 |
| Employer Solution | 68,750 | 230,000 | (179,901) | 118,849 |
| Getting Ahead | 0 | 120,000 | (60,000) | 60,000 |
| Trust Card | 243,058 | 0 | (243,058) | 0 |
| COO position recruitment | 72,430 | 0 | (72,430) | 0 |
| Technology | <u>0</u> | <u>50,000</u> | <u>(0)</u> | <u>50,000</u> |
| Total program | 497,626 | 515,000 | (668,777) | 343,849 |
| Time | <u>360,000</u> | <u>949,500</u> | <u>(360,000)</u> | <u>949,500</u> |
| Total | <u>\$857,626</u> | <u>\$1,464,500</u> | <u>(\$1,028,777)</u> | <u>\$1,293,349</u> |

| | <u>1/1/13</u> | <u>New</u> | <u>Released</u> | <u>12/31/13</u> |
|--------------------------|------------------|------------------|--------------------|------------------|
| PayGoal | \$0 | \$235,000 | (\$121,612) | \$113,388 |
| Employer Solution | 0 | 75,000 | (6,250) | 68,750 |
| Getting Ahead | 15,000 | 0 | (15,000) | 0 |
| Trust Card | 0 | 260,000 | (16,942) | 243,058 |
| COO position recruitment | 0 | 150,000 | (77,570) | 72,430 |
| Single Stop | <u>5,255</u> | <u>0</u> | <u>(5,255)</u> | <u>0</u> |
| Total program | 20,255 | 720,000 | (242,629) | 497,626 |
| Time | <u>686,350</u> | <u>10,000</u> | <u>(336,350)</u> | <u>360,000</u> |
| Total | <u>\$706,605</u> | <u>\$730,000</u> | <u>(\$578,979)</u> | <u>\$857,626</u> |

Note 7 - Related Party Transactions

As noted in Note 1, NTFP has a mission to support the Neighborhood Trust Federal Credit Union ("NTFCU"). The chief executive officer of NTFP is also on the board of directors of NTFCU. For the year ended December 31, 2014 and 2013, NTFP provided contributions of \$95,652 and \$98,105, respectively, to help support NTFCU's operations and provided space to NTFCU at no charge.

In addition, included in cash and cash equivalents are deposit accounts held at NTFCU in the amount of \$884,504 and \$258,571 at December 31, 2014 and 2013, respectively.

Note 8 - Commitments and Contingencies

NTPF has a lease for office space that expires on January 24, 2026. The future minimum rental requirements are as follows:

| | | |
|---------------------|-------------------|--------------------|
| For the year ended: | December 31, 2015 | \$331,632 |
| | December 31, 2016 | 338,256 |
| | December 31, 2017 | 345,024 |
| | December 31, 2018 | 351,924 |
| | December 31, 2019 | 358,968 |
| | Thereafter | <u>2,843,340</u> |
| | | <u>\$4,569,144</u> |

Note 9 - Employee Benefits

NTPF sponsors a tax deferred annuity plan under 403(b) of the Internal Revenue Code for all full-time employees, who are eligible to participate starting their first day of employment. The employees designate a percentage of their salaries to be contributed to the plan. On an annual basis, NTPF can elect to make discretionary contributions to the plan. As of December 31, 2014 and 2013 contributions to the plan by NTPF amounted to \$12,500 and \$0, respectively.