



Audited Financial Statements

December 31, 2016

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, 2016, 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.

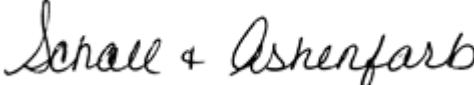
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2016, 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 NTFP's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 12, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Schall & Ashenfarb". The signature is contained within a thin black rectangular border.

Schall & Ashenfarb
Certified Public Accountants, LLC

April 26, 2017

NEIGHBORHOOD TRUST FINANCIAL PARTNERS, INC.
STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2016
(With comparative totals at December 31, 2015)

	<u>12/31/16</u>	<u>12/31/15</u>
Assets		
Cash and cash equivalents	\$2,113,696	\$2,032,222
Investments (Note 3)	19,545	19,026
Pledges receivable (Note 4)	1,916,479	2,442,407
Accounts receivable	442,502	440,149
Prepaid expenses	94,303	89,540
Fixed assets, net (Note 5)	2,103,561	1,560,775
Security deposit	80,265	78,000
	<u>6,770,351</u>	<u>6,662,119</u>
Total assets	<u>\$6,770,351</u>	<u>\$6,662,119</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$215,883	\$214,169
Deferred rent	226,769	197,776
Deferred revenue	0	113,175
Total liabilities	<u>442,652</u>	<u>525,120</u>
Net assets:		
Unrestricted	3,632,640	3,045,551
Board designated reserve fund	25,000	25,000
Total unrestricted net assets	<u>3,657,640</u>	<u>3,070,551</u>
Temporarily restricted (Note 6)	2,670,059	3,066,448
Total net assets	<u>6,327,699</u>	<u>6,136,999</u>
Total liabilities and net assets	<u>\$6,770,351</u>	<u>\$6,662,119</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, 2016
(With comparative totals for the year ended December 31, 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 12/31/16</u>	<u>Total 12/31/15</u>
Public support and revenue:				
Contributions	\$1,690,890	\$2,650,750	\$4,341,640	\$5,104,356
Fees	1,104,051		1,104,051	1,081,190
Investment income	5,037		5,037	1,071
Net assets released from restrictions	<u>3,047,139</u>	<u>(3,047,139)</u>	<u>0</u>	<u>0</u>
 Total public support and revenue	 <u>5,847,117</u>	 <u>(396,389)</u>	 <u>5,450,728</u>	 <u>6,186,617</u>
Expenses:				
Program services	<u>4,314,958</u>		<u>4,314,958</u>	<u>4,069,289</u>
Supporting services:				
Management and general	535,149		535,149	499,913
Fundraising	<u>409,921</u>		<u>409,921</u>	<u>330,310</u>
Total supporting services	<u>945,070</u>	<u>0</u>	<u>945,070</u>	<u>830,223</u>
 Total expenses	 <u>5,260,028</u>	 <u>0</u>	 <u>5,260,028</u>	 <u>4,899,512</u>
 Change in net assets	 587,089	 (396,389)	 190,700	 1,287,105
 Net assets - beginning of year	 <u>3,070,551</u>	 <u>3,066,448</u>	 <u>6,136,999</u>	 <u>4,849,894</u>
 Net assets - end of year	 <u><u>\$3,657,640</u></u>	 <u><u>\$2,670,059</u></u>	 <u><u>\$6,327,699</u></u>	 <u><u>\$6,136,999</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, 2016
(With comparative totals for the year ended December 31, 2015)

	Supporting Services			Total Supporting Services	Total Expenses 12/31/16	Total Expenses 12/31/15
	Program Services	Management and General	Fundraising			
Salaries	\$2,452,178	\$300,813	\$287,559	\$588,372	\$3,040,550	\$2,815,435
Payroll taxes and benefits	547,756	63,004	52,083	115,087	662,843	560,514
Occupancy	420,763	29,819	19,838	49,657	470,420	476,694
Contributions to credit union (Note 7)	63,213			0	63,213	120,628
Telephone	62,873	3,988	1,417	5,405	68,278	27,807
Bank charges	1,678	4,368		4,368	6,046	5,933
Office supplies	12,668	8,635	1,502	10,137	22,805	15,247
Printing	29,125	88	837	925	30,050	31,485
Professional fees	161,410	92,513	20,474	112,987	274,397	269,805
Credit reports	44,272			0	44,272	29,789
Insurance	14,516	3,842	1,214	5,056	19,572	18,404
Equipment and repairs	227,172	2,501	971	3,472	230,644	264,851
Mailing	3,187	562	237	799	3,986	5,940
Conferences and staff training	36,126	528	1,753	2,281	38,407	50,331
Staff recruiting	39,090	12,905	11,680	24,585	63,675	41,131
Miscellaneous	36,896			0	36,896	20,313
Total expenses before depreciation and amortization	4,152,923	523,566	399,565	923,131	5,076,054	4,754,307
Depreciation and amortization	162,035	11,583	10,356	21,939	183,974	145,205
Total	\$4,314,958	\$535,149	\$409,921	\$945,070	\$5,260,028	\$4,899,512

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, 2016
(With comparative totals for the year ended December 31, 2015)

	<u>12/31/16</u>	<u>12/31/15</u>
Cash flows from operating activities:		
Change in net assets	\$190,700	\$1,287,105
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	183,974	145,205
Changes in assets and liabilities:		
Pledges receivable	525,928	(1,056,185)
Accounts receivable	(2,353)	(10,483)
Prepaid expenses	(4,763)	(17,148)
Security deposit	(2,265)	0
Accounts payable and accrued expenses	1,714	108,784
Deferred rent	28,993	35,617
Deferred revenue	(113,175)	3,000
Total adjustments	<u>618,053</u>	<u>(791,210)</u>
Net cash flows provided by operating activities	<u>808,753</u>	<u>495,895</u>
Cash flows from investing activities:		
Outlays for fixed assets	(726,760)	(76,650)
Net investment income reinvested	(519)	(534)
Net cash flows used for investing activities	<u>(727,279)</u>	<u>(77,184)</u>
Cash flows from financing activities:		
Proceeds from line of credit	1,050,000	600,000
Repayments of line of credit	(1,050,000)	(600,000)
Net cash provided by financing activities	<u>0</u>	<u>0</u>
Net increase in cash and cash equivalents	81,474	418,711
Cash and cash equivalents - beginning of year	<u>2,032,222</u>	<u>1,613,511</u>
Cash and cash equivalents - end of year	<u><u>\$2,113,696</u></u>	<u><u>\$2,032,222</u></u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$3,295</u>	<u>\$3,260</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, 2016

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

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 received or paid.

c. Basis of Presentation

NTFP reports 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 3 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 Fee 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 and 3 years*

Furniture and equipment – *5 years*

NTFP also capitalizes certain costs incurred in the development of software for internal use in accordance with the American Institute of Certified Public Accountants' Statement of Position 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use* (subsequently codified as ASC 350-40).

- 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. Deferred Revenue
Amounts received for fees on contracts that have not been earned as of year end are recorded as deferred revenue and are recognized as income in the period in which the fees are earned.
- m. 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.
- n. 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.
- o. 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.
- p. 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, 2015, from which the summarized information was derived.
- q. 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, 2013 and later are subject to examination by applicable taxing authorities.
- r. Subsequent Events
Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through April 26, 2017, 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.
- s. New Pronouncement
On August 18, 2016, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements*

of *Not-for-Profit Entities*. The ASU, which becomes effective for the December 31, 2018 fiscal year, with early implementation permitted, focuses on improving the current net asset classification requirements and information presented in the financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows.

In addition, FASB issued ASU No. 2016-02, *Leases*. The ASU, which becomes effective for the December 31, 2020 fiscal year, requires the full obligation of long term leases to be recorded as a liability with a corresponding "right to use asset" on the statement of financial position.

NTFP has not yet evaluated the impact these standards will have on future financial statements.

Note 3 - Investments

At December 31, 2016 and 2015, NTFP invested in a loan fund held by FJC, A Foundation of Philanthropic Funds. Accounting standards 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>2016</u>	<u>2015</u>
Beginning balance	\$19,026	\$18,492
Interest income	713	722
Bank service fees	<u>(194)</u>	<u>(188)</u>
Ending balance	<u>\$19,545</u>	<u>\$19,026</u>

Note 4 - Pledges Receivable

Pledges receivable are due as follows:

Year ending: December 31, 2017	\$1,788,229
December 31, 2018	<u>135,000</u>
	1,923,229
Less: fair value discounted at 5%	<u>(6,750)</u>
Pledges receivable, net	<u>\$1,916,479</u>

Note 5 - Fixed Assets

Property and equipment consist of the following:

	<u>2016</u>	<u>2015</u>
Leasehold improvements*	\$1,930,764	\$1,930,764
Computers and software**	881,439	154,679
Furniture and equipment	<u>169,905</u>	<u>169,905</u>
	2,982,108	2,255,348
Less: accumulated depreciation	<u>(878,547)</u>	<u>(694,573)</u>
Total	<u>\$2,103,561</u>	<u>\$1,560,775</u>

* See Note 8.

** Includes the development costs (in accordance with ASC 350-40) of two software products: the Digital Finance Action Plan and WageGoal.

Note 6 - Temporarily Restricted Net Assets

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

	<u>December 31, 2016</u>			
	<u>1/1/16</u>	<u>Contributions</u>	<u>Released From Restriction</u>	<u>12/31/16</u>
WageGoal	\$0	\$25,000	\$0	\$25,000
Employer Solution	2,438,448	2,286,750	(2,468,428)	2,256,770
Getting Ahead	0	270,000	(135,000)	135,000
Digital Financial Action Plan	30,000	0	(30,000)	0
Pathways to Financial Empowerment	0	50,000	(37,996)	12,004
Technology	<u>0</u>	<u>8,000</u>	<u>(5,715)</u>	<u>2,285</u>
Total program	2,468,448	2,639,750	(2,677,139)	2,431,059
Time	<u>598,000</u>	<u>11,000</u>	<u>(370,000)</u>	<u>239,000</u>
Total	<u>\$3,066,448</u>	<u>\$2,650,750</u>	<u>(\$3,047,139)</u>	<u>\$2,670,059</u>

	<u>December 31, 2015</u>			
	<u>1/1/15</u>	<u>Contributions</u>	<u>Released From Restriction</u>	<u>12/31/15</u>
PayGoal	\$115,000	\$0	(\$115,000)	\$0
Employer Solution	118,849	3,062,500	(742,901)	2,438,448
Getting Ahead	60,000	0	(60,000)	0
Digital Financial Action Plan	0	30,000	0	30,000
Technology	<u>50,000</u>	<u>0</u>	<u>(50,000)</u>	<u>0</u>
Total program	343,849	3,092,500	(967,901)	2,468,448
Time	<u>949,500</u>	<u>18,500</u>	<u>(370,000)</u>	<u>598,000</u>
Total	<u>\$1,293,349</u>	<u>\$3,111,000</u>	<u>(\$1,337,901)</u>	<u>\$3,066,448</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. NTFP provided contributions of \$63,213 and \$120,628 to help support NTFCU’s operations during the years ended December 31, 2016 and 2015, respectively. Additionally, NTFP provided space to NTFCU at no charge.

NTFCU held deposits of \$35,787 and \$625,514 at December 31, 2016 and 2015, respectively, which have been included in cash and cash equivalents on the statement of financial position.

Note 8 - Commitments and Contingencies

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

Year ending:	December 31, 2017	\$345,024
	December 31, 2018	351,924
	December 31, 2019	358,968
	December 31, 2020	366,144
	December 31, 2021	373,464
	Thereafter	<u>2,103,732</u>
		<u>\$3,899,256</u>

- b. NTFP has a revolving line of credit that charges interest at a variable rate based on 3% over LIBOR. The borrowing limit is equal to the loan value of certain pledged collateral, which was \$1,295,975 and \$952,814 at December 31, 2016 and December 31, 2015, respectively. There was no outstanding balance at December 31, 2016 and the full line was available.

Note 9 - Employee Benefits

NTFP sponsors a tax deferred annuity plan under 403(b) of the Internal Revenue Code. All full-time employees are eligible to participate starting their first day of employment. The employees may designate a percentage of their salaries to be contributed to the plan. On an annual basis, NTFP can elect to make discretionary contributions to the plan. Contributions to the plan by NTFP were \$53,748 and \$16,126 as of December 31, 2016 and 2015, respectively.