



## Audited Financial Statements

December 31, 2017

## **INDEPENDENT AUDITOR'S 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, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

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

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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

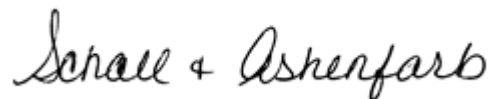
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Neighborhood Trust Financial Partners, Inc. as of December 31, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 26, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Schall & Ashenfarb  
Certified Public Accountants, LLC

May 21, 2018

**NEIGHBORHOOD TRUST FINANCIAL PARTNERS, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AT DECEMBER 31, 2017**  
(With comparative totals at December 31, 2016)

	<u>12/31/17</u>	<u>12/31/16</u>
<b>Assets</b>		
Cash and cash equivalents	\$1,892,107	\$2,113,696
Investments (Note 3)	20,092	19,545
Pledges receivable	2,685,971	1,916,479
Accounts receivable	468,190	442,502
Prepaid expenses	114,555	94,303
Fixed assets, net (Note 4)	1,914,278	2,103,561
Security deposit	82,575	80,265
	<u>                    </u>	<u>                    </u>
Total assets	<u><u>\$7,177,768</u></u>	<u><u>\$6,770,351</u></u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$116,061	\$215,883
Deferred rent	248,994	226,769
Deferred revenue	36,773	0
	<u>                    </u>	<u>                    </u>
Total liabilities	<u><u>401,828</u></u>	<u><u>442,652</u></u>
Net assets:		
Unrestricted	3,175,940	3,632,640
Board designated reserve fund	25,000	25,000
	<u>                    </u>	<u>                    </u>
Total unrestricted net assets	<u><u>3,200,940</u></u>	<u><u>3,657,640</u></u>
Temporarily restricted (Note 5)	3,575,000	2,670,059
	<u>                    </u>	<u>                    </u>
Total net assets	<u><u>6,775,940</u></u>	<u><u>6,327,699</u></u>
	<u>                    </u>	<u>                    </u>
Total liabilities and net assets	<u><u>\$7,177,768</u></u>	<u><u>\$6,770,351</u></u>

*The attached notes and auditor's report are an integral part of these financial statements.*

**NEIGHBORHOOD TRUST FINANCIAL PARTNERS, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
(With comparative totals for the year ended December 31, 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 12/31/17</u>	<u>Total 12/31/16</u>
Public support and revenue:				
Contributions	\$2,433,081	\$3,436,750	\$5,869,831	\$4,341,640
Fees	1,083,823		1,083,823	1,104,051
Investment income	1,327		1,327	5,037
Net assets released from restrictions (Note 5)	<u>2,531,809</u>	<u>(2,531,809)</u>	<u>0</u>	<u>0</u>
Total public support and revenue	<u>6,050,040</u>	<u>904,941</u>	<u>6,954,981</u>	<u>5,450,728</u>
Expenses:				
Program services	<u>5,432,647</u>		<u>5,432,647</u>	<u>4,314,958</u>
Supporting services:				
Management and general	673,822		673,822	535,149
Fundraising	<u>400,271</u>		<u>400,271</u>	<u>409,921</u>
Total supporting services	<u>1,074,093</u>	<u>0</u>	<u>1,074,093</u>	<u>945,070</u>
Total expenses	<u>6,506,740</u>	<u>0</u>	<u>6,506,740</u>	<u>5,260,028</u>
Change in net assets	(456,700)	904,941	448,241	190,700
Net assets - beginning of year	<u>3,657,640</u>	<u>2,670,059</u>	<u>6,327,699</u>	<u>6,136,999</u>
Net assets - end of year	<u><u>\$3,200,940</u></u>	<u><u>\$3,575,000</u></u>	<u><u>\$6,775,940</u></u>	<u><u>\$6,327,699</u></u>

*The attached notes and auditor's report are an integral part of these financial statements.*

**NEIGHBORHOOD TRUST FINANCIAL PARTNERS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
(With comparative totals for the year ended December 31, 2016)

	Supporting Services			Total Supporting Services	Total Expenses 12/31/17	Total Expenses 12/31/16
	Program Services	Management and General	Fundraising			
Salaries	\$2,751,687	\$333,180	\$293,216	\$626,396	\$3,378,083	\$3,040,550
Payroll taxes and benefits	620,143	66,145	49,714	115,859	736,002	662,843
Occupancy	438,472	28,321	19,459	47,780	486,252	470,420
Contributions to credit union (Note 6)	36,720			0	36,720	36,720
Telephone	64,121	2,389	1,438	3,827	67,948	68,278
Bank charges	655	11,538	172	11,710	12,365	6,046
Office supplies	30,884	39,413	1,709	41,122	72,006	22,805
Printing	40,489	1,015	750	1,765	42,254	30,050
Professional fees	339,185	100,305	14,257	114,562	453,747	274,397
Credit reports	47,271			0	47,271	44,272
Insurance	20,222	1,821	1,536	3,357	23,579	19,572
Equipment and repairs	474,484	5,196	1,710	6,906	481,390	230,644
Mailing	3,313	462	434	896	4,209	3,986
Conferences and staff training	39,675	12,338	2,121	14,459	54,134	38,407
Staff recruiting	80,142	60,738	487	61,225	141,367	63,675
Miscellaneous	59,353	6	3,302	3,308	62,661	63,389
<b>Total expenses before depreciation and amortization</b>	<b>5,046,816</b>	<b>662,867</b>	<b>390,305</b>	<b>1,053,172</b>	<b>6,099,988</b>	<b>5,076,054</b>
Depreciation and amortization	385,831	10,955	9,966	20,921	406,752	183,974
<b>Total</b>	<b>\$5,432,647</b>	<b>\$673,822</b>	<b>\$400,271</b>	<b>\$1,074,093</b>	<b>\$6,506,740</b>	<b>\$5,260,028</b>

*The attached notes and auditor's report are an integral part of these financial statements.*

**NEIGHBORHOOD TRUST FINANCIAL PARTNERS, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
(With comparative totals for the year ended December 31, 2016)

	<u>12/31/17</u>	<u>12/31/16</u>
Cash flows from operating activities:		
Change in net assets	\$448,241	\$190,700
Adjustments to reconcile change in net assets to net cash (used for)/provided by operating activities:		
Depreciation and amortization	406,752	183,974
Changes in assets and liabilities:		
Pledges receivable	(769,492)	525,928
Accounts receivable	(25,688)	(2,353)
Prepaid expenses	(20,252)	(4,763)
Security deposit	(2,310)	(2,265)
Accounts payable and accrued expenses	(99,822)	1,714
Deferred rent	22,225	28,993
Deferred revenue	36,773	(113,175)
Total adjustments	<u>(451,814)</u>	<u>618,053</u>
Net cash flows (used for)/provided by operating activities	<u>(3,573)</u>	<u>808,753</u>
Cash flows from investing activities:		
Outlays for fixed assets	(217,469)	(726,760)
Net investment income reinvested	(547)	(519)
Net cash flows used for investing activities	<u>(218,016)</u>	<u>(727,279)</u>
Cash flows from financing activities:		
Proceeds from line of credit	510,804	1,050,000
Repayments of line of credit	(510,804)	(1,050,000)
Net cash provided by financing activities	<u>0</u>	<u>0</u>
Net (decrease)/increase in cash and cash equivalents	(221,589)	81,474
Cash and cash equivalents - beginning of year	<u>2,113,696</u>	<u>2,032,222</u>
Cash and cash equivalents - end of year	<u><u>\$1,892,107</u></u>	<u><u>\$2,113,696</u></u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$10,804</u>	<u>\$3,295</u>
Taxes paid	<u>\$0</u>	<u>\$0</u>

*The attached notes and auditor's report are an integral part of these financial statements.*

**NEIGHBORHOOD TRUST FINANCIAL PARTNERS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**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 (“NTFCU”) and the operation of financial educational programs. NTFP’s primary sources of revenue are contributions and fees.

**Note 2 - Summary of Significant Accounting Policies**

a. Tax Status

NTFP has been notified by the Internal Revenue Service that it is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has not been determined to be a private foundation as defined under 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* – represents 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. At December 31, 2017, all pledges received were due within one year.

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, 2016, 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, 2014 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 May 21, 2018, 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.

FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The ASU, which becomes effective for the December 31, 2019 year, focuses on a principle-based model. It highlights the identification of performance obligations of the contract, determining the price and allocating that price to the performance obligation so that revenue is recognized as each performance obligation is satisfied.

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, 2017 and 2016, NTFP invested in a loan fund held by FJC, A Foundation of Philanthropic Funds. Accounting standards establish 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>2017</u>	<u>2016</u>
Beginning balance	\$19,545	\$19,026
Interest income	745	713
Bank service fees	<u>(198)</u>	<u>(194)</u>
Ending balance	<u>\$20,092</u>	<u>\$19,545</u>

**Note 4 - Fixed Assets**

Property and equipment consist of the following:

	<u>2017</u>	<u>2016</u>
Leasehold improvements	\$1,930,764	\$1,930,764
Computers and software(a)	1,098,908	881,439
Furniture and equipment	<u>169,905</u>	<u>169,905</u>
	3,199,577	2,982,108
Less: accumulated depreciation	<u>(1,285,299)</u>	<u>(878,547)</u>
Total	<u>\$1,914,278</u>	<u>\$2,103,561</u>

- a. Includes the development costs of two software products: Digital Finance Action Plan, WageGoal and Trusted Advisor.

**Note 5 - Temporarily Restricted Net Assets**

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

	<u>December 31, 2017</u>			
	<u>1/1/17</u>	<u>Contributions</u>	Released From <u>Restriction</u>	<u>12/31/17</u>
Employer Solution	\$2,256,770	\$5,750	(\$1,547,520)	\$715,000
Trusted Advisor	0	2,750,000	(300,000)	2,450,000
WageGoal	25,000	150,000	(50,000)	125,000
Getting Ahead	135,000	0	(135,000)	0
Technology	2,285	0	(2,285)	0
Federation	<u>12,004</u>	<u>0</u>	<u>(12,004)</u>	<u>0</u>
Total program	2,431,059	2,905,750	(2,046,809)	3,290,000
Time	<u>239,000</u>	<u>531,000</u>	<u>(485,000)</u>	<u>285,000</u>
Total	<u>\$2,670,059</u>	<u>\$3,436,750</u>	<u>(\$2,531,809)</u>	<u>\$3,575,000</u>

	<u>December 31, 2016</u>			
	<u>1/1/16</u>	<u>Contributions</u>	Released From <u>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>

**Note 6 - Related Party Transactions**

The chief executive officer of NTFP is also on the board of directors of NTFCU. NTFP provided contributions of \$36,720 and \$36,720 to help support NTFCU's operations during the years ended December 31, 2017 and 2016, respectively. Additionally, NTFP provided space to NTFCU at no charge.

**Note 7 - 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, 2018	\$351,924
	December 31, 2019	358,968
	December 31, 2020	366,144
	December 31, 2021	373,464
	December 31, 2022	388,404
	Thereafter	<u>1,715,328</u>
		<u>\$3,554,232</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 \$1,433,855 and \$1,295,975 at December 31, 2017 and December 31, 2016, respectively. There was no outstanding balance at December 31, 2017 and the full line was available.

**Note 8 - Retirement Plan**

NTFP sponsors a 401(K) retirement plan. Under this plan all employees with a minimum age of 18 and after one (1) year of service along with the minimum required service hours, are considered eligible to participate. NTFP matches 50% of the employee's contributions up to \$1,000. Participants in the plan are fully vested after one (1) year of service. Contributions to the plan by NTFP were \$51,640 and \$53,748 as of December 31, 2017 and 2016, respectively.