



Audited Financial Statements
December 31, 2019

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, 2019, 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Neighborhood Trust Financial Partners, Inc. as of December 31, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 18, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Schall & Ashenfarb
Certified Public Accountants, LLC

June 9, 2020

NEIGHBORHOOD TRUST FINANCIAL PARTNERS, INC.
STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2019
(With comparative totals at December 31, 2018)

	<u>12/31/19</u>	<u>12/31/18</u>
Assets		
Cash and cash equivalents	\$1,133,981	\$2,734,412
Pledges receivable, net (Note 3)	3,993,220	1,710,738
Accounts receivable	208,900	412,162
Prepaid expenses	108,166	159,919
Fixed assets, net (Note 4)	2,175,560	2,110,810
Security deposit	<u>84,570</u>	<u>84,570</u>
Total assets	<u><u>\$7,704,397</u></u>	<u><u>\$7,212,611</u></u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$121,692	\$124,957
Deferred rent	256,952	264,319
Deferred revenue	0	19,327
Total liabilities	<u>378,644</u>	<u>408,603</u>
Net assets:		
Without donor restrictions:		
For operations	3,429,506	3,932,562
Board designated reserve fund	<u>25,000</u>	<u>25,000</u>
Total without donor restrictions net assets	3,454,506	3,957,562
With donor restrictions (Note 5)	<u>3,871,247</u>	<u>2,846,446</u>
Total net assets	<u><u>7,325,753</u></u>	<u><u>6,804,008</u></u>
Total liabilities and net assets	<u><u>\$7,704,397</u></u>	<u><u>\$7,212,611</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, 2019
(With comparative totals for the year ended December 31, 2018)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 12/31/19</u>	<u>Total 12/31/18</u>
Public support and revenue:				
Contributions	\$1,867,187	\$4,083,374	\$5,950,561	\$4,918,321
Government grants	797,958		797,958	841,603
Contract fees	390,028		390,028	444,179
In-kind contributions	67,554		67,554	70,731
Investment income	40,210		40,210	7,252
Lease abatement (Note 7)	182,408		182,408	0
Net assets released from restrictions (Note 5)	3,058,573	(3,058,573)	0	0
	<u>6,403,918</u>	<u>1,024,801</u>	<u>7,428,719</u>	<u>6,282,086</u>
 Expenses:				
Program services	<u>5,308,826</u>		<u>5,308,826</u>	<u>4,720,872</u>
Supporting services:				
Management and general	853,388		853,388	966,356
Fundraising	744,760		744,760	566,790
Total supporting services	<u>1,598,148</u>	<u>0</u>	<u>1,598,148</u>	<u>1,533,146</u>
	<u>6,906,974</u>	<u>0</u>	<u>6,906,974</u>	<u>6,254,018</u>
 Change in net assets	(503,056)	1,024,801	521,745	28,068
 Net assets - beginning of year	<u>3,957,562</u>	<u>2,846,446</u>	<u>6,804,008</u>	<u>6,775,940</u>
 Net assets - end of year	<u><u>\$3,454,506</u></u>	<u><u>\$3,871,247</u></u>	<u><u>\$7,325,753</u></u>	<u><u>\$6,804,008</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, 2019
(With comparative totals for the year ended December 31, 2018)

	Supporting Services			Total Supporting Services	Total Expenses 12/31/19	Total Expenses 12/31/18
	Program Services	Management and General	Fundraising			
Salaries	\$2,794,462	\$534,158	\$519,515	\$1,053,673	\$3,848,135	\$3,509,227
Payroll taxes and benefits	690,581	113,590	79,000	192,590	883,171	839,711
Occupancy (including in-kind)	519,451	35,923	31,829	67,752	587,203	583,618
Contributions to credit union (Note 6)	36,720			0	36,720	36,720
Telephone	40,868	2,475	1,727	4,202	45,070	69,170
Bank charges	24	2,525	4,538	7,063	7,087	7,268
Office supplies	22,470	5,192	10,712	15,904	38,374	52,742
Printing	12,542	34	1,375	1,409	13,951	24,070
Professional fees	369,426	110,610	64,786	175,396	544,822	363,390
Credit reports	30,042			0	30,042	34,962
Insurance	24,551	2,903	2,730	5,633	30,184	28,947
Equipment and repairs	29,552	3,304	1,305	4,609	34,161	53,383
Mailing	1,342	289	148	437	1,779	4,067
Conferences and staff training	28,701	5,340	7,946	13,286	41,987	60,849
Staff recruiting	32,054	15,391	1,128	16,519	48,573	49,659
Other	46,482	7,770	4,674	12,444	58,926	59,122
Total expenses before depreciation and amortization	4,679,268	839,504	731,413	1,570,917	6,250,185	5,776,905
Depreciation and amortization	629,558	13,884	13,347	27,231	656,789	477,113
Total	\$5,308,826	\$853,388	\$744,760	\$1,598,148	\$6,906,974	\$6,254,018

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, 2019
(With comparative totals for the year ended December 31, 2018)

	<u>12/31/19</u>	<u>12/31/18</u>
Cash flows from operating activities:		
Change in net assets	\$521,745	\$28,068
Adjustments to reconcile change in net assets to net cash (used for)/provided by operating activities:		
Depreciation and amortization	656,789	477,113
Changes in assets and liabilities:		
Pledges receivable	(2,282,482)	975,233
Accounts receivable	203,262	56,028
Prepaid expenses	51,753	(45,364)
Security deposit	0	(1,995)
Accounts payable and accrued expenses	(3,265)	8,896
Deferred rent	(7,367)	15,325
Deferred revenue	(19,327)	(17,446)
Total adjustments	<u>(1,400,637)</u>	<u>1,467,790</u>
Net cash flows (used for)/provided by operating activities	<u>(878,892)</u>	<u>1,495,858</u>
Cash flows from investing activities:		
Outlays for fixed assets	(721,539)	(673,645)
Proceeds from sale of investment	0	20,092
Net cash flows used for investing activities	<u>(721,539)</u>	<u>(653,553)</u>
Cash flows from financing activities:		
Proceeds from line of credit	0	250,000
Repayments of line of credit	0	(250,000)
Net cash provided by financing activities	<u>0</u>	<u>0</u>
Net (decrease)/increase in cash and cash equivalents	(1,600,431)	842,305
Cash and cash equivalents - beginning of year	<u>2,734,412</u>	<u>1,892,107</u>
Cash and cash equivalents - end of year	<u><u>\$1,133,981</u></u>	<u><u>\$2,734,412</u></u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$0</u>	<u>\$5,177</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, 2019

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. One of the nation’s leading providers of financial empowerment services, its mission is to empower low-income individuals to become productive participants in the U.S. financial system and achieve their financial goals. Founded in response to the financial disenfranchisement of Washington Heights as a credit union serving the local Latino immigrant community, it has since grown as a nonprofit and social enterprise with national reach, partnering with a multitude of institutions with strong ties to financially underserved populations and continually innovating our services for those settings.

NTFP’s signature financial coaching model is designed to ensure that low-wage workers have the tools they need to control their finances. Its specially trained financial coaches deliver services in settings that people trust; the workplace, government agencies, nonprofit service providers and credit unions and they leverage behavioral theory to help clients take actionable steps to make the most out of their well-earned wages. Since its founding NTFP has helped over 10,000 individuals annually repair and establish credit, reduce debt, and achieve financial health. NTFP’s primary sources of revenue are contributions and fees.

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.

Note 2 - Summary of Significant Accounting Policies

a. Basis of Accounting

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

Effective January 1, 2019 NTFP adopted the requirements of the Financial Accounting Standards Board’s (“FASB”) Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, “Topic 606”). This provides the framework for recognizing revenue by highlighting the identification of performance obligations of a contract, determining the price and then allocating the price to each of the performance obligations so that revenue is recognized as each of those performance obligations are satisfied.

Also, effective January 1, 2019, NTFP adopted (“ASU”) No. 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (“Topic 605”). Key provisions of this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improved guidance for conditional versus unconditional contributions. In accordance with this new standard, NTFP evaluates whether a transfer of assets is an exchange transaction in which a resource provider is receiving a commensurate value in return for the transfer of resources or whether it is non-reciprocal. If the transaction is determined to be an exchange transaction, NTFP applies guidance under Topic 606. If the transaction is determined to be non-reciprocal, it is treated as a contribution under Topic 605.

For contributions, NTFP evaluates whether they are conditional or unconditional. Contributions are considered to be conditional when both a barrier must be overcome for NTFP to be entitled to the revenue and a right of return of the asset or right of release from the obligation exists.

Analysis of the various provisions of both of these standards resulted in no significant changes in the way the NTFP recognizes revenue.

b. Basis of Presentation

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

- *Net Assets Without Donor Restrictions* – represents all activity that has not been restricted by donors or applicable law.
- *Net Assets With Donor Restrictions* – represents those resources, the uses of which have been restricted by donors to specific purposes or the passage of time and/or must remain intact, in perpetuity. The release from restrictions results from the satisfaction of the restricted purposes specified by the donor.

c. Cash and Cash Equivalents

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

d. 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.

e. Revenue Recognition

NTFP has adopted Topic 606 using the modified retrospective method applied to all contracts after January 1, 2019 and continues to use legacy GAAP for all contracts before January 1, 2019.

Under Topic 606, NTFP has contract fees revenue, which have been included in the statement of activities. Contract fees revenue is analyzed to determine that it has a contract with the customer that identifies both the performance obligation and the transaction price. Revenue is recognized when the performance obligation is complete.

Contract fees are recognized when the services described in the contract are delivered to customers. Fees that have not been collected at year end are reflected as accounts receivable. Amounts collected in advance are treated as deferred revenue.

Contributions may be subject to conditions which are defined under ASU No. 2018-08 as both a barrier to entitlement and a right return of payments or release from obligations and are recognized as income once the conditions have been substantially met.

NTFP's government grants are primarily conditional, non-exchange transactions and are considered contributions under Topic 605. Revenue from these transactions is recognized when qualifying expenditures are incurred, performance related outcomes are achieved and other conditions under the agreements are met. Payments received in advance of conditions being met are recorded as grant advances.

Contributions are recognized 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 net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions in the statement of activities. However, when a restriction is met in the period the contribution is received, it is recorded as net assets without donor restrictions.

Pledges expected to be received within one year are recorded at net realizable value. Long-term pledges are recorded at fair value using a risk adjusted discounted rate.

Receivables are reviewed for collectability based on various factors such as past history and credit worthiness of customers and donors. Management has not established a reserve for uncollectable pledges as they deem all pledges to be collectable.

f. Fixed Assets

Fixed assets in excess of \$5,000, 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 are 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 FASB's Accounting Standards Codification ("ASC") 350-40 *Intangibles-Goodwill and Other – Internal-Use Software*.

g. 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.

h. 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.

i. 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.

j. 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, 2018, from which the summarized information was derived.

k. Functional Allocation of Expenses

The financial statements contain certain categories of expenses that are attributed to more than one program or supporting services. Therefore, expenses require allocation on a reasonable basis that is consistently and equitably applied. The expenses that are allocated include the following:

The following expenses were allocated using time and effort as the basis:

- Salaries, payroll tax and benefits

The following expenses were allocated using full time equivalent hours as the basis:

- Occupancy
- Telephone
- Office supplies
- Printing
- Professional fees
- Insurance
- Equipment and repairs
- Mailing

All other expenses have been charged directly to the applicable program or supporting services.

l. 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, 2016 and later are subject to examination by applicable taxing authorities.

m. New Pronouncement

FASB issued ASU No. 2016-02, *Leases*. The ASU which becomes effective for the December 31, 2022 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 is in the process of evaluating the impact this standard will have on future financial statements.

Note 3 - Pledges Receivable

Contributions receivable are expected in the following periods:

Year ending:	December 31, 2020	\$2,144,207
	December 31, 2021	1,705,000
	December 31, 2022	155,000
	December 31, 2023	<u>30,000</u>
		4,034,207
Present value discount (2.46%)		<u>(40,987)</u>
Net contributions receivable		<u>\$3,993,220</u>

Note 4 - Fixed Assets

Fixed assets consist of the following:

	<u>2019</u>	<u>2018</u>
Leasehold improvements	\$1,930,764	\$1,930,764
Computers and software (a)	2,494,093	1,772,554
Furniture and equipment	<u>169,905</u>	<u>169,905</u>
	4,594,762	3,873,223
Less: accumulated depreciation	<u>(2,419,202)</u>	<u>(1,762,413)</u>
Total	<u>\$2,175,560</u>	<u>\$2,110,810</u>

(a) Includes the development costs of three software products: Digital Finance Action Plan, WageGoal and Trusted Advisor.

Note 5 - Net Assets with Donor Restrictions

Activity in the with donor restrictions class of net assets can be summarized as follows:

	<u>December 31, 2019</u>			
	<u>1/1/19</u>	<u>Contributions</u>	Released From <u>Restriction</u>	<u>12/31/19</u>
Trusted Advisor	\$1,272,095	\$2,236,276	(\$1,997,095)	\$1,511,276
Staff Development	92,214	0	(37,480)	54,734
Technology	0	12,500	0	12,500
Time	<u>1,482,137</u>	<u>1,834,598</u>	<u>(1,023,998)</u>	<u>2,292,737</u>
Total	<u>\$2,846,446</u>	<u>\$4,083,374</u>	<u>(\$3,058,573)</u>	<u>\$3,871,247</u>

	<u>December 31, 2018</u>			
	<u>1/1/18</u>	<u>Contributions</u>	Released From <u>Restriction</u>	<u>12/31/18</u>
Trusted Advisor	\$3,290,000	\$50,000	(\$2,067,905)	\$1,272,095
Staff Development	0	125,000	(32,786)	92,214
Time	<u>285,000</u>	<u>2,460,506</u>	<u>(1,263,369)</u>	<u>1,482,137</u>
Total	<u>\$3,575,000</u>	<u>\$2,635,506</u>	<u>(\$3,364,060)</u>	<u>\$2,846,446</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 to help support NTFCU's operations during the years ended December 31, 2019 and 2018, 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. During 2019, as a result of meeting certain conditions outlined in the lease agreement, NTFP was entitled to certain rent abatements for 2019 and 2021. Accordingly, NTFP reassessed the future lease payments which resulted in a gain recognized on the statement of activities. The future minimum rental requirements are as follows:

Year ending:	December 31, 2020	\$366,144
	December 31, 2021	188,896
	December 31, 2022	388,404
	December 31, 2023	403,944
	December 31, 2024	420,096
	Thereafter	<u>891,288</u>
		<u>\$2,658,772</u>

- b. NTFP has a revolving line of credit that charges interest at a variable rate equal to the prime rate as published in *The Wall Street Journal*. The borrowing limit is \$500,000 and is subject to NTFP's meeting certain thresholds of organizational financial health, including at least \$2,000,000 in net assets without donor restrictions, tested quarterly. There was no outstanding balance at December 31, 2019 and the full line was available.

Note 8 - Retirement Plan

NTFP sponsors a 401(K)-retirement plan. Under this plan all employees at least 18 years of age that work 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 \$50,092 and \$45,384 as of December 31, 2019 and 2018, respectively.

Note 9 - Availability and Liquidity

Financial assets at year-end:

Cash and cash equivalents	\$1,133,981	
Pledges receivable	3,993,220	
Accounts receivable	<u>208,900</u>	
Total financial assets		\$5,336,101
Less amounts not available for general expenditures:		
Net assets with donor restrictions		(1,916,247)
Board designated reserve fund		<u>(25,000)</u>
Financial assets available to meet cash needs for general expenditures within one year		<u>\$3,394,854</u>

NTPF receives significant contributions and promises to give with and without donor restrictions, and it earns revenue from programmatic contractual engagements. It considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the organization considers all expenditures related to consumer financial health, including counseling services and technical assistance to other organizations, as well as the services undertaken to support those activities to be general expenditures.

NTPF manages its liquidity and reserves by following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and building a reserve over the next few years to provide reasonable assurance that long-term obligations will be discharged. NTPF will build this reserve starting with an existing board-designated fund of \$25,000.

NTPF has a liquidity policy to maintain 3 months of operating cash on hand. To achieve these targets, NTPF forecasts its future cash flows and monitors its liquidity on a monthly basis. If circumstances change and NTPF anticipates falling below 3 months of cash on hand, the board is informed and mitigation efforts (cost cutting and/or revenue timing) are executed to regain three months cash on hand as soon as possible.

Note 10 - Subsequent Events

Management has evaluated the impact of all subsequent events through June 9, 2020, which is the date that the financial statements were available to be issued.

Subsequent to year end, the World Health Organization declared a novel coronavirus (COVID-19) outbreak a Public Health Emergency of International Concern. This could adversely affect NTPF's donors and vendors as a result of quarantines, facility closures, and travel and logistics restrictions in connection with the outbreak. More broadly, the outbreak could affect workforces, economies and financial markets globally, potentially leading to an economic downturn. This could adversely affect and harm NTPF's business and results of operations. Management continues to monitor the outbreak, however, as of the date of these financial statements, the potential impact of such on NTPF's business cannot be quantified.

On May 14, 2020, NTPF obtained a loan from the SBA in the amount of \$896,500 through the Payroll Protection Program. Terms of the loan indicate that if certain conditions are met, which include maintaining average work forces during the covered period subsequent to receipt of the loan funds that are greater than pre-determined historical periods, that the loan, or a portion thereof, will be forgiven. Portions that are not forgiven will be payable over a two-year period, with a six-month deferral of payments and interest will accrue at 1%. The loan forgiveness amount has not been determined as of the date of these financial statements, however management expects that either a portion or the full amount of the loan will be forgiven.