NEIGHBORHOOD HOUSING SERVICES OF SOUTH FLORIDA, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

MBAF

MORRISON BROWN ARGIZ & FARRA, LLC

CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

NEIGHBORHOOD HOUSING SERVICES
OF SOUTH FLORIDA, INC.
AND SUBSIDIARIES

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1 - 2
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Changes in Net Assets (Deficit)	5
Consolidated Statements of Functional Expenses	6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8 – 21
SUPPLEMENTARY SCHEDULES	22
Consolidating Statement of Financial Position - June 30, 2017	23
Consolidating Statement of Financial Position - June 30, 2016	24
Consolidating Statement of Activities for the year ended June 30, 2017	25
Consolidating Statement of Activities for the year ended June 30, 2016	26
NeighborWorks America Supplementary Schedules – June 30, 2017 and 2016	27

CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Neighborhood Housing Services of South Florida, Inc. and Subsidiaries

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Neighborhood Housing Services of South Florida, Inc. and Subsidiaries (the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities, changes in net assets (deficit), functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Neighborhood Housing Services of South Florida, Inc. and Subsidiaries as of June 30, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary schedules on pages 22 - 27 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as

Morrison, Brown, Argiz & Farra

Miami, Florida
September 27, 2017

NEIGHBORHOOD HOUSING SERVICES OF SOUTH FLORIDA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30,

ASSETS	**2017**	**2016**
CURRENT ASSETS		
Cash and cash equivalents	$ 50,857	$ 625,384
Pledge receivables	8,000	294,000
Other receivables	380,747	182,998
Notes receivable, current portion	65,901	34,651
Housing units held for sale	534,719	1,074,292
Rental property held for sale	-	1,262,456
Prepaid expenses and other	5,859	42,063
TOTAL CURRENT ASSETS	1,046,083	3,515,844
RESTRICTED CASH	1,087,235	633,117
NOTES RECEIVABLE, NET OF CURRENT PORTION	2,265,977	692,752
CONSTRUCTION IN PROGRESS AND LAND HELD FOR DEVELOPMENT	125,500	191,469
PROPERTY AND EQUIPMENT, NET	1,152,446	1,217,002
TOTAL ASSETS	**$ 5,677,241**	**$ 6,250,184**

LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 232,386	$ 293,124
Debt, current portion	252,906	3,047,357
TOTAL CURRENT LIABILITIES	485,292	3,340,481
BOND PAYABLE	1,000,000	1,000,000
DEBT, NET OF CURRENT PORTION	1,135,798	-
TOTAL LIABILITIES	2,621,090	4,340,481
COMMITMENTS AND CONTINGENCIES (NOTE 10)		
NET ASSETS		
Unrestricted:		
Controlling interest	662,520	(219,188)
Non-controlling interest	23,514	24,002
Total unrestricted	686,034	(195,186)
Temporarily restricted	1,190,472	630,333
Permanently restricted	1,179,645	1,474,556
TOTAL NET ASSETS	3,056,151	1,909,703
TOTAL LIABILITIES AND NET ASSETS	**$ 5,677,241**	**$ 6,250,184**

The accompanying notes are an integral part of these consolidated financial statements.

NEIGHBORHOOD HOUSING SERVICES OF SOUTH FLORIDA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30,

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES								
NeighborWorks America grants	$ 286,401	$ 125,000	$ -	$ 411,401	$ 306,674	$ -	$ -	$ 306,674
Contributions	379,399	1,914,006	-	2,293,405	2,096,104	630,333	-	2,726,437
Forgiveness of debt	-	-	-	-	705,492	-	-	705,492
Gain on sale of rental property	361,216	-	-	361,216	-	-	-	-
Rental income	124,412	-	-	124,412	170,903	-	-	170,903
Interest income	64,583	-	-	64,583	42,787	-	-	42,787
In-kind donations	47,300	-	-	47,300	25,000	-	-	25,000
Program services	397,252	-	-	397,252	507,808	-	-	507,808
Net assets released from restriction	1,773,778	(1,478,867)	(294,911)	-	-	-	-	-
TOTAL REVENUES	3,434,341	560,139	(294,911)	3,699,569	3,854,768	630,333	-	4,485,101
EXPENSES								
Program services	2,077,282	-	-	2,077,282	1,749,246	-	-	1,749,246
Management and general	475,839	-	-	475,839	339,185	-	-	339,185
TOTAL EXPENSES	2,553,121	-	-	2,553,121	2,088,431	-	-	2,088,431
CHANGE IN NET ASSETS	881,220	560,139	(294,911)	1,146,448	1,766,337	630,333	-	2,396,670
NET ASSETS (DEFICIT) AT BEGINNING OF YEAR	(195,186)	630,333	1,474,556	1,909,703	(1,961,523)	-	1,474,556	(486,967)
NET ASSETS (DEFICIT) AT END OF YEAR	**$ 686,034**	**$ 1,190,472**	**$ 1,179,645**	**$ 3,056,151**	**$ (195,186)**	**$ 630,333**	**$ 1,474,556**	**$ 1,909,703**

The accompanying notes are an integral part of these consolidated financial statements.

NEIGHBORHOOD HOUSING SERVICES
OF SOUTH FLORIDA, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS (DEFICIT)
FOR THE YEARS ENDED JUNE 30,

2017

	Unrestricted					
	Controlling Interest	Non-Controlling Interest	Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total
NET (DEFICIT) ASSETS AT BEGINNING OF YEAR	$ (219,188)	$ 24,002	$ (195,186)	$ 630,333	$ 1,474,556	$ 1,909,703
Change in net (deficit) assets	881,708	(488)	881,220	560,139	(294,911)	1,146,448
NET ASSETS AT END OF YEAR	**$ 662,520**	**$ 23,514**	**$ 686,034**	**$ 1,190,472**	**$ 1,179,645**	**$ 3,056,151**

2016

	Unrestricted					
	Controlling Interest	Non-Controlling Interest	Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total
NET (DEFICIT) ASSETS AT BEGINNING OF YEAR	$ (1,942,023)	$ (19,500)	$ (1,961,523)	$ -	$ 1,474,556	$ (486,967)
Change in net assets	1,722,835	43,502	1,766,337	630,333	-	2,396,670
NET (DEFICIT) ASSETS AT END OF YEAR	**$ (219,188)**	**$ 24,002**	**$ (195,186)**	**$ 630,333**	**$ 1,474,556**	**$ 1,909,703**

The accompanying notes are an integral part of these consolidated financial statements.

NEIGHBORHOOD HOUSING SERVICES
OF SOUTH FLORIDA, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30,

	2017			2016		
	Program Services	Management and General	Total Expenses	Program Services	Management and General	Total Expenses
Salaries and related expenses	$ 1,164,799	$ 304,966	$ 1,469,765	$ 1,214,585	$ 184,887	$ 1,399,472
Professional fees	214,310	59,289	273,599	207,373	45,895	253,268
Rent expense and utilities	41,898	18,564	60,462	45,642	14,987	60,629
Technology services	39,921	11,580	51,501	33,410	11,577	44,987
Advertising and marketing	12,204	3,499	15,703	31,002	391	31,393
Interest	76,370	23,244	99,614	52,365	23,519	75,884
Rental property expenses	97,516	-	97,516	152,634	-	152,634
Office supplies/equipment rental and maintenance	47,195	13,880	61,075	49,533	12,279	61,812
Loan processing and servicing	5,613	-	5,613	14,199	622	14,821
Travel and meetings	24,907	7,166	32,073	20,849	3,631	24,480
Bank fees	5,690	1,688	7,378	4,985	1,690	6,675
Insurance	41,148	13,551	54,699	48,765	12,797	61,562
Program services	23,754	-	23,754	1,472	759	2,231
Write-Down of current year forgivable loans	357,771	-	357,771	-	-	-
Reversal of loan losses	(144,325)	-	(144,325)	(187,303)	-	(187,303)
Depreciation	50,172	14,383	64,555	45,986	22,881	68,867
Other	18,339	4,029	22,368	13,749	3,270	17,019
Total Expenses	**$ 2,077,282**	**$ 475,839**	**$ 2,553,121**	**$ 1,749,246**	**$ 339,185**	**$ 2,088,431**

The accompanying notes are an integral part of these consolidated financial statements.

NEIGHBORHOOD HOUSING SERVICES
OF SOUTH FLORIDA, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 1,146,448	$ 2,396,670
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	64,555	68,867
Write-down of current year forgivable loans	357,771	-
Reversal of loan losses	(144,325)	(187,303)
Forgiveness of debt	-	(705,492)
Loss (gain) on sale of properties held for sale	65,665	(2,989)
Gain on sale of rental property	(361,216)	-
Loan cost amortization	3,617	9,888
Donated properties	(47,300)	(25,000)
Permanently restricted releases	294,911	-
Decrease (increase) in operating assets:		
Pledge receivables	286,000	(294,000)
Other receivables	(197,749)	(83,279)
Prepaid expenses and other	36,204	63,247
(Decrease) increase in operating liabilities:		
Accounts payable and accrued liabilities	(60,737)	60,779
TOTAL ADJUSTMENTS	297,396	(1,095,282)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,443,844	1,301,388
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	-	(87,094)
Payments received on notes receivable	60,199	240,051
Payments received from sale of notes receivable	336,879	18,000
Notes receivable issued	(1,882,799)	(135,700)
Down payment assistance forgivable loans issued	(332,200)	
Proceeds from sale of housing units held for sale	1,018,682	893,891
Proceeds from sale of rental property	1,623,672	-
Purchase of and improvement costs for properties	(435,122)	(739,648)
Change in cash held in escrow and restricted cash	(454,118)	(532,680)
NET CASH USED IN INVESTING ACTIVITIES	(64,807)	(343,180)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments on lines of credit	(290,346)	-
Borrowings on lines of credit	290,346	-
Repayment on debt	(2,188,974)	(861,736)
Borrowings on debt	530,321	406,859
Permanently restricted releases	(294,911)	-
NET CASH USED IN FINANCING ACTIVITIES	(1,953,564)	(454,877)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(574,527)	503,331
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	625,384	122,053
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 50,857**	**$ 625,384**
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	**$ 101,950**	**$ 106,456**

The accompanying notes are an integral part of these consolidated financial statements.

1. GENERAL

Nature of Operations

Neighborhood Housing Services of South Florida, Inc. ("NHSSF") was incorporated on April 21, 1978. The general purpose of NHSSF is to assist the low to moderate income residents of Miami-Dade and Broward counties in Florida, by providing programs and products that address their housing and economic needs. NHSSF provides education and training of homebuyers and engages in residential lending for persons who may not meet conventional lending standards. In 2007, NHSSF began home ownership preservation counseling. The consolidated financial statements include the accounts of Neighborhood Housing Services of South Florida, Inc. and Subsidiaries (collectively the "Organization"). The subsidiaries are as follows:

- Homeownership Realty, LLC ("HOLT") is a wholly owned subsidiary of NHSSF and a licensed real estate brokerage whose primary focus is to assist low-to-moderate income families as well as those clients who receive homebuyer counseling provided by NHSSF to become a homeowner, as well as list properties for sale.
- 300 NW 12 Ave, LLC is a wholly-owned single purpose entity of NHSSF with legal title to the NHSSF headquarters in Miami, Florida.
- NHSSF Real Estate Holdings, Inc. ("NHSSF REH") is a not-for-profit wholly-owned subsidiary of NHSSF whose purpose is to acquire, hold, develop, construct, refurbish and/or sell affordable housing for the benefit of low income persons. Additionally, NHSSF REH has the following subsidiaries:
  - 1228 NW 4th Street, LLC ("Rio Palma"), a wholly-owned subsidiary of NHSSF REH, comprised of an 18 unit multi-family rental property occupied by low to moderate income residents of Miami-Dade County. In April 2017, Rio Palma sold the rental property held and management liquidated the entity before June 30, 2017.
  - On March 26, 2013, NHSSF REH entered into an agreement with Collaborative Development Corporation to create Village West Homes, LLC ("VILLAGE WEST"). NHSSF owns 50% of Village West Homes, LLC and is the managing member; accordingly, NHSSF REH is deemed to be the controlling member. As such, the activity of Village West Homes, LLC is included within these consolidated financial statements. VILLAGE WEST is a not-for-profit entity whose purpose is to acquire property for construction and resale in the Village West neighborhood of the City of Miami.
  - NHSSF Development, LLC is a single member LLC which serves as one of two general partners of Willow Lake Associates, LTD. Willow Lake Associates, LTD is a limited partnership whose focus is to acquire, develop, construct, and manage affordable multifamily residential rental housing projects in Florida. The two general partners own a combined .01% in Willow Lake Associates, LTD, of which NHSSF Development, LLC owns 51% of the general partnership interest. Due to certain provisions in the operating agreement, NHSSF Development, LLC is not deemed to be the controlling partner. Development of these projects began in October 2015 and were in process during the years ended and at June 30, 2017 and 2016.

As limited liability companies ("LLC"), each member's liability is limited to amounts reflected in their respective member account. The LLCs have a perpetual existence until they are dissolved and its affairs are wound up in accordance with the respective operating agreements.

Economic Dependency

During the years ended June 30, 2017 and 2016, the Organization received approximately 11% and 7%, respectively, of its funding from NeighborWorks America ("NWA"). Loss of this revenue in the future could have a material effect on the programs offered by the Organization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of NHSSF and its subsidiaries and have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). All significant intercompany accounts and transactions have been eliminated in the consolidation of the accounts of NHSSF and its subsidiaries.

The Organization accounts for its non-controlling interest in two entities in accordance with Accounting Standards Codification 810, "Consolidation." The accompanying consolidated statements of financial position includes the financial assets and liabilities of these entities. Non-controlling interest represents the equity ownership of the entities not held by the Organization. The accompanying consolidated statements of activities and changes in net assets and cash flows include the revenues, expenses and cash flows of the entities.

Basis of Presentation

In accordance with U.S. GAAP, the Organization is required to report its three types of net assets as follows:

Unrestricted - Net assets which are free of donor-imposed restrictions. This category includes all revenues, expenses, gains and losses that are not changes in temporarily restricted or permanently restricted net assets.

Temporarily Restricted - Net assets whose use by the Organization is limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled or removed by actions of the Organization pursuant to those stipulations. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, restricted net assets are reclassified to unrestricted net assets and are reported in the consolidated statements of activities as "Net assets released from restriction."

Permanently Restricted - Net assets where the use by the Organization is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

Management Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates, including those regarding fair value, and assumptions that affect reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of changes in net assets during the reporting period.

The most significant estimates include the collectability of the notes receivable and fair value of long-lived assets. These estimates may be adjusted as more current information becomes available. Accordingly, actual results could differ from those estimates.

Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash deposits in excess of the Federal Deposit Insurance Corporation ("FDIC") insured limits. The Organization limits its exposure by placing its deposits with quality financial institutions. At times, such balances may be in excess of the insurance limits of the FDIC. The Organization has not experienced losses in such accounts.

The Organization extends loans to low and moderate income residents. Additionally, many of the loans are second mortgages. Although the loans are collateralized by the borrower's property, there is the risk that property values may fall below loan values creating a concentration of credit risk.

Cash and Cash Equivalents

Cash and cash equivalents include all unrestricted monies in banks and highly liquid investments with original maturities of less than three months.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Cash

Restricted cash represents amounts restricted to be used for the purchase and rehabilitation of housing units held for sale, forgivable loans and other programs such as first and second mortgages and down payment assistance for low to moderate income families.

Notes Receivable and the Allowance for Loan Losses

The Organization extends loans to residents of Miami-Dade and Broward counties to purchase homes and finance required home improvements. Notes receivable that the Organization has the intent and ability to hold for the foreseeable future are stated at unpaid principal balances, less an allowance for uncollectible loans. Interest on amortizing loans is recognized over the term of the loan. The Organization considers the credit quality of its mortgage loans receivable primarily by assessing the sufficiency of collateral for the receivables on an ongoing basis, while assessing the collection experience of existing receivables and the credit worthiness of new receivables.

The Organization extends two types of loans to residents: amortizing loans and forgivable residential loans. Amortizing loans comprise of restricted residential loans and other residential loans dependent upon the source of funds used to fund these loans. Forgivable residential loans are fully reserved for as of June 30, 2017 and 2016.

Management's periodic evaluation of the adequacy of the allowance is based on the Organization's past loan loss experience, known and other risk elements inherent in the portfolio, specified impaired loans, adverse situations that may affect the borrower's ability to repay and the estimated value of the underlying collateral and current economic conditions.

The Organization considers a loan impaired when, based on current information or factors, it is probable that the Organization will not collect the principal and interest payments according to the loan agreement. Management considers many factors in determining whether a loan is impaired, such as payment history, value of collateral and other factors. Loans that are contractually past due less than three months are generally not considered impaired. An allowance for the total principal balance is recorded for all loans past due for more than 90 days or in foreclosure.

An allowance for loans not considered past due is recorded based on the funding source of the loan. For first-lien mortgages that are past due between 30-60 days, an allowance of 10% - 15% of the principal balance is recorded. For second-lien mortgages that are past due between 30-60 days, an allowance of 25% - 75% of the principal balance is recorded. Management continually monitors past due loans to ensure collection and to determine impairment, if necessary.

Impaired loans are classified as nonperforming and, consequently, interest income is only recognized on these loans when actually received from the borrower. Partial payments of contractual amounts due on impaired loans are treated as interest income on a cash basis until such time as the loan is restored to performing status.

Management believes that the allowance for losses on loans is adequate. The Organization maintains and adheres to policies for credit analysis and underwriting that comply with industry standards for lending practices. The Organization reviews its lending standards periodically to stay current with economic conditions. Changes in the allowance for loan loss and the related expense can have a material effect on the consolidated statements of activities.

Housing Units Held for Sale

Housing units are classified as held for sale when management intends to sell such properties within 12 months and other criteria under authoritative guidance are met. Housing units held for sale are initially recorded at cost when acquired or constructed, or at fair market value if donated to the Organization, and are no longer depreciated. Such housing units are subsequently measured at the lower of its carrying amount or fair value less costs to sell. These housing units include land under development, developed lots, and direct and indirect costs of housing construction incurred during the development period. Cost is determined by the specific identification method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Expenses and Other

Prepaid expenses and other consists primarily of prepaid insurance and inventory of construction material.

Property and Equipment, Net

Property and equipment are stated at cost, if purchased, or at estimated market value at date of receipt if acquired by donation. Property and equipment purchased with a value in excess of $1,000 and with a useful life in excess of five years are capitalized. Depreciation is calculated using the straight-line method over the estimated useful life of the respective assets. Repairs and maintenance are expensed as incurred.

Impairment of Long-Lived Assets

The Organization reviews the carrying values of its long-lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability of assets to be held and used is measured by comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. Impairment is recorded for the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. There was no impairment loss recognized during the years ended June 30, 2017 and 2016.

Debt Issuance Costs

Debt issuance costs are amortized over the term of the loan using the effective interest rate method. Amortization of debt issuance costs included within "Interest" in the accompanying consolidated statements of functional expenses for the years ended June 30, 2017 and 2016 were $3,617 and $9,888, respectively. Accumulated amortization at June 30, 2017 and 2016 was $34,535 and $30,918, respectively.

Amortization expense for the next five years and thereafter is as follows:

2018	$ 3,736
2019	3,736
2020	3,736
2021	3,736
2022	3,736
Thereafter	777
Total	**$ 19,457**

The Organization has adopted an accounting standards update that requires debt issuance costs to be presented on the consolidated statements of financial position as a reduction from the carrying amount of the related liability. The standard was adopted effective July 1, 2016, and all debt issuance costs are presented as a reduction from the carrying amount of the related liability at June 30, 2017 and 2016.

Revenue Recognition

Sources of revenue for the Organization consist of grants which, absent a specific restriction by the grantor, are considered to be available for unrestricted use. Grant revenue includes only that portion of the grant that was earned.

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets when earned. The Organization reports gifts of cash and other assets as restricted support or deferred support dependent on whether they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for a future period. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restriction.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

The Organization recognizes program service income for fees generated by its primary business functions of home buyer education, foreclosure mitigation, loan origination, loan processing and servicing. Program services are recognized as services are provided.

Rental income is recognized for apartment rentals as they accrue. Advance receipts of rental income are deferred and classified as liabilities until earned. All leases between the Organization and tenants of the property are one year leases and are considered operating leases.

In-kind Donated Property and Services

Donated property and services are recorded at the approximate fair value at the date of the gift to the Organization. Volunteers donating time to the Organization are not reflected in the consolidated financial statements since the services do not require specialized skills.

Functional Expenses

The cost of providing the various services and other activities has been summarized on a functional basis in the consolidated statements of functional expenses. Accordingly, certain costs have been charged to program services or supporting services based on a combination of specific identification and allocation by management.

Advertising Costs

Advertising costs are charged to operations as incurred. Advertising expenses for the years ended June 30, 2017 and 2016 were $27,754 and $31,393, respectively.

Income Taxes

NHSSF and its wholly-owned subsidiaries qualify as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. The wholly-owned subsidiaries are considered disregarded entities. Village West Homes, LLC and NHS HD are treated as partnerships and their earnings and losses are included in the tax returns of the members and taxed depending on their tax situation. Accordingly, no provision for income taxes has been recorded. Management has determined that there was no unrelated business income for the years ended June 30, 2017 and 2016.

The Organization recognizes and measures tax positions based on their technical merit and assesses the likelihood that the positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. Interest and penalties on tax liabilities, if any, would be recorded in interest expense and other non-interest expense, respectively.

The U.S. Federal jurisdiction and Florida are the major tax jurisdictions where the Organization files informational tax returns and partnership returns. The Organization is generally no longer subject to U.S. Federal examinations by tax authorities for years before 2014.

Adopted Accounting Pronouncements

<u>Debt Issuance Costs</u>

In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-03, *Interest - Imputation of Interest* (Subtopic 835-30): *Simplifying the Presentation of Debt Issuance Costs*. ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The update is effective for financial statements issued for years beginning after December 15, 2015, and interim periods within years beginning after December 15, 2016. The Organization has adopted this accounting policy retrospectively for the years ended June 30, 2017 and 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements

Restricted Cash

In November 2016, the FASB issued an accounting standards update which amends cash flow statement presentation of restricted cash. The update requires amounts generally described as restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the consolidated statements of cash flows. The update is effective retrospectively for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019, with early adoption permitted. The Organization is currently evaluating the effect the update will have on its consolidated financial statements.

Presentation of Financial Statements of Not-for-Profit Entities

In August 2016, the FASB issued an accounting standards update which revises financial reporting by not-for profits. The update reduces the number of net asset classes from the currently required three to two. In addition, the update requires enhanced disclosures about such matters as donor restrictions, management of liquid resources and underwater endowment funds. The update is effective retrospectively for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018, with earlier application permitted. The Organization is currently evaluating the effect the update will have on its consolidated financial statements.

Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued an accounting standards update which will replace the current incurred loss impairment methodology in U.S. GAAP with a methodology that reflects the expected credit losses. The update is intended to provide financial statement users with more decision-useful information about expected credit losses. This update is effective on a modified retrospective basis for financial statements issued for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. Early adoption is permitted for fiscal years beginning after December 15, 2018 including interim periods in those fiscal years. The Organization is currently evaluating the effect the update will have on its financial statements.

Subsequent Events

The Organization has evaluated subsequent events through September 27, 2017, which is the date the consolidated financial statements were available to be issued.

Reclassifications

Certain items in the 2016 consolidated financial statements have been reclassified to conform to the 2017 presentation. The Organization reclassified office property held for sale in 2016 to property and equipment, net on the consolidated statements of financial position. The office property was held and used during 2017, and as a result, property and equipment, net increased by approximately $1,160,000 at June 30, 2017.

3. NOTES RECEIVABLE

The following table includes an aging analysis of the notes receivable at June 30, 2017:

	Restricted Residential Loans	Other Residential Loans	Forgivable Residential Loans	Total
Number of loans	33	18	296	347
Current	$ 581,246	$ 1,667,890	$ 3,805,550	$ 6,054,686
30-60 days	114,483	-	-	114,483
61-90 days	-	-	-	-
Over 90 days	87,196	-	-	87,196
Sub-total	782,925	1,667,890	3,805,550	6,256,365
Allowance for loan losses	(118,937)	-	(3,805,550)	(3,924,487)
	$ 663,988	**$ 1,667,890**	**$ -**	**$ 2,331,878**

The following table includes an aging analysis of the notes receivable at June 30, 2016:

	Restricted Residential Loans	Other Residential Loans	Forgivable Residential Loans	Total
Number of loans	33	3	280	316
Current	$ 591,576	$ 164,450	$ 4,787,896	$ 5,543,922
30-60 days	207,436	-	-	207,436
61-90 days	-	-	-	-
Over 90 days	27,203	-	-	27,203
Sub-total	826,215	164,450	4,787,896	5,778,561
Allowance for loan losses	(245,762)	(17,500)	(4,787,896)	(5,051,158)
	$ 580,453	**$ 146,950**	**$ -**	**$ 727,403**

The Organization extends loans to residents of Miami-Dade, Broward and Palm Beach counties to finance required home improvements and to purchase homes. These loans range in terms from 5 to 30 years, at interest rates from 2% to 6.25%. Interest income related to loans receivable amounted to approximately $65,000 and $43,000 for the years ended June 30, 2017 and 2016, respectively. The weighted average of the interest rate for amortizing loans was 3.67% and 4.15% for the years ended June 30, 2017 and 2016, respectively.

Forgivable residential loans are non-interest bearing. Forgivable loans are generally provided for down payment assistance. Forgivable loans for the Neighborhood Stabilization Program (“NSP”) of approximately $1,717,000 were given out in 2014 and are forgivable between 20-30 years. Forgivable loans for the Neighborhood LIFT program of approximately $6,170,000 were given out in 2014 and are forgiven over five years (20% each year); however, if the mortgagor decides to sell the home in the first five years, then the amount not written off becomes fully repayable. During the years ended June 30, 2017 and 2016, management estimated that the possibility of collection subsequent to a borrower’s sale of the home was uncertain; therefore all forgivable loans were fully reserved.

Amortizing loans are generally secured by a mortgage on the property. Mortgage loans are carried at net realizable value, and management believes that the amount of the allowance for uncollectible mortgage loans is adequate given the nature of the loans and the value of the related collateral. The allowance is maintained at a level that, in management’s judgment, is adequate to absorb credit losses inherent in the portfolio. The amount of the allowance is based on management’s evaluation of collectability of the loan portfolio, including the nature of the portfolio, credit concentrations, trends in historical loss experience, specific impaired loans, economic conditions and other risks inherent in the portfolio.

3. NOTES RECEIVABLE (CONTINUED)

The following table presents the changes in allowance for loan losses as of June 30, 2017:

As of June 30, 2017:

	Restricted Residential Loans	Other Residential Loans	Forgivable Residential Loans	Total
Allowance for Loan Losses:				
Balance at beginning of year	$ 245,762	$ 17,500	$ 4,787,896	$ 5,051,158
Write-Down (forgivable loans)	-	-	(1,291,867)	(1,291,867)
Recoveries	-	-	(48,250)	(48,250)
Write-Down of current year forgivable loans	-	-	357,771	357,771
Reversal of loan losses	(126,825)	(17,500)	-	(144,325)
Ending Balance	**$ 118,937**	**$ -**	**$ 3,805,550**	**$ 3,924,487**
Ending balance: individually evaluated for impairment	$ 118,937	$ -	$ -	$ 118,937
Ending balance: collectively evaluated for impairment	$ -	$ -	$ 3,805,550	$ 3,805,550
Loans:				
Ending balance	$ 782,925	$ 1,667,890	$ 3,805,550	$ 6,256,365
Ending balance: individually evaluated for impairment	$ 201,679	$ -	$ -	$ 201,679
Ending balance: collectively evaluated for impairment	$ 581,246	$ 1,667,890	$ 3,805,550	$ 6,054,686

The following table presents the changes in allowance for loan losses as of June 30, 2016:

As of June 30, 2016:

	Restricted Residential Loans	Other Residential Loans	Forgivable Residential Loans	Total
Allowance for Loan Losses:				
Balance at beginning of year	$ 385,565	$ 65,000	$ 6,070,596	$ 6,521,161
Write- Down (forgivable loans)	-	-	(1,282,700)	(1,282,700)
Provision for (reversal of) loan losses	(139,803)	(47,500)	-	(187,303)
Ending Balance	**$ 245,762**	**$ 17,500**	**$ 4,787,896**	**$ 5,051,158**
Ending balance: individually evaluated for impairment	$ 27,203	$ -	$ -	$ 27,203
Ending balance: collectively evaluated for impairment	$ 218,559	$ 17,500	$ 4,787,896	$ 5,023,955
Loans:				
Ending balance	$ 826,215	$ 164,450	$ 4,787,896	$ 5,778,561
Ending balance: individually evaluated for impairment	$ 27,203	$ -	$ -	$ 27,203
Ending balance: collectively evaluated for impairment	$ 799,012	$ 164,450	$ 4,787,896	$ 5,751,358

3. NOTES RECEIVABLE (CONTINUED)

When determining an appropriate allowance for uncollectible mortgage loans, the Organization evaluates each loan balance that is considered to be impaired individually. Impaired loans are fully reserved. The remaining loan balances are evaluated collectively.

A loan is considered impaired when past due for more than 90 days and when in foreclosure. Impaired loans are fully allowed for at June 30, 2017. There were no loans that have been modified in a troubled debt restructuring during the years ended June 30, 2017 and 2016.

Amortizing loans are expected to be collected as follows for the next five years and thereafter:

Years Ending June 30,	
2018	$ 65,901
2019	68,400
2020	71,003
2021	73,264
2022	74,993
Thereafter	1,978,317
Total	**$ 2,331,878**

4. PROPERTIES HELD FOR SALE AND CONSTRUCTION IN PROGRESS AND LAND HELD FOR DEVELOPMENT

At June 30, 2017 and 2016, the value of housing units held for sale were approximately $535,000 and $1,074,000, respectively. During the year ended June 30, 2017, the Organization sold six single family properties previously held for sale. The properties were sold for approximately $1,058,000 and the net loss after selling expenses was approximately $82,000 and is reflected within “Program services” in the consolidated statement of activities for the year ended June 30, 2017. During the year ended June 30, 2016, the Organization sold seven single family properties previously held for sale. The properties were sold for approximately $942,000 and the net gain after selling expenses was approximately $3,000. The gain is reflected within “Program services” in the consolidated statement of activities for the year ended June 30, 2016.

Construction in progress and land held for development are carried at cost and no depreciation is recorded. At June 30, 2017 and 2016, the value of construction in progress and land held for development was approximately $126,000 and $191,000, respectively. Properties undergoing significant renovations and improvements are considered under development. All direct and indirect costs related to development activities are capitalized into construction in progress and land held for development. The capitalization of such expenses into “Construction in progress and land held for development,” in the accompanying consolidated statements of financial position, ceases when the property is ready for its intended use.

5. PROPERTY AND EQUIPMENT, NET

Property and equipment, net and their estimated useful lives consist of the following at June 30:

	2017	2016	Estimated Lives
Land	$ 260,293	$ 260,293	-
Building	1,041,176	1,041,176	40 years
Building improvements	193,652	193,652	10 years
Office furniture and equipment	115,345	125,038	5 years
	1,610,466	1,620,159	
Less: accumulated depreciation	458,020	403,157	
	$ 1,152,446	**$ 1,217,002**	

5. PROPERTY AND EQUIPMENT, NET (CONTINUED)

Depreciation expense for property and equipment, net was approximately $65,000 and $69,000 for the years ended June 30, 2017 and 2016, respectively. During the year ended June 30, 2016, the office property was considered held for sale and management actively marketed the property. During the year ended June 30, 2017, the property was no longer considered held for sale and is included within the caption "Property and equipment, net" on the consolidated statements of financial position.

During the year ended and at June 30, 2016, the rental property held by Rio Palma was actively marketed by management and was considered held for sale. In April 2017, the Organization sold the rental property held by Rio Palma and liquidated the consolidated entity before the year ended June 30, 2017. Gross proceeds from the sale were approximately $1,750,000 and the Organization recognized a net gain of approximately $361,000 as a result of the sale.

6. DEBT

The Organization's debt consists of the following at June 30:

	2017	2016
First mortgage loan obtained from a non-profit lender in March 2014 for 300 NW 12th Avenue, LLC. Equal monthly payments of $7,583 are based on a 25-year amortization at an interest rate of 5.375% until maturity on March 31, 2024. The mortgage contained certain restrictive covenants. During the year ended June 30, 2015, the Organization entered into a loan modification agreement with the non-profit lender which included, among other things, new restrictive covenants, which require the Organization to maintain net assets less temporarily restricted net assets of $750,000 and a debt service coverage of 1.10 effective December 31, 2015, until the mortgage is fully repaid. Management believes that the Organization was in compliance with these covenants at and during the years ended June 30, 2017 and 2016. The note payable is collateralized by the first lien on the property, which is carried at approximately $1,200,000 as of June 30, 2017 and 2016.	$ 1,166,540	$ 1,196,254
Second mortgage on an 18 unit multi-family rental property of $600,000 entered into in February 2011 with a municipality funded by the U.S. Department of Housing and Urban Development HOME Funds for rehabilitation of the property. The agreement required that four units be rented at or below 50% of average median income ("AMI") and fourteen units be rented at or below 80% of AMI. Interest rate is 1% simple interest annually. The mortgage was forgivable in 15 years if affordability was maintained. The note payable was secured by a second lien on the rental property, which is carried at approximately $1,200,000 as of June 30, 2017 and 2016. This property has been classified as held for sale within "Rental property held for sale" as of June 30, 2016, and during 2017, the property was sold (NOTE 5). The mortgage on the property was paid in full by the Organization as part of the sales agreement.	-	600,000
Note payable entered into in June 2013 with a municipality funded by the U.S. Department of Housing and Urban Development for a $900,000 commitment of HUD HOME funds to be used as part of the funding to build the six houses in Village West. The loan is secured by second mortgages on the lots, which are carried at approximately $118,000 and $600,000 within "Housing units held for sale" as of June 30, 2017 and 2016, respectively. The loan bore no interest if the properties are sold to qualified buyers within 24 months. Under the terms of the agreement, proceeds from the sale of the Village West homes to qualified households were used to repay a portion of the loan with the balance being forgiven if certain conditions were met. Subsequent to year end, the balance was paid in accordance with the agreement. All principal payments on notes payable outstanding associated with properties owned by the Organization that are held for sale as of June 30, 2017 and 2016, are reflected within the caption "Debt, current portion" on the consolidated statements of financial position.	18,715	307,460

6. DEBT (CONTINUED)

	2017	2016
Three notes payable entered into in February and March 2015 with a municipality to fund the rehabilitation of three condominiums in the City of Coral Springs. The loans were secured by first mortgages on the condominiums, which were carried at approximately $115,000 within "Housing units held for sale" as of June 30, 2016. The loans bore no interest if the properties were sold to qualified buyers within 24 months. Under the terms of the agreement, proceeds from the sale of the properties to qualified households were used to repay the loans, and in October 2016, the properties were sold and the debt was repaid in full by the Organization.	-	106,620
First mortgage loan of $735,000 on the 18 unit multi-family rental property, maturing October 31, 2022. The original note was for $840,000, of which $735,000 was funded and the balance of $105,000 was available for a future advance when the rental property was fully rented and the debt service coverage was 1.25 or greater. Management believes that the Organization was in compliance with these covenants at and during the year ended June 30, 2017. The $105,000 was not drawn and in May 2015, the future advance clause was removed and accordingly, the principal of the note was modified to $735,000, and the equal monthly principal and interest payment based on a 30-year amortization with fixed interest at 5.5% was reduced from $4,804 to $4,085. In April 2017, the rental property was sold and the debt was repaid in full by the Organization.	-	685,486
Revolving loan of $1,500,000, evidenced by two notes with a non-profit lender, to be used for the acquisition, rehabilitation and construction of single-family houses. Under the most recent modification to the agreement, the term of the loan was extended from September 30, 2017 to July 1, 2019 at a fixed interest rate of 6.75%. The revolving loan is secured by a first mortgage on all units to be acquired and constructed and repaid from the sale of the houses to a qualified buyer, and which have a carrying value of approximately $459,000 and $546,000 as of June 30, 2017 and 2016, respectively. All principal payments on notes payable outstanding associated with properties owned by the Organization that are held for sale as of June 30, 2017 and 2016, are reflected within the caption "Debt, current portion" on the consolidated statements of financial position.	222,906	189,029
Total debt	1,408,161	3,084,849
Current portion of debt	252,906	3,047,357
Less: unamortized debt issuance costs	19,457	37,492
Total debt, net of current portion	**$ 1,135,798**	**$ -**

6. DEBT (CONTINUED)

Minimum principal payments due on notes payable outstanding as of June 30, 2017 for the next five years are as follows:

June 30,	
2018	$ 252,906
2019	48,052
2020	36,469
2021	33,913
2022	35,782
Thereafter	1,001,039
	1,408,161
Less: unamortized debt issuance costs	19,457
	$ 1,388,704

Interest expense for the years ended June 30, 2017 and 2016 amounted to approximately $66,000 and $110,000, respectively.

7. BOND PAYABLE

The bond payable is comprised of a long-term unsecured investment bond of $1,000,000 to be used by the Organization to fund its lending program. Under the most recent modification to the agreement, the maturity date was extended to July 31, 2019 at an interest rate of 0.05% per annum compounded annually. The Organization pays interest on a quarterly basis. The Organization has the right to redeem the bond at any time with 30 days' notice. Any partial redemption must cover par value of at least $1,000. Interest expense on the bond for the years ended June 30, 2017 and 2016 was approximately $5,000 and $7,000, respectively.

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2016, represent contributions received to support the Organization's "79th Street Initiative." During the year ended June 30, 2017, the Organization received a donation of $1,500,000 from a financial institution restricted to providing down payment assistance and first mortgages in Miami-Dade and Broward counties. At June 30, 2017 and 2016, temporarily restricted net assets were approximately $1,190,000 and $630,000, respectively.

9. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets represent grants received for lending to qualified borrowers and for real estate development in Miami-Dade and Broward Counties. Per the agreement, the Organization has established a permanently restricted fund. The fund is replenished with principal payments received on loans and with funds generated from home sales. In addition, the fund is also comprised of permanent investment in real property. Should the Organization become defunct, all remaining grant funds, interest earnings, capital project proceeds, and the loan and capital projects portfolios representing the use of these funds will revert to NWA. During 2017, the Organization obtained notice from NWA granting unrestricted use of approximately $295,000 of the permanently restricted funds as reflected within the caption "Net assets released from restriction" on the accompanying statements of activities for the year ended June 30, 2017. At June 30, 2017 and 2016, permanently restricted net assets were approximately $1,180,000 and $1,475,000, respectively.

10. COMMITMENTS, CONTINGENCIES AND OTHER MATTERS

The costs and unexpended funds reflected in the accompanying consolidated financial statements relating to government funded programs are subject to audit by the respective governmental agencies (funding sources). The possible disallowance by the related governmental agencies of any item charged to the program or request for the return of any unexpended funds cannot be determined at this time. No provision for any liability that may result has been made in the consolidated financial statements.

10. COMMITMENTS, CONTINGENCIES AND OTHER MATTERS (CONTINUED)

The Organization participates in numerous program grants and contracts. These grants and contracts are subject to financial and compliance audits by other parties. The purpose of these audits is to ensure compliance with the terms of the grant and contract. Grantor agencies may, at their discretion, request reimbursement for expenses or return of funds, or both, as a result of noncompliance by the Organization with terms of the grants or contracts.

The Organization occasionally sells mortgage loans receivable. During the year 2017, the Organization sold approximately $337,000 of mortgage loans to two financial institutions. All loans were sold with default offset rights against the Organization. No reserve has been established for default as the Organization has not experienced any losses on the loans sold nor was any loan past due at June 30, 2017 and 2016.

In addition, the Organization finances the construction of its housing units available for sale from revolving loans from two non-profit lenders. Future commitments related to the financing of these construction costs subsequent to year end are approximately $901,000.

11. RETIREMENT PLAN

The Organization established a Savings Incentive Match Plan (“SIMPLE”) IRA effective August 1, 2003 that covers all eligible employees. Eligible employees are those employed in the previous year and had compensation of $5,000 or above in the previous year. Employees may contribute up to $12,500 and those employees 50 years old and older may contribute up to $15,500. The Organization will match an employee’s contribution dollar for dollar up to 3% of the employee’s compensation, which is determined annually by the board of directors. Employees are immediately 100% vested in the matching contributions. During the years ended June 30, 2017 and 2016, the Organization made matching contributions totaling approximately $25,000 and $32,000, respectively.

12. ENDOWMENT

The Organization’s endowment consists of funds permanently restricted by NWA. Per the terms of these agreements, the Organization has established a permanently restricted fund. The fund is used for neighborhood revitalization expenditures, including acquisition and construction costs of homes and for making home loans. The fund is replenished with principal payments received on the loans and with funds generated from sales of homes. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Organization to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of Florida adopted the Florida Uniform Prudent Management of Institutional Funds Act (“FUPMIFA”). The Organization has interpreted the FUPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the FUPMIFA.

The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the Organization and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Organization
(7) The investment policy of the Organization.

12. ENDOWMENT (CONTINUED)

The Organization has elected not to add appreciation for cost of living or other spending policies to its permanently restricted endowment for inflation and other economic conditions.

Summary of Endowment Net Assets at June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	**$ -**	**$ -**	**$ 1,179,645**	**$ 1,179,645**

Change in endowment net assets for the year ended June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning	$ -	$ -	$ 1,474,556	$ 1,474,556
Released from restriction, expenditures and other	-	-	(294,911)	(294,911)
Endowment net assets, ending	**$ -**	**$ -**	**$ 1,179,645**	**$ 1,179,645**

Summary of Endowment Net Assets at June 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	**$ -**	**$ -**	**$ 1,474,556**	**$ 1,474,556**

There were no changes in endowment net assets for the year ended June 30, 2016.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. During both of the years ended June 30, 2017 and 2016, the fair market value of permanently restricted investments was approximately $1,179,000 and $1,475,000 respectively. In accordance with U.S. GAAP, there were no deficiencies of this nature that were reported in unrestricted net assets for the years ended June 30, 2017 and 2016.

Spending Policy and How the Investment Objectives Relate to Spending Policy

In accordance with the NWA's fund agreements, the Organization is required to invest and use the endowment to purchase housing opportunities for qualifying low-income individuals. In addition, the Organization may fund mortgage loans to low-income qualifying individuals to purchase these properties or other qualifying properties.

All resources granted to this fund must be maintained permanently. The funds invested in notes receivable earn interest at rates ranging from 2.00% to 6.25%. The Organization is permitted to transfer or expend only the income (or other economic benefits) derived from capital assets in excess of the investment and corpus.

SUPPLEMENTARY SCHEDULES

NEIGHBORHOOD HOUSING SERVICES OF SOUTH FLORIDA, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017

ASSETS	NHSSF	HOLT	NHSSF REH	VILLAGE WEST	ELIMINATIONS	TOTAL
CURRENT ASSETS						
Cash and cash equivalents	$ 4,548	$ 43,394	$ -	$ 2,915	$ -	$ 50,857
Pledge receivables	8,000	-	-	-	-	8,000
Other receivables	47,770	-	288,356	44,621	-	380,747
Notes receivable, current portion	163,903	-	-	-	(98,002)	65,901
Housing units held for sale	-	-	416,652	118,067	-	534,719
Prepaid expenses and other	2,118	-	3,741	-	-	5,859
TOTAL CURRENT ASSETS	226,339	43,394	708,749	165,603	(98,002)	1,046,083
RESTRICTED CASH	682,570	-	228,824	175,841	-	1,087,235
NOTES RECEIVABLE, NET OF CURRENT PORTION	2,265,977	-	-	-	-	2,265,977
CONSTRUCTION IN PROGRESS AND LAND HELD FOR DEVELOPMENT	-	-	125,500	-	-	125,500
PROPERTY AND EQUIPMENT, NET	1,152,446	-	-	-	-	1,152,446
INTERCOMPANY RECEIVABLES	188,794	75,607	-	-	(264,401)	-
TOTAL ASSETS	**$ 4,516,126**	**$ 119,001**	**$ 1,063,073**	**$ 341,444**	**$ (362,403)**	**$ 5,677,241**
LIABILITIES AND NET ASSETS (DEFICIT)						
CURRENT LIABILITIES						
Accounts payable and accrued liabilities	$ 222,768	$ 4,895	$ 3,373	$ 1,350	$ -	$ 232,386
Debt, current portion	27,523	-	205,318	118,067	(98,002)	252,906
TOTAL CURRENT LIABILITIES	250,291	4,895	208,691	119,417	(98,002)	485,292
BOND PAYABLE	1,000,000	-	-	-	-	1,000,000
DEBT, NET OF CURRENT PORTION	1,118,210	-	17,588	-	-	1,135,798
INTERCOMPANY PAYABLES	-	-	17,573	246,828	(264,401)	-
TOTAL LIABILITIES	2,368,501	4,895	243,852	366,245	(362,403)	2,621,090
COMMITMENTS AND CONTINGENCIES						
NET ASSETS (DEFICIT)						
Unrestricted:						
Controlling interest	(222,492)	114,106	819,221	(48,315)	-	662,520
Non-controlling interest	-	-	-	23,514	-	23,514
Total unrestricted	(222,492)	114,106	819,221	(24,801)	-	686,034
Temporarily restricted	1,190,472	-	-	-	-	1,190,472
Permanently restricted	1,179,645	-	-	-	-	1,179,645
TOTAL NET ASSETS (DEFICIT)	2,147,625	114,106	819,221	(24,801)	-	3,056,151
TOTAL LIABILITIES AND NET ASSETS	**$ 4,516,126**	**$ 119,001**	**$ 1,063,073**	**$ 341,444**	**$ (362,403)**	**$ 5,677,241**

NEIGHBORHOOD HOUSING SERVICES
OF SOUTH FLORIDA, INC.
AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016

ASSETS	**NHSSF**	**HOLT**	**NHSSF REH**	**RIO PALMA**	**VILLAGE WEST**	**ELIMINATIONS**	**TOTAL**
CURRENT ASSETS							
Cash and cash equivalents	$ 475,303	$ 15,759	$ 79,691	$ -	$ 54,631	$ -	$ 625,384
Pledge receivables	294,000	-	-	-	-	-	294,000
Other receivables	25,923	-	111,428	1,290	44,357	-	182,998
Notes receivable, current portion	34,651	-	-	-	-	-	34,651
Housing units held for sale	-	-	686,684	-	387,608	-	1,074,292
Rental property held for sale	-	-	-	1,262,456	-	-	1,262,456
Prepaid expenses and other	26,943	2,256	3,741	9,123	-	-	42,063
TOTAL CURRENT ASSETS	856,820	18,015	881,544	1,272,869	486,596	-	3,515,844
RESTRICTED CASH	608,237	-	-	24,880	-	-	633,117
NOTES RECEIVABLE, NET OF CURRENT PORTION	692,752	-	-	-	-	-	692,752
CONSTRUCTION IN PROGRESS AND LAND HELD FOR DEVELOPMENT	-	-	-	-	191,469	-	191,469
PROPERTY AND EQUIPMENT, NET	1,217,002	-	-	-	-	-	1,217,002
INTERCOMPANY RECEIVABLES	203,097	-	141,113	-	-	(344,210)	-
TOTAL ASSETS	**$ 3,577,908**	**$ 18,015**	**$ 1,022,657**	**$ 1,297,749**	**$ 678,065**	**$ (344,210)**	**$ 6,250,184**

LIABILITIES AND NET ASSETS (DEFICIT)	**NHSSF**	**HOLT**	**NHSSF REH**	**RIO PALMA**	**VILLAGE WEST**	**ELIMINATIONS**	**TOTAL**
CURRENT LIABILITIES							
Accounts payable and accrued liabilities	$ 228,930	$ -	$ 9,528	$ 52,672	$ 1,994	$ -	$ 293,124
Debt, current portion	1,174,061	-	291,768	1,274,068	307,460	-	3,047,357
TOTAL CURRENT LIABILITIES	1,402,991	-	301,296	1,326,740	309,454	-	3,340,481
BOND PAYABLE	1,000,000	-	-	-	-	-	1,000,000
INTERCOMPANY PAYABLES	-	23,587	-	16	320,607	(344,210)	-
TOTAL LIABILITIES	2,402,991	23,587	301,296	1,326,756	630,061	(344,210)	4,340,481
COMMITMENTS AND CONTINGENCIES							
NET ASSETS (DEFICIT)							
Unrestricted:							
Controlling interest	(829,972)	(5,572)	721,361	(129,007)	24,002	-	(219,188)
Non-controlling interest	-	-	-	-	24,002	-	24,002
Total unrestricted	(829,972)	(5,572)	721,361	(129,007)	48,004	-	(195,186)
Temporarily restricted	630,333	-	-	-	-	-	630,333
Permanently restricted	1,374,556	-	-	100,000	-	-	1,474,556
TOTAL NET ASSETS (DEFICIT)	1,174,917	(5,572)	721,361	(29,007)	48,004	-	1,909,703
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	**$ 3,577,908**	**$ 18,015**	**$ 1,022,657**	**$ 1,297,749**	**$ 678,065**	**$ (344,210)**	**$ 6,250,184**

NEIGHBORHOOD HOUSING SERVICES
OF SOUTH FLORIDA, INC.
AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	NHSSF	HOLT	NHSSF REH	RIO PALMA	VILLAGE WEST	ELIMINATIONS	TOTAL
REVENUES							
NeighborWorks America grants	$ 411,401	$ -	$ -	$ -	$ -	$ -	$ 411,401
Contributions	2,293,405	-	-	-	-	-	2,293,405
Gain on sale of rental property	-	-	-	361,216	-	-	361,216
Rental income	10,914	-	1,000	112,498	-	-	124,412
Interest income	64,583	-	-	-	-	-	64,583
In-kind donations	3,600	-	43,700	-	-	-	47,300
Program services	195,177	110,250	168,147	-	(59,425)	(16,897)	397,252
Net assets released from restriction	192,667	120,575	50,028	(367,519)	4,249	-	-
TOTAL REVENUES	3,171,747	230,825	262,875	106,195	(55,176)	(16,897)	3,699,569
EXPENSES							
Program services	1,796,380	88,128	130,840	61,202	17,629	(16,897)	2,077,282
Support services	402,659	23,019	34,175	15,986	-	-	475,839
TOTAL EXPENSES	2,199,039	111,147	165,015	77,188	17,629	(16,897)	2,553,121
CHANGE IN NET ASSETS	972,708	119,678	97,860	29,007	(72,805)	-	1,146,448
NET ASSETS AT BEGINNING OF YEAR	1,174,917	(5,572)	721,361	(29,007)	48,004	-	1,909,703
NET ASSETS (DEFICIT) AT END OF YEAR	**$ 2,147,625**	**$ 114,106**	**$ 819,221**	**$ -**	**$ (24,801)**	**$ -**	**$ 3,056,151**

NEIGHBORHOOD HOUSING SERVICES
OF SOUTH FLORIDA, INC.
AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	NHSSF	HOLT	NHSSF REH	ESL	RIO PALMA	VILLAGE WEST	ELIMINATIONS	TOTAL
REVENUES								
NeighborWorks America grants	$ 306,674	$ -	$ -	$ -	$ -	$ -	$ -	$ 306,674
Contributions	2,445,528	-	223,924	-	-	56,985	-	2,726,437
Forgiveness of debt	705,492	-	-	-	-	-	-	705,492
Rental income	2,557	-	-	-	168,346	-	-	170,903
Interest income	42,787	-	-	-	-	-	-	42,787
Program services	271,407	71,458	278,805	-	-	-	(88,862)	532,808
TOTAL REVENUES	3,774,445	71,458	502,729	-	168,346	56,985	(88,862)	4,485,101
EXPENSES								
Program services	1,341,178	67,758	134,233	76,980	128,612	89,347	(88,862)	1,749,246
Support services	276,214	12,906	25,568	-	24,497	-	-	339,185
TOTAL EXPENSES	1,617,392	80,664	159,801	76,980	153,109	89,347	(88,862)	2,088,431
CHANGE IN NET ASSETS	2,157,053	(9,206)	342,928	(76,980)	15,237	(32,362)	-	2,396,670
NET (DEFICIT) ASSETS AT BEGINNING OF YEAR	(982,136)	3,634	378,433	76,980	(44,244)	80,366	-	(486,967)
NET ASSETS (DEFICIT) AT END OF YEAR	**$ 1,174,917**	**$ (5,572)**	**$ 721,361**	**$ -**	**$ (29,007)**	**$ 48,004**	**$ -**	**$ 1,909,703**

NEIGHBORWORKS AMERICA SUPPLEMENTARY SCHEDULES
JUNE 30, 2017 AND 2016

STATEMENTS OF FINANCIAL POSITION - NEIGHBORWORKS AMERICA CAPITAL FUND

ASSETS	**June 30, 2017**	**June 30, 2016**
Restricted cash	$ -	$ 326,284
Notes receivable (A)	806,932	848,733
Properties held for re-sale	210,852	79,812
Construction in progress and land held for development	48,229	6,095
NHSSF office building	113,632	113,632
NHSSF Real Estate Holdings-rental property	-	100,000
Total Assets	**$ 1,179,645**	**$ 1,474,556**
LIABILITIES AND NET ASSETS		
Permanently restricted net assets	**$ 1,179,645**	**$ 1,474,556**

(A) Notes receivable – At June 30, 2017 and 2016, notes receivable are reflected gross of the reserve of approximately $783,000 and $246,000, respectively. If these loans are not collected, the Organization will have to replace the asset with unrestricted assets.

STATEMENTS OF ACTIVITIES - NEIGHBORWORKS AMERICA CAPITAL FUND

	June 30, 2017	**June 30, 2016**
Change in net assets	$ (294,911)	$ -
Net assets, beginning of year	1,474,556	1,474,556
Net assets, end of year	**$ 1,179,645**	**$ 1,474,556**