



New Hampshire
COMMUNITY
LOAN FUND

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

**FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Contents
June 30, 2020 and 2019

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Independent Auditor's Report

To the Board of Directors of
New Hampshire Community Loan Fund, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of New Hampshire Community Loan Fund, Inc. (a New Hampshire corporation, not for profit) (the Community Loan Fund) which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years 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 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 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 New Hampshire Community Loan Fund, Inc. as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 33 through 36 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to 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 financial statements as a whole.

AAFCPA, Inc.

Westborough, Massachusetts
September 24, 2020

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Statements of Financial Position
June 30, 2020 and 2019

Assets	2020	2019
Current Assets:		
Cash and cash equivalents	\$ 13,276,519	\$ 18,170,418
Cash and cash equivalents - pass-through	249,539	315,134
Marketable securities	8,087,585	12,561,035
Grants, contracts and other receivables	498,423	676,574
Current portion of pledges receivable	50,000	162,000
Current portion of loans receivable	2,457,878	2,611,836
Accrued interest receivable, net allowance for losses of \$133,956 at June 30, 2020	586,523	706,913
Property held for sale	115,606	339,075
Prepaid expenses and other	128,694	144,322
Total current assets	25,450,767	35,687,307
Loans Receivable, net of current portion and allowance for loan losses of \$2,933,443 and \$2,403,445 at June 30, 2020 and 2019, respectively	138,263,544	118,767,897
Pledges Receivable, net of current portion	-	50,000
Program-Related Development Investments, net	3,084,460	2,942,040
Equity Investments	1,098,816	1,122,922
Property and Equipment, net	3,986,263	3,960,801
Total assets	\$ 171,883,850	\$ 162,530,967
Liabilities and Net Assets		
Current Liabilities:		
Current portion of loans payable	\$ 12,230,974	\$ 13,318,801
Accounts payable and accrued expenses	435,868	425,371
Accrued interest payable	1,502,709	1,303,332
Conditional advances	306,481	245,125
Total current liabilities	14,476,032	15,292,629
Long-Term Liabilities:		
Loans payable, net of current portion	116,851,148	108,324,140
Non-recourse participation in loans receivable	636,002	-
Subordinated loans payable - equity equivalent investments	8,600,000	8,600,000
Total liabilities	140,563,182	132,216,769
Net Assets:		
Without donor restrictions:		
Program	3,148,560	3,008,577
Financing	18,692,891	17,026,616
Total without donor restrictions	21,841,451	20,035,193
With donor restrictions:		
Program	114,077	104,050
Financing	9,349,888	10,147,704
Pass-through	15,252	27,251
Total with donor restrictions	9,479,217	10,279,005
Total net assets	31,320,668	30,314,198
Total liabilities and net assets	\$ 171,883,850	\$ 162,530,967

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2020

(With Summarized Comparative Totals for the Year Ended June 30, 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating Revenues:				
Public support:				
Grants and contributions	\$ 2,433,006	\$ 135,886	\$ 2,568,892	\$ 6,098,931
Grants - pass-through	61,597	-	61,597	129,513
Net assets released from restrictions	923,674	(923,674)	-	-
Net assets released from restrictions - pass-through	12,000	(12,000)	-	-
Less - grants passed through to others	(73,597)	-	(73,597)	(155,513)
Net public support	<u>3,356,680</u>	<u>(799,788)</u>	<u>2,556,892</u>	<u>6,072,931</u>
Earned revenue:				
Financial revenue:				
Interest on loans	9,498,564	-	9,498,564	8,662,322
Loan related fees	467,997	-	467,997	256,875
Investment income	325,648	-	325,648	256,565
Net loan loss provision	(809,141)	-	(809,141)	(476,648)
Less - interest expense	(4,890,891)	-	(4,890,891)	(4,334,615)
Net financial revenue	<u>4,592,177</u>	<u>-</u>	<u>4,592,177</u>	<u>4,364,499</u>
Training and other fees	21,977	-	21,977	24,056
Other net losses	(66,359)	-	(66,359)	(51,685)
Total earned revenue	<u>4,547,795</u>	<u>-</u>	<u>4,547,795</u>	<u>4,336,870</u>
Total operating revenues	<u>7,904,475</u>	<u>(799,788)</u>	<u>7,104,687</u>	<u>10,409,801</u>
Operating Expenses:				
Program services	5,053,746	-	5,053,746	4,840,496
Management and administrative	798,019	-	798,019	630,382
Fundraising	383,086	-	383,086	322,469
Total operating expenses	<u>6,234,851</u>	<u>-</u>	<u>6,234,851</u>	<u>5,793,347</u>
Changes in net assets from operations	<u>1,669,624</u>	<u>(799,788)</u>	<u>869,836</u>	<u>4,616,454</u>
Non-Operating Revenue (Expense):				
Share of income (loss) from program-related development investment	204,920	-	204,920	(36,232)
Net unrealized gain (loss) on investments	(68,286)	-	(68,286)	231,423
Total non-operating revenue (expense)	<u>136,634</u>	<u>-</u>	<u>136,634</u>	<u>195,191</u>
Total changes in net assets	<u>1,806,258</u>	<u>(799,788)</u>	<u>1,006,470</u>	<u>4,811,645</u>
Net Assets:				
Beginning of year	<u>20,035,193</u>	<u>10,279,005</u>	<u>30,314,198</u>	<u>25,502,553</u>
End of year	<u>\$ 21,841,451</u>	<u>\$ 9,479,217</u>	<u>\$ 31,320,668</u>	<u>\$ 30,314,198</u>

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Revenues:			
Public support:			
Grants and contributions	\$ 3,697,869	\$ 2,401,062	\$ 6,098,931
Grants - pass-through	129,513	-	129,513
Net assets released from restrictions	616,979	(616,979)	-
Net assets released from restrictions - pass-through	26,000	(26,000)	-
Less - grants passed through to others	(155,513)	-	(155,513)
Net public support	<u>4,314,848</u>	<u>1,758,083</u>	<u>6,072,931</u>
Earned revenue:			
Financial revenue:			
Interest on loans	8,662,322	-	8,662,322
Loan related fees	256,875	-	256,875
Investment income	256,565	-	256,565
Net loan loss provision	(476,648)	-	(476,648)
Less - interest expense	(4,334,615)	-	(4,334,615)
Net financial revenue	<u>4,364,499</u>	<u>-</u>	<u>4,364,499</u>
Training and other fees	24,056	-	24,056
Other net losses	(51,685)	-	(51,685)
Total earned revenue	<u>4,336,870</u>	<u>-</u>	<u>4,336,870</u>
Total operating revenues	<u>8,651,718</u>	<u>1,758,083</u>	<u>10,409,801</u>
Operating Expenses:			
Program services	4,840,496	-	4,840,496
Management and administrative	630,382	-	630,382
Fundraising	322,469	-	322,469
Total operating expenses	<u>5,793,347</u>	<u>-</u>	<u>5,793,347</u>
Changes in net assets from operations	<u>2,858,371</u>	<u>1,758,083</u>	<u>4,616,454</u>
Non-Operating Revenue (Expense):			
Share of loss from program-related development investment	(36,232)	-	(36,232)
Net unrealized gain on investments	231,423	-	231,423
Total non-operating revenue (expenses)	<u>195,191</u>	<u>-</u>	<u>195,191</u>
Total changes in net assets	3,053,562	1,758,083	4,811,645
Net Assets:			
Beginning of year	<u>16,981,631</u>	<u>8,520,922</u>	<u>25,502,553</u>
End of year	<u>\$ 20,035,193</u>	<u>\$ 10,279,005</u>	<u>\$ 30,314,198</u>

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Statements of Cash Flows
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 1,006,470	\$ 4,811,645
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	222,638	184,704
Loans payable converted to contributions	(95,841)	(349,991)
Net loan loss provision	809,141	476,648
Net (gain) loss on equity investments and marketable securities	68,286	(219,026)
Amortization of premiums/discounts on investments	55,263	(21,498)
Grants and contributions restricted for lending activities	-	(1,425,000)
Share of (income) loss from program-related development investment	(204,920)	36,232
Other net losses	66,359	39,288
Changes in operating assets and liabilities:		
Grants, contracts and other receivables	178,151	(8,250)
Pledges receivable	162,000	27,100
Accrued interest receivable	120,390	(129,186)
Prepaid expenses and other	15,628	(25,092)
Deferred loan fees	466,492	-
Accounts payable and accrued expenses	10,497	67,054
Accrued interest payable	199,377	122,749
Deferred revenue	61,356	25,911
Net cash provided by operating activities	<u>3,141,287</u>	<u>3,613,288</u>
Cash Flows from Investing Activities:		
Issuance of loans receivable	(38,427,801)	(20,536,428)
Principal payments of loans receivable	18,446,481	13,341,636
Purchase of property and equipment	(248,100)	(208,726)
Property held for sale	157,110	(317,761)
Purchases of marketable securities and investments	(7,982,593)	(13,385,488)
Proceeds from sale of marketable securities	12,419,100	7,428,078
Net cash used in investing activities	<u>(15,635,803)</u>	<u>(13,678,689)</u>
Cash Flows from Financing Activities:		
Proceeds from loans payable	19,180,027	24,281,280
Grants and contributions restricted for lending activities	-	1,425,000
Principal payments on loans payable	(11,645,005)	(4,081,110)
Net cash provided by financing activities	<u>7,535,022</u>	<u>21,625,170</u>
Net Change in Cash and Cash Equivalents	(4,959,494)	11,559,769
Cash and Cash Equivalents:		
Beginning of year	<u>18,485,552</u>	<u>6,925,783</u>
End of year	<u>\$ 13,526,058</u>	<u>\$ 18,485,552</u>
Reconciliation of Cash and Cash Equivalents Reported Within the Statements of Financial Position:		
Cash and cash equivalents	\$ 13,276,519	\$ 18,170,418
Cash and cash equivalents - pass-through	<u>249,539</u>	<u>315,134</u>
Total cash and cash equivalents shown in the statements of cash flows	<u>\$ 13,526,058</u>	<u>\$ 18,485,552</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	<u>\$ 4,691,514</u>	<u>\$ 4,211,866</u>
Other real estate owned acquired by foreclosure	<u>\$ -</u>	<u>\$ 60,000</u>

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2020

(With Comparative Totals for the Year Ended June 30, 2019)

	2020						2019	
	Program Services			Support Services			Total	Total
	Community Services	Affordable Housing	Business Finance	Capitalization and Philanthropy	Total Program Services	Management and Administrative		
Personnel costs:								
Salaries	\$ 147,617	\$ 1,744,359	\$ 763,140	\$ 534,325	\$ 3,189,441	\$ 355,143	\$ 237,146	\$ 3,781,730
Benefits	21,193	263,862	115,179	78,599	478,833	57,096	32,497	568,426
Payroll taxes	10,492	126,017	55,325	38,774	230,608	25,964	16,924	273,496
Total personnel costs	179,302	2,134,238	933,644	651,698	3,898,882	438,203	286,567	4,623,652
Professional services	11,133	167,838	70,865	68,304	318,140	81,993	12,652	412,785
Administrative services	1,650	221,508	7,830	6,951	237,939	14,922	13,165	266,026
Depreciation	3,732	59,612	37,804	17,130	118,278	101,026	3,334	222,638
Occupancy	3,690	58,168	25,214	16,474	103,546	94,889	3,409	201,844
Office expense	4,698	58,030	25,215	20,698	108,641	34,752	5,500	148,893
Training and travel	2,266	73,866	22,059	12,895	111,086	9,820	1,269	122,175
Communications	1,538	33,341	2,282	15,729	52,890	1,685	54,466	109,041
Equipment expense	2,558	34,023	12,172	8,225	56,978	19,456	2,556	78,990
Public education	1,763	10,067	22,172	1,563	35,565	1,273	168	37,006
Property expenses	-	11,801	-	-	11,801	-	-	11,801
Total expenses	\$ 212,330	\$ 2,862,492	\$ 1,159,257	\$ 819,667	\$ 5,053,746	\$ 798,019	\$ 383,086	\$ 6,234,851
								\$ 5,793,347

The accompanying notes are an integral part of these statements.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Statement of Functional Expenses
For the Year Ended June 30, 2019

	Program Services				Support Services		Total
	Community Services	Affordable Housing	Business Finance	Capitalization and Philanthropy	Management and Administrative	Fundraising	
Personnel costs:							
Salaries	\$ 144,196	\$ 1,788,971	\$ 733,109	\$ 410,704	\$ 289,422	\$ 212,496	\$ 3,578,898
Benefits	22,447	285,750	115,050	64,089	13,813	33,752	534,901
Payroll taxes	10,369	129,621	53,564	29,511	21,957	15,548	260,570
Total personnel costs	177,012	2,204,342	901,723	504,304	325,192	261,796	4,374,369
Professional services	10,829	151,396	90,190	28,904	81,252	15,637	378,208
Administrative services	1,172	129,044	6,136	5,285	31,979	11,283	184,899
Depreciation	3,417	60,216	37,366	17,083	63,205	3,417	184,704
Occupancy	4,267	72,547	32,007	21,339	78,951	4,267	213,378
Office expense	3,280	64,719	26,561	24,382	26,652	6,766	152,360
Training and travel	2,208	68,097	21,055	13,668	7,667	990	113,685
Communications	975	26,994	4,932	6,169	2,470	16,360	57,900
Equipment expense	1,096	21,581	5,426	6,318	10,094	1,470	45,985
Public education	10,417	11,104	29,466	9,663	2,920	483	64,053
Property expenses	-	23,806	-	-	-	-	23,806
Total expenses	\$ 214,673	\$ 2,833,846	\$ 1,154,862	\$ 637,115	\$ 630,382	\$ 322,469	\$ 5,793,347

The accompanying notes are an integral part of these statements.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2020 and 2019

1. OPERATIONS AND NONPROFIT STATUS

New Hampshire Community Loan Fund, Inc. (the Community Loan Fund) was organized in 1983 under the laws of New Hampshire as a charitable corporation qualifying for Federal income tax exemption under Section 501(c)(3) of the Internal Revenue Code (IRC). The Community Loan Fund is also exempt from state income taxes. Donors may deduct contributions made to the Community Loan Fund within the IRC requirements.

The mission of the Community Loan Fund is to serve as a catalyst, leveraging financial, human and civic resources to enable traditionally underserved people to participate more fully in New Hampshire's economy. This is done by:

- Providing loans, capital and technical assistance;
- Complementing and extending the reach of conventional lenders and public institutions; and
- Bringing people and institutions together to solve problems.

The nine programs in service of the Community Loan Fund's mission provide economic opportunity technical assistance and loans in the areas of Affordable Housing, Community Services, and Business Finance. Program areas also include Capitalization and Philanthropy and Public Policy.

Affordable Housing

ROC-NH - Since 1983, building long-term value for owners of manufactured homes in New Hampshire's resident-owned communities by helping them purchase and manage their communities.

Welcome Home Loans - Since 2002, providing mortgage loans for manufactured homes in resident-owned communities. Starting in 2012, also providing mortgage loans to owners and buyers of manufactured homes on their own land.

Multi-Family Housing - Since 1984, providing loans and technical assistance to nonprofit housing organizations to acquire, develop, and manage affordable rental housing.

Community Services

Since 1984, providing loans to nonprofit organizations to buy, renovate, or build facilities that support essential community services.

Child Care Initiative - Since 1995, providing loans, training and assistance to childcare centers to preserve and create facilities.

Business Finance

Business Builder - Since 1996, providing loans and business education to support the growth and resilience of small businesses and their ability to provide quality jobs.

Farm Food Initiative - Since 1984, delivering flexible financing and customized training to grow and strengthen local food systems.

Vested for Growth - Since 2002, providing investments and business education to help owners grow their businesses by engaging their people and adding value for their customers.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2020 and 2019

1. OPERATIONS AND NONPROFIT STATUS (Continued)

Capitalization and Philanthropy and Public Policy

Capitalization and Philanthropy - Since 1984, enabling people and institutions to invest and donate capital for basic human needs.

Public Policy - Since 2009, working to shape public policy in credit- and program-related matters that affect people and families with low incomes, or that affect the Community Loan Fund's ability to serve them.

Community Development Financial Institution

The Community Loan Fund has been granted status as a Community Development Financial Institution (CDFI) by the U.S. Department of the Treasury (the Treasury), qualifying it for certain awards and support from the Treasury. During fiscal years 2020 and 2019, the Community Loan Fund recognized awards of \$525,000 and \$2,200,000, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

The Community Loan Fund prepares its financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Adoption of New Accounting Standards

During fiscal year 2020, the Community Loan Fund adopted FASB's Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies and improves guidance for contributions received and contributions made and provides guidance to organizations on how to account for certain exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. The Community Loan Fund adopted ASU 2018-08 using a modified prospective method effective July 1, 2019. Under the modified prospective method, this ASU only applies to agreements not completed or entered into (revenue or expense that has not yet been recognized) as of July 1, 2019. As a result, the fiscal year 2019 financial statements are not restated and there was no cumulative-effect adjustment to opening net assets as of July 1, 2019.

In addition, during fiscal year 2020, the Community Loan Fund adopted ASC Topic 606, *Revenue from Contracts with Customers*, with respect to its revenue recognition policies. The core principle of the new accounting guidance is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The adoption of this standard did not have a significant impact on the Community Loan Fund's financial statements as the Community Loan Fund's primary source of revenue is interest, which is not subject to this accounting standard.

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

The Community Loan Fund follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Community Loan Fund would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Community Loan Fund uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Community Loan Fund. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

Revenue Recognition

Grants and contributions may be conditional or unconditional in accordance with ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. A grant or contribution is considered conditional when the donor imposes both a barrier and a right of return. Conditional grants and contributions are recognized as revenue on the date all donor-imposed barriers are overcome or explicitly waived by the donor. Barriers may include specific and measurable outcomes, limitations on the performance of an activity, and other stipulations related to the grant or contribution. A donor has a right of return of any assets transferred or a right of release of its obligation to transfer any assets in the event the Community Loan Fund fails to overcome one or more barriers. Assets received before the barrier is overcome are accounted for as refundable or conditional advances. There were no conditional awards at June 30, 2020.

Grants and contributions are recorded as revenue when unconditionally received or pledged. Grants and contributions with donor restrictions are transferred to net assets without donor restrictions as costs related to purpose restrictions are incurred or time restrictions have lapsed. Loans payable and EQ2s (see Notes 11 and 12) on occasion are converted to contributions by the investors. During fiscal years 2020 and 2019, there were eleven and eight, respectively, contributed loans payable and related interest totaling \$95,841 and \$349,991, respectively, which are included in grants and contributions in the accompanying statements of activities and changes in net assets.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Interest revenues from loans, investments and other financial instruments are recognized as revenues without donor restrictions as earned on an accrual basis except where restricted by donors.

When significant, the Community Loan Fund amortizes net loan commitment and origination fees over the terms of the related loans receivable. Unamortized deferred loan fees are included as an adjustment to the carrying value of loans receivable (see Note 5).

Training and other fees are recognized on the accrual basis as services or goods are delivered or according to relevant benchmarks or criteria of the underlying agreements. All other revenue is recognized as earned.

Cash and Cash Equivalents and Concentration of Credit Risk

The Community Loan Fund considers all depository accounts and other highly liquid investments originated with a maturity of three months or less to be cash for purposes of the statements of cash flows.

Cash deposits are guaranteed up to certain amounts by the Federal Deposit Insurance Corporation (FDIC) for bank accounts, and by the Securities Investor Protection Corporation for brokerage accounts. At times, cash balances may exceed insured amounts. Other deposits exceeding insurance limits at June 30, 2020 and 2019, are separately collateralized by securities held by the financial institutions.

Marketable Securities

Marketable securities are carried at fair value (see pages 9 and 10 and Note 3) and consist of U.S. government agency securities, U.S. Treasury securities, and equity mutual funds held for charitable gift annuities (see Note 13). Equity mutual funds have readily determinable fair values and are valued using Level 1 inputs. All investments in debt securities are reported at fair value using Level 2 inputs. Realized gains (losses) arising from sales of marketable securities are reported as other net gains (losses), a component of changes in net assets from operations in the accompanying statements of activities and changes in net assets. Unrealized gains and losses are reported as a separate component of non-operating revenue (expenses). Changes in fair value are unrealized, but can result in significant volatility in investment income reported each year. It is the Community Loan Fund's general intent to hold securities with fixed maturities until maturity. Marketable securities are classified as current assets because there are no restrictions on their use and they are readily marketable.

Grants, Contracts, Pledges, Other Receivables and Allowance for Doubtful Accounts

The Community Loan Fund receives grants and pledges from donors. Grants, contracts and other receivables are stated at unpaid balances. The Community Loan Fund establishes allowances for uncollectible receivables. The allowances are based on management's judgment on the collectability of outstanding receivables.

Loans Receivable and Allowance for Loan Losses

Loans receivable are stated net of deferred loan fees, third-party participations qualifying as loan sales, and an allowance for loan losses (see Notes 5 and 6). Interest on loans is calculated by using the simple interest method on monthly balances of the principal amount outstanding.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans Receivable and Allowance for Loan Losses (Continued)

Provisions are made for estimated loan losses based on management's evaluation of each loan. Loss recoveries are recorded in the year the recovery is known. The allowance for loan losses (see Note 6) is established through the net loan loss provision and is charged to operations. The allowance is an amount that management believes will be adequate to absorb expected losses on existing loans that may become uncollectible. Management evaluates loan collectability through consideration of factors such as previous loss experience, performance of individual loans in accordance with contract terms, financial strength and cash flows of the borrower, realizable values of collateral, and current economic conditions that may affect the borrower's ability to repay.

Given current economic conditions, the Community Loan Fund established an allowance for uncollectible accrued interest in fiscal year 2020 which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. There was no allowance as of June 30, 2019. As of June 30, 2020, accrued interest receivables, net were as follows:

Accrued interest receivable - marketable securities	\$ 24,276
Accrued interest receivable - borrowers	696,203
Allowance for losses - borrowers	<u>(133,956)</u>
Accrued interest receivable, net	<u>\$ 586,523</u>

U.S. GAAP requires not-for-profit organizations to record interest expense and contribution revenue in connection with loans payable that are interest free or that have below-market interest rates. Likewise, funds loaned to borrowers at below-market interest rates should also result in imputed revenue and contribution expense. Interest rates on loans payable are disclosed in Notes 11 and 12. Interest rates on loans receivable are disclosed in Note 5. The Community Loan Fund believes that the benefits derived from below-market rate loans received are passed through to the borrowers via below-market rate loans made, and that there is no material difference between community development finance market rates and the stated rates of loans in their portfolios. Consequently, no adjustments have been made to the accompanying financial statements to reflect contribution income or expense associated with below-market interest rates.

Program-Related Development Investment

The Community Loan Fund maintains an equity investment in an uncombined affiliate where the Community Loan Fund exercises significant influence over the affiliate's operations (see Note 7). The Community Loan Fund accounts for this investment using the equity method. Whether or not the Community Loan Fund exercises significant influence with respect to an affiliate depends on an evaluation of several factors including, among others, representation on the affiliate's Board of Directors, significance of ownership in the voting securities of the affiliate, and participation in management activities significant to the investee. Under the equity method, the investment is initially recorded at cost and then increased or decreased by the share of income or loss of the affiliate. Distributions of cash reduce the carrying value of the investment. The Community Loan Fund also regularly evaluates the carrying value of the investment for potential impairment.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Investments

Equity investments are generally interests in closely held businesses and are acquired in connection with certain Business Finance loan agreements (see Note 5). Equity investments are carried at fair value (see Note 8 and pages 9 and 10) as estimated in good faith under a Board-approved Valuation Policy. Management uses all information available, including third-party valuation reports, to determine an appropriate valuation for each investment. The inputs used, including those used in third-party valuations, include valuation techniques based on multiples of earnings or revenues or hypothetical sale or liquidation scenarios. As in many sale or liquidation scenarios, there are key inputs, such as multiples of revenue, which are often important in early stage companies that have not established profitability that if the multiple was to increase or decrease, could result in a material change in the value realized upon sale. Warrants to obtain common stock are considered to be derivative instruments. As such, warrants are carried at fair value with changes in fair value recorded in the statements of activities and changes in net assets. Warrants, all of which are detachable, have been obtained in conjunction with issuing loans or investments to certain portfolio companies.

Property Held for Sale

Property held for sale consists of real estate that is acquired through loan foreclosure or conveyance in lieu of foreclosure, as well as homes that are being built for homeownership under the Veterans First Project (VFP). As of June 30, 2019, there was one property that was acquired through loan foreclosure. As of June 30, 2019, there were ten VFP homes that had been completed or were in the process of being completed. During fiscal year 2020, eight of these homes were sold.

Property and Equipment and Depreciation

Property and equipment (see Note 9) are recorded at cost. The Community Loan Fund capitalizes purchases of \$5,000 or more. Maintenance, repairs and minor renewals are expensed as incurred and renewals and betterments are capitalized. Depreciation of property and equipment is calculated using the straight-line method over the following estimated useful lives:

Buildings and improvements	10 - 40 years
Office furniture and equipment	3 - 5 years

The Community Loan Fund accounts for the carrying value of its long-lived assets in accordance with ASC Topic, *Property, Plant and Equipment*. As of June 30, 2020 and 2019, the Community Loan Fund has not recognized any reduction in the carrying value of its property and equipment when considering these requirements.

Conditional Advances

The Community Loan Fund records certain contracts and grant funds not currently deployed as conditional advances in the accompanying statements of financial position. Conditional advances are made up of grant funds for the following as of June 30:

	<u>2020</u>	<u>2019</u>
IDA Program Matched Savings Grants for Individuals	\$ 206,481	\$ 225,125
Federal Home Loan Bank AHP Subsidy for Veterans First Project	<u>100,000</u>	<u>20,000</u>
	<u>\$ 306,481</u>	<u>\$ 245,125</u>

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Asset Classifications

Net Assets Without Donor Restrictions - Include those net resources that bear no external restrictions and are generally available for use by the Community Loan Fund. These include certain funds set aside by the Board of Directors for loan loss reserves.

Net Assets With Donor Restrictions - Include net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events or programs run by the Community Loan Fund. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained for particular use in perpetuity. Net assets with donor-imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Electively, the Community Loan Fund reports each class of net assets within the following sub-categories:

Program Activities - Include net assets that are restricted to cover program delivery expenses and general operating functions of the Community Loan Fund, which could include salary, program costs, overhead, and other expenses. These net assets may be restricted for the program delivery expenses of a particular program or may be general operating support which carries a time restriction.

Financing Activities - Net assets that are restricted or internally designated for mission-related lending and investing. Where restricted by donors, these include net assets which will be re-deployed as lending capital (and remain as with donor restrictions) unless the grant is released due to a restriction being met. Because donors generally allow contributions to this category of net assets to be used to offset lending losses, the Community Loan Fund releases from restriction an amount equivalent to annual net loan loss provision (see Note 6). To the extent the Community Loan Fund has net recoveries above and beyond any loan loss provision, the amount is restored to this category. The Community Loan Fund released \$809,141 and \$476,648 related to net loan loss provision during the years ended June 30, 2020 and 2019, respectively. All but \$275,000 of these net assets may be used as reserves for uncollectible financing activities.

Pass-Through Activities - Net assets that are restricted amounts to be passed through (re-granted) to other organizations or individuals for mission-related purposes. These net assets are not available to be used for financing activities or program activities.

The Community Loan Fund also classifies these subcategories of net assets with donor restrictions into three groups:

- *Purpose restricted* net assets include amounts restricted for program activities or mission-related financing activities of the Community Loan Fund.
- *Time restricted for future periods* represent restricted grant funds with donor-imposed time restrictions.
- *Perpetual in nature* net assets include grant funds that are to be held in perpetuity.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Asset Classifications (Continued)

Net assets with donor restrictions are restricted as follows as of June 30:

<u>Program Initiative</u>	2020			<u>Total</u>
	<u>Purpose Restricted</u>	<u>Time Restricted for Future Periods</u>	<u>Perpetual in Nature</u>	
Program Activities:				
ROC-NH Program Delivery	\$ 53,158	\$ -	\$ -	\$ 53,158
Single Family Housing Program Delivery	10,000	-	-	10,000
Business Finance - Farm Food Initiative	-	35,000	-	35,000
IDA Program Delivery	<u>15,919</u>	<u>-</u>	<u>-</u>	<u>15,919</u>
Total Program Activities	<u>79,077</u>	<u>35,000</u>	<u>-</u>	<u>114,077</u>
Financing Activities:				
General	6,098,810	50,000	275,000	6,423,810
Affordable Housing - Capital Magnet Fund	2,852,055	-	-	2,852,055
Affordable Housing - Veterans First Project	24,023	-	-	24,023
Affordable Housing - Energy Efficiency	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>50,000</u>
Total Financing Activities	<u>9,024,888</u>	<u>50,000</u>	<u>275,000</u>	<u>9,349,888</u>
Pass-Through:				
IDA Match Funds for Individuals	<u>15,252</u>	<u>-</u>	<u>-</u>	<u>15,252</u>
Total net assets with donor restrictions	<u>\$ 9,119,217</u>	<u>\$ 85,000</u>	<u>\$ 275,000</u>	<u>\$ 9,479,217</u>
<u>Program Initiative</u>	2019			<u>Total</u>
	<u>Purpose Restricted</u>	<u>Time Restricted for Future Periods</u>	<u>Perpetual in Nature</u>	
Program Activities:				
ROC-NH Program Delivery	\$ 55,048	\$ -	\$ -	\$ 55,048
Single Family Housing Program Delivery	12,500	10,000	-	22,500
IDA Program Delivery	<u>26,502</u>	<u>-</u>	<u>-</u>	<u>26,502</u>
Total Program Activities	<u>94,050</u>	<u>10,000</u>	<u>-</u>	<u>104,050</u>
Financing Activities:				
General	6,770,614	202,000	275,000	7,247,614
Affordable Housing - Capital Magnet Fund	2,852,055	-	-	2,852,055
Affordable Housing - Veterans First Project	<u>48,035</u>	<u>-</u>	<u>-</u>	<u>48,035</u>
Total Financing Activities	<u>9,670,704</u>	<u>202,000</u>	<u>275,000</u>	<u>10,147,704</u>
Pass-Through:				
IDA Match Funds for Individuals	<u>27,251</u>	<u>-</u>	<u>-</u>	<u>27,251</u>
Total net assets with donor restrictions	<u>\$ 9,792,005</u>	<u>\$ 212,000</u>	<u>\$ 275,000</u>	<u>\$ 10,279,005</u>

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Asset Classifications (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Satisfaction of purpose restrictions:		
Affordable Housing - Veterans First Project	\$ 24,011	\$ -
IDA Program	22,583	32,346
Single Family Housing Program	2,500	7,500
ROC-NH Program	<u>1,889</u>	<u>2,485</u>
Total releases from purpose restrictions	50,983	42,331
Loan loss provision	809,141	476,648
Expiration of time restrictions	<u>75,550</u>	<u>124,000</u>
Total releases	<u>\$ 935,674</u>	<u>\$ 642,979</u>

Statements of Activities and Changes in Net Assets

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating revenues and operating expenses in the accompanying statements of activities and changes in net assets. Non-operating revenue consists of investment gains and losses.

In-Kind Contributions

The Community Loan Fund receives and recognizes contributed use of meeting space, services and gifts in-kind from various sources. The in-kind contributions are included under public support in the accompanying statements of activities and changes in net assets. The corresponding program expense is included in operating expenses. The Community Loan Fund did not receive in-kind professional services in either of the years ended June 30, 2020 and 2019.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. The statements of functional expenses present the natural classification detail of expenses by function, including supporting services. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that cannot be directly attributed to a specific program area are charged to individual program areas based on the most appropriate allocation base. The expenses that are allocated include occupancy, which is allocated on a square footage basis; personnel costs, which are allocated based on estimated employee time dedicated to each program (for non-administrative) and wages as a percentage of total wages (for administrative); and direct administrative expenses.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Community Loan Fund accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. The Community Loan Fund has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the accompanying financial statements at June 30, 2020 and 2019. The Community Loan Fund's information returns are subject to examination by the Federal and state jurisdictions.

Subsequent Events

Subsequent events have been evaluated through September 24, 2020, which is the date the financial statements were available to be issued. See Note 10 for events that met the criteria for disclosure in the financial statements.

3. MARKETABLE SECURITIES

Marketable securities carried at fair value on a recurring basis consist of the following at June 30:

<u>Marketable Securities</u>	<u>2020</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
U.S. Government agency and U.S. Treasury securities	\$ -	\$ 8,035,877	\$ -	\$ 8,035,877
Equity mutual funds	<u>51,708</u>	<u>-</u>	<u>-</u>	<u>51,708</u>
	<u>\$ 51,708</u>	<u>\$ 8,035,877</u>	<u>\$ -</u>	<u>\$ 8,087,585</u>

<u>Marketable Securities</u>	<u>2019</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
U.S. Government agency and U.S. Treasury securities	\$ -	\$ 12,509,096	\$ -	\$ 12,509,096
Equity mutual funds	<u>51,939</u>	<u>-</u>	<u>-</u>	<u>51,939</u>
	<u>\$ 51,939</u>	<u>\$ 12,509,096</u>	<u>\$ -</u>	<u>\$ 12,561,035</u>

The Community Loan Fund's U.S. Government agency and U.S. Treasury securities are valued using Level 2 inputs, which are determined using relevant information generated by transactions that have occurred in the marketplace that involve similar assets. The U.S. Government agency and U.S. Treasury securities are used as collateral for a line of credit (see Note 10).

The fair value of investments in equity mutual funds are based upon quoted prices in active markets for identical assets which are Level 1 inputs.

Marketable securities are not insured and are subject to market volatility.

The accompanying financial statements include unrealized gains on debt security investments of \$5,820 and \$56,836 for the years ended June 30, 2020 and 2019, respectively.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2020 and 2019

4. PLEDGES RECEIVABLE

Unconditional pledges from donors are included in the accompanying financial statements as pledges receivable and revenue in the net asset with donor restrictions category. Unconditional pledges are expected to be realized in the following periods at June 30:

	<u>2020</u>	<u>2019</u>
Amounts due in:		
Within one year	\$ 50,000	\$ 162,000
Two to five years	<u>-</u>	<u>50,000</u>
	<u>\$ 50,000</u>	<u>\$ 212,000</u>

A discount of pledges receivable has not been recorded as it would not have been material to the financial statements.

5. LOANS RECEIVABLE AND OTHER FINANCING ACTIVITIES

Loans Receivable

At June 30, 2020 and 2019, there were 1,047 and 999, respectively, loans receivable from the Community Loan Fund's borrowers. As of June 30, 2020, the balances due on these loans varied in amounts from \$100 to \$6,050,720, and in terms from five months to thirty-eight years. The Community Loan Fund lends in New Hampshire, and loan products vary by type and presence of collateral, risk level, loan size, degree of mission match, and presence of designated subsidized funding sources. As a result, interest rates on loans receivable at June 30, 2020 and 2019, ranged from 0% to 12% (two business loans). The overall weighted average interest rate on the portfolio of loans receivable was 6.58% and 6.99% as of June 30, 2020 and 2019, respectively. Loans are primarily secured by first or second mortgage liens on real estate for affordable housing and community services loans, and business assets for business finance loans. These notes are issued in connection with the programs described in Note 1.

Loans receivable in each lending area are as follows as of June 30:

	<u>2020</u>			<u>2019</u>		
Affordable Housing:						
ROC-NH	110	\$ 89,779,492	62.3%	119	\$ 74,458,551	60.2%
Welcome Home Loans	719	35,674,446	24.8	695	33,667,084	27.2
Multi-Family Housing	13	6,822,790	4.7	12	3,222,406	2.6
Other Single Family Housing	<u>148</u>	<u>623,496</u>	<u>0.4</u>	<u>118</u>	<u>533,943</u>	<u>0.4</u>
Sub-total	<u>990</u>	<u>132,900,224</u>	<u>92.2</u>	<u>944</u>	<u>111,881,984</u>	<u>90.4</u>
Community Services:						
Nonprofits	8	3,126,015	2.1	5	3,463,401	2.8
Child Care Initiative	<u>10</u>	<u>1,544,596</u>	<u>1.1</u>	<u>7</u>	<u>1,368,429</u>	<u>1.1</u>
Sub-total	<u>18</u>	<u>4,670,611</u>	<u>3.2</u>	<u>12</u>	<u>4,831,830</u>	<u>3.9</u>
Business Finance:						
Vested for Growth	7	1,485,830	1.0	7	1,750,813	1.4
Business Builder	32	5,064,692	3.6	34	5,316,830	4.3
MicroCredit-NH	<u>-</u>	<u>-</u>	<u>-</u>	<u>2</u>	<u>1,721</u>	<u>-</u>
Sub-total	<u>39</u>	<u>6,550,522</u>	<u>4.6</u>	<u>43</u>	<u>7,069,364</u>	<u>5.7</u>
Total	<u>1,047</u>	<u>\$ 144,121,357</u>	<u>100.0%</u>	<u>999</u>	<u>\$ 123,783,178</u>	<u>100.0%</u>

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2020 and 2019

5. LOANS RECEIVABLE AND OTHER FINANCING ACTIVITIES (Continued)

Loans Receivable (Continued)

Loans receivable are presented net of third-party loan participations of \$8,532,395 and \$8,534,254 as of June 30, 2020 and 2019, respectively. All loan participations qualify as loan sales in accordance with ASC Topic, *Transfers and Servicing*.

The ability of borrowers to repay the loans could be adversely affected by extensive job losses, dramatic increases in rental vacancies within the borrowers' geographic areas, or other adverse economic conditions.

The Community Loan Fund's financing policy requires that no single loan exceed 7% of total financing capital. As of June 30, 2020 and 2019, there were no loans that exceeded this threshold.

Principal payments of the loans scheduled for receipt are as follows:

	<u>2020</u>	<u>2019</u>
Amounts due in:		
Within one year	\$ 2,509,710	\$ 2,611,836
One to five years	18,948,576	20,126,531
More than five years	<u>122,663,071</u>	<u>101,044,811</u>
	144,121,357	123,783,178
Less - deferred loan fees	(466,492)	-
Less - allowance for loan losses (see Note 6)	<u>(2,933,443)</u>	<u>(2,403,445)</u>
	140,721,422	121,379,733
Net loans receivable	140,721,422	121,379,733
Less - current portion	<u>(2,457,878)</u>	<u>(2,611,836)</u>
	\$ 138,263,544	\$ 118,767,897
Long-term portion	<u>\$ 138,263,544</u>	<u>\$ 118,767,897</u>

Commitments to Lend

In addition to funded loans receivable, the Community Loan Fund had loan commitments to borrowers totaling \$8,939,401 and \$28,278,114 at June 30, 2020 and 2019, respectively. Loan commitments represent arrangements to lend funds at specified terms and interest rates and contain fixed expiration dates or other termination clauses.

6. ALLOWANCE FOR LOAN LOSSES

The Community Loan Fund follows the *Disclosure About the Credit Quality of Financing Receivables and the Allowance for Credit Losses* standard under U.S. GAAP. This standard requires disclosure on the accounting policies and methodology used to estimate the allowance for loan losses. The total allowance for loan losses (ALL) at June 30, 2020 and 2019, was \$2,933,443 and \$2,403,445, respectively, representing 2.0% and 1.9%, respectively, of loans receivable at the end of each year.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2020 and 2019

6. ALLOWANCE FOR LOAN LOSSES (Continued)

The ALL is estimated based on a system adopted by the Board of Directors, and the amount is determined by an individually assigned risk rating for each loan. The balance in the ALL is determined based on management's judgment and evaluation of the loan portfolio in relation to past loss experience, the size and composition of the portfolio, current economic events and conditions, and other pertinent factors, including management's assumptions as to future delinquencies, recoveries and losses. All of these factors are susceptible to significant change. During fiscal year 2020, the Community Loan Fund adjusted its assessment of these factors due to uncertainty from the ongoing COVID-19 pandemic (see Note 14) which resulted in an additional \$342,311 of provision for loan losses. To the extent actual outcomes differ from management's estimates, additional provisions for loan losses may be required that would adversely impact earnings in future periods.

The balance in the ALL, which has been allocated to the long-term portion of the loan portfolio in the accompanying financial statements, consists of the following at June 30:

<u>Loan Category</u>	<u>ALL June 30, 2019</u>	<u>Net Charge-offs of Loans in ALL at June 30, 2019</u>	<u>Net Provision (Recovery)</u>	<u>ALL June 30, 2020</u>
Affordable Housing:				
ROC-NH	\$ 852,053	\$ (489)	\$ 161,197	\$ 1,012,761
Welcome Home Loans	534,215	(24,912)	52,028	561,331
Other Single Family Housing	15,113	-	11,785	26,898
Multi-Family Housing	<u>33,834</u>	<u>-</u>	<u>58,986</u>	<u>92,820</u>
Sub-total, Affordable Housing Loans	<u>1,435,215</u>	<u>(25,401)</u>	<u>283,996</u>	<u>1,693,810</u>
Community Services:				
Nonprofits	38,096	(11,410)	220,904	247,590
Child Care Initiative	<u>52,105</u>	<u>-</u>	<u>7,633</u>	<u>59,738</u>
Sub-total, Community Services Loans	<u>90,201</u>	<u>(11,410)</u>	<u>228,537</u>	<u>307,328</u>
Business Finance:				
Vested for Growth	358,291	-	(113,904)	244,387
Business Builder	519,565	-	168,353	687,918
MicroCredit-NH	<u>173</u>	<u>-</u>	<u>(173)</u>	<u>-</u>
Sub-total, Business Finance Loans	<u>878,029</u>	<u>-</u>	<u>54,276</u>	<u>932,305</u>
Grand total	<u>\$ 2,403,445</u>	<u>\$ (36,811)</u>	<u>\$ 566,809</u>	<u>\$ 2,933,443</u>

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2020 and 2019

6. ALLOWANCE FOR LOAN LOSSES (Continued)

<u>Loan Category</u>	<u>ALL June 30, 2018</u>	<u>Net Charge-offs of Loans in ALL at June 30, 2018</u>	<u>Net Provision (Recovery)</u>	<u>ALL June 30, 2019</u>
Affordable Housing:				
ROC-NH	\$ 659,823	\$ -	\$ 192,230	\$ 852,053
Welcome Home Loans	525,671	(27,848)	36,392	534,215
Other Single Family Housing	10,985	-	4,128	15,113
Multi-Family Housing	<u>11,767</u>	<u>-</u>	<u>22,067</u>	<u>33,834</u>
Sub-total, Affordable Housing Loans	<u>1,208,246</u>	<u>(27,848)</u>	<u>254,817</u>	<u>1,435,215</u>
Community Services:				
Nonprofits	20,056	-	18,040	38,096
Child Care Initiative	<u>14,359</u>	<u>-</u>	<u>37,746</u>	<u>52,105</u>
Sub-total, Community Services Loans	<u>34,415</u>	<u>-</u>	<u>55,786</u>	<u>90,201</u>
Business Finance:				
Vested for Growth	116,873	-	241,418	358,291
Business Builder	624,379	-	(104,814)	519,565
MicroCredit-NH	<u>275</u>	<u>-</u>	<u>(102)</u>	<u>173</u>
Sub-total, Business Finance Loans	<u>741,527</u>	<u>-</u>	<u>136,502</u>	<u>878,029</u>
Grand total	<u>\$ 1,984,188</u>	<u>\$ (27,848)</u>	<u>\$ 447,105</u>	<u>\$ 2,403,445</u>

Net loan loss provision (recovery), as reported in the accompanying statements of activities and changes in net assets, is as follows for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Allowance for loan losses:		
Provisions	\$ 680,886	\$ 533,981
Direct charge-offs not previously reserved	256,820	101,144
Actual recoveries from loans previously charged-off	(14,488)	(71,601)
Valuation recovery from loans previously reserved	<u>(114,077)</u>	<u>(86,876)</u>
Net loan loss provision	<u>\$ 809,141</u>	<u>\$ 476,648</u>

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2020 and 2019

6. ALLOWANCE FOR LOAN LOSSES (Continued)

Direct loan charge-offs, net of recoveries, are as follows for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Direct charge-offs	\$ 293,631	\$ 128,992
Recoveries	<u>(14,488)</u>	<u>(71,601)</u>
Net direct loan charge-offs	<u>\$ 279,143</u>	<u>\$ 57,391</u>

Delinquencies and Non-Accrual Loans

Delinquencies and non-accrual loans are as follows for the years ended June 30:

	<u>2020</u>	<u>2019</u>
61 - 90 days	\$ 97,696	\$ 264,417
Greater than 90 days	<u>802,428</u>	<u>433,389</u>
Total past due	900,124	697,806
Current	<u>143,221,233</u>	<u>123,085,372</u>
	<u>\$ 144,121,357</u>	<u>\$ 123,783,178</u>

As of June 30, 2020 and 2019, the Community Loan Fund had 30 and 24 loans on non-accrual status with outstanding principal of \$2,746,673 and \$1,990,661, respectively.

Impaired Loans

The Community Loan Fund identifies a loan as impaired when it is probable that interest and/or principal will not be collected according to the contractual terms of the loan agreement. In accordance with guidance provided by the criteria under ASC Topic, *Impairment (Recoverability)*, management employs one of three methods to determine and measure impairment: the Present Value of Future Cash Flow Method; the Fair Value of Collateral Method; and the Observable Market Price of a Loan Method. To perform an impairment analysis, the Community Loan Fund reviews a loan's internally assigned risk rating, its outstanding balance, value of the collateral, guarantors, and a current report of the action being implemented. Based on the nature of the specific loan, one of the impairment methods is chosen or any impairment is determined, based on criteria established for impaired loans.

Impaired loans as of June 30, 2020 and 2019, are set forth in the tables below.

<u>Loan Category</u>	<u>Number of Impaired Loans</u>	<u>2020 Amount of Impaired Loans</u>	<u>Allowance for Loan Losses</u>
Affordable Housing:			
Welcome Home Loans	30	\$ 1,487,344	\$ 223,102
Other Single Family Housing	4	10,353	1,553
Sub-total	<u>34</u>	<u>1,497,697</u>	<u>224,655</u>
Business Finance:			
Business Builder	2	498,249	249,124
Vested for Growth	1	217,310	108,655
Sub-total	<u>3</u>	<u>715,559</u>	<u>357,779</u>
Community Services:			
Nonprofits	1	540,000	186,964
Child Care	1	251,726	37,759
Sub-total	<u>2</u>	<u>791,726</u>	<u>224,723</u>
Total impaired loans	<u>39</u>	<u>\$ 3,004,982</u>	<u>\$ 807,157</u>

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2020 and 2019

6. ALLOWANCE FOR LOAN LOSSES (Continued)

Impaired Loans (Continued)

<u>Loan Category</u>	2019		
	<u>Number of Impaired Loans</u>	<u>Amount of Impaired Loans</u>	<u>Allowance for Loan Losses</u>
Affordable Housing:			
Welcome Home Loans	28	\$ 1,531,200	\$ 229,680
Other Single Family Housing	<u>1</u>	<u>1,803</u>	<u>270</u>
Sub-total	<u>29</u>	<u>1,533,003</u>	<u>229,950</u>
Business Finance:			
Business Builder	1	293,537	61,342
Vested for Growth	<u>2</u>	<u>440,516</u>	<u>220,258</u>
Sub-total	<u>3</u>	<u>734,053</u>	<u>281,600</u>
Community Services:			
Child Care	<u>1</u>	<u>250,000</u>	<u>37,500</u>
Total impaired loans	<u>33</u>	<u>\$ 2,517,056</u>	<u>\$ 549,050</u>

Troubled Debt Restructuring

A troubled debt restructuring (TDR) occurs when a creditor, for economic or legal reasons related to a borrower's financial condition, grants a concession to the borrower that it would not otherwise consider, such as below-market interest rates, principal reductions extending the maturity of a loan, or a combination of these. As is common in the CDFI industry, the Community Loan Fund makes loan amendments in the normal course of business to extend the loan term when the take-out financing is delayed or under other similar circumstances. If the Community Loan Fund determines that the amendment is not due to the financial difficulties of the borrower and continues to expect full repayment of the loan, the amendment is not classified as a TDR.

At the time a loan is modified in a TDR, the Community Loan Fund considers several factors in determining whether the loan should accrue interest, including:

- Cash flow necessary to pay the interest.
- Whether the customer is current on their interest payments.
- Whether the Community Loan Fund expects the borrower to perform under the revised terms of the restructuring.

Loans that were impaired and classified as TDRs are set forth in the tables below as of June 30:

<u>2020 Troubled Debt Restructuring</u>	<u>Number of Loans Restructured</u>	<u>Amount of Restructured Loans</u>	<u>Allowance for Loan Losses</u>
Extension resulting from financial difficulty	7	<u>\$ 987,726</u>	<u>\$ 354,961</u>
<u>2019 Troubled Debt Restructuring</u>	<u>Number of Loans Restructured</u>	<u>Amount of Restructured Loans</u>	<u>Allowance for Loan Losses</u>
Extension resulting from financial difficulty	6	<u>\$ 456,478</u>	<u>\$ 85,783</u>

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2020 and 2019

7. PROGRAM-RELATED DEVELOPMENT INVESTMENT

The Community Loan Fund holds a program-related development investment in ROC USA, LLC (ROC USA). ROC USA was formed in December 2007 as a nonprofit limited liability corporation. Its mission is to make quality ownership of manufactured home communities viable nationwide. ROC USA provides technical assistance and loans to people living in manufactured home communities, in order to assist them with the purchase of their communities, so that they will be resident owned.

The Community Loan Fund is one of three nonprofit organizations to originally invest in ROC USA. In the original Operating Agreement of ROC USA dated September 2008, all three nonprofit organizations committed to an original investment of \$500,000, and each had equal capital interests and voting interests in ROC USA of 33 1/3%.

In January 2013, the three original members unanimously approved an amendment to the Operating Agreement to add a new voting member, ROC Association. The ROC Association represents all resident-owned manufactured home communities assisted by ROC USA across the nation. As a result of the amendment, the membership interests were specifically changed as follows:

- ROC Association was not required to make a contribution to ROC USA. It has no capital interest but its voting interest is equal to 28.57%.
- The capital interests of the Community Loan Fund and the other two original members remain unchanged at 33 1/3% of ROC USA, but the voting interests changed to 23.81% each.

In 2019, the Community Loan Fund and the other two original nonprofit members each invested an additional \$750,000 in ROC USA as part of a new round of equity funding, bringing the total member capital contributions up from \$500,000 each to \$1,250,000 each.

The balance of the Community Loan Fund's investment in ROC USA was \$3,084,460 and \$2,942,040 as of June 30, 2020 and 2019, respectively. The balance is based on the application of the equity method (see Note 2) modified for a hypothetical liquidation analysis. For the years ended June 30, 2020 and 2019, the Community Loan Fund's share of income (loss) was \$204,920 and \$(36,232), respectively, including the effects of the hypothetical liquidation analysis.

The balance of the Community Loan Fund's investment in ROC USA is calculated as follows as of June 30:

	<u>2020</u>	<u>2019</u>
Total net assets without restrictions of ROC USA	\$ 11,215,267	\$ 9,597,997
Member capital percentage	33.33%	33.33%
Equity valuation	3,738,048	3,199,012
Less - hypothetical liquidation allowance	<u>(653,588)</u>	<u>(256,972)</u>
Net carrying value	<u>\$ 3,084,460</u>	<u>\$ 2,942,040</u>

In accordance with the disclosure standards pertaining to ASC Topic, *Investment – Equity Method and Joint Ventures*, the following summarized financial information related to ROC USA is provided:

<u>Fiscal Year Ending</u>	<u>Total Assets</u>	<u>Total Liabilities</u>	<u>Total Net Assets</u>	<u>Total Revenue</u>	<u>Total Expenses</u>
12/31/2019	\$ 123,751,390	\$ 109,657,996	\$ 14,093,394	\$ 3,199,467	\$ 3,375,253
12/31/2018	\$ 87,459,246	\$ 75,312,462	\$ 12,146,784	\$ 2,492,830	\$ 2,717,310

In December 2019 and March 2019, the Community Loan Fund provided ROC USA loans of \$4,000,000 and \$3,000,000, respectively, with interest rates of 5%. The balance of each loan was repaid May 2020 and April 2019, respectively.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2020 and 2019

8. EQUITY INVESTMENTS

Equity investments (see Note 2), including warrants consist of investments made by the Community Loan Fund in privately held corporations. Through its Vested for Growth program, the Community Loan Fund provides capital investments to businesses that are committed to long-term growth strategies based on employee involvement and quality. Equity financing involves the Community Loan Fund taking a percentage of ownership in the investee. This may take the form of common or preferred stock, convertible notes, the ability to purchase stock with options or warrants, or in the case of limited liability companies, ownership units. Vested for Growth staff closely monitor each investee's financial condition, often sitting on the investee's Board of Directors as an observer. Warrants obtained through the loan portfolio have no identified cost and are valued at fair value through appreciation, if applicable.

The Community Loan Fund's equity investments are reported at fair value using Level 3 inputs and are invested in the following business sectors at June 30:

<u>Business Sector</u>	<u>2020</u>		<u>2019</u>	
	<u>Number of Investees</u>	<u>Investment Amount</u>	<u>Number of Investees</u>	<u>Investment Amount</u>
Information technology	1	\$ 898,816	2	\$ 957,556
Farm and Food	2	200,000	1	150,000
Manufacturing	-	-	<u>1</u>	<u>15,366</u>
Total as of June 30	<u>3</u>	<u>\$ 1,098,816</u>	<u>4</u>	<u>\$ 1,122,922</u>

A reconciliation of Level 3 investments for the years ended June 30, 2020 and 2019, is as follows:

	<u>Equity Investments</u>	
	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 1,122,922	\$ 703,028
Purchases	50,000	175,000
Net unrealized gain (loss)	<u>(74,106)</u>	<u>244,894</u>
Balance, end of year	<u>\$ 1,098,816</u>	<u>\$ 1,122,922</u>

9. PROPERTY AND EQUIPMENT

Property and equipment, which consist primarily of the Community Loan Fund's headquarters (see Note 2), consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Land	\$ 321,461	\$ 321,461
Buildings and improvements	4,910,812	4,853,713
Office furniture and equipment	<u>735,325</u>	<u>678,249</u>
	5,967,598	5,853,423
Less - accumulated depreciation	<u>1,981,335</u>	<u>1,892,622</u>
	<u>\$ 3,986,263</u>	<u>\$ 3,960,801</u>

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2020 and 2019

10. AVAILABLE CREDIT

The Community Loan Fund procures secured and unsecured lines of credit to meet liquidity needs in the course of fulfilling its mission.

Secured Lines of Credit

The Community Loan Fund has available two secured hard-maturity lines of credit:

The first is a \$7,500,000 hard-maturity line of credit from a financial institution, which is secured by the Community Loan Fund's investment portfolio of U.S. government securities (see Note 3). The line of credit was originally established in June 2002 and had a maturity date of July 31, 2020. Subsequent to June 30, 2020, this line of credit was extended to July 31, 2021. The amount available shall not exceed 85% of the market value of the government bonds collateralizing the loan. On June 30, 2020 and 2019, the market value of the bonds was \$8,037,500 and \$12,455,688, respectively, which is comprised of the gross fair value of \$8,035,877 and \$12,509,096, respectively, less unamortized discounts on bond purchases of \$(1,623) and \$53,408, respectively. Therefore, \$6,831,875 and \$7,500,000 was available to be drawn as of June 30, 2020 and 2019, respectively. Advances bear interest at the *Wall Street Journal's* prime rate (3.25% and 5.5% at June 30, 2020 and 2019, respectively). As of June 30, 2020 and 2019, there was no outstanding balance.

The second is a \$1,392,000 hard-maturity line of credit from a financial institution, which is secured by first mortgages on three office buildings owned and operated by the Community Loan Fund (see Note 9). The line of credit was originally established in February 2000 and had a maturity date of July 31, 2020. Subsequent to June 30, 2020, this line of credit was extended to July 31, 2021. Advances bear interest at the *Wall Street Journal's* prime rate (see above). As of June 30, 2020 and 2019, there was no outstanding balance.

Unsecured Lines of Credit

The Community Loan Fund also has available three unsecured lines of credit:

The first is an unsecured revolving line of credit from a financial institution. The line of credit was originally established in June 2014 with available borrowing of \$2,000,000. During fiscal year 2020, this line of credit was increased to \$4,000,000. The maturity date is January 29, 2021, and advances bear interest at the *Wall Street Journal's* prime rate (see above). As of June 30, 2020 and 2019, there was no outstanding balance.

The second is a \$2,000,000 unsecured revolving line of credit from a financial institution. The line of credit was originally established in February 2014 and has a maturity date of February 7, 2022. Advances bear interest at the *Wall Street Journal's* prime rate (see above). As of June 30, 2020 and 2019, there was no outstanding balance.

The third is a \$250,000 unsecured revolving line of credit from a foundation. The line was originally established in March 2007 and has a maturity date of May 31, 2022. Advances bear interest at 5%. As of June 30, 2020 and 2019, there was no outstanding balance.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2020 and 2019

11. LOANS PAYABLE

Notes Payable to Investors

At June 30, 2020 and 2019, there were 1,168 and 1,167 notes payable for financing activities ranging in outstanding balances of \$1,000 up to \$7,500,000 and totaling \$128,260,047 and \$121,642,941, respectively. Loans payable consist of loans from individuals, religious institutions, nonprofit organizations, banks, and other organizations who have chosen to invest in the Community Loan Fund as a way to benefit the community - that is, they are interested in the social impact, as well as the financial return. Many also see this as a way to increase their financial commitment to the Community Loan Fund's mission, above and beyond what they can contribute as an outright contribution.

The Community Loan Fund actively pursues these investments, not only for the capital they bring to the Community Loan Fund, but because the investments in and of themselves serve the Community Loan Fund's mission by connecting those with financial resources to those without. Loans, which are generally non-amortizing, currently vary in length from one year to fifteen years, with interest rates from 0% to 5%, and are unsecured. Historically, over 80% of the number of loans that mature have been renewed. Accrued interest payable on loans payable was \$1,384,053 and \$1,185,390 as of June 30, 2020 and 2019, respectively.

The proceeds of the loans are restricted for the purposes of mission-related financing activities.

Principal payments on loans payable are scheduled to mature as follows:

<u>Year Ending June 30</u>	
2021	\$ 12,230,974
2022	15,450,452
2023	16,216,184
2024	16,495,427
2025	12,091,949
Thereafter	<u>56,597,135</u>
	<u>\$ 129,082,122</u>

At June 30, 2020, there was \$3,000,000 of new investor commitments not yet funded.

Paycheck Protection Program Loan

Also included in the loans payable described above, the Community Loan Fund was granted a loan from a financial institution for \$822,075 pursuant to the Paycheck Protection Program (PPP) established as part of the 2020 Coronavirus Aid, Relief and Economic Security Act (CARES Act).

The PPP loan, which was in the form of a note dated April 30, 2020, matures on April 30, 2022, and bears interest at a rate of 1.00% per annum. Principal payments are deferred until August 30, 2021, at which point principal payments will be due equally over the remaining nine-month period, unless forgiven. Funds from the loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. The Community Loan Fund intends to use the entire PPP loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2020 and 2019

11. LOANS PAYABLE (Continued)

Non-Recourse Participation in Loans Receivable

The Community Loan Fund has entered into agreements pursuant to which third parties purchased interests in certain notes receivable (see Note 5). Terms of borrowings under these agreements coincide with those specified within the individual note receivable agreements made with the Community Loan Fund's borrowers with the exception of the interest rate paid to the participant, as the interest rate is less than the rate charged to the borrower. Borrowings mature in conjunction with the underlying notes receivable (see Note 5) and mature at various dates through fiscal year 2033. These participation notes payable are secured only by the participants' interest in the related note receivable and are non-recourse to the Community Loan Fund.

12. SUBORDINATED LOANS PAYABLE – EQUITY EQUIVALENT INVESTMENTS

Subordinated loans payable consists of "Equity Equivalents" (EQ2) notes payable to financial institutions. EQ2 notes payable are unsecured and are fully subordinate to loans payable and all other Community Loan Fund liabilities. The financial institutions making these EQ2 investments see this as an effective and efficient way both to strengthen the local economy and to meet community reinvestment obligations. As of June 30, 2020 and 2019, there were twenty EQ2 notes payable totaling \$8,600,000 with interest rates ranging from 2% to 3%. Accrued interest at June 30, 2020 and 2019, was \$118,656 and \$117,942, respectively.

EQ2 notes payable generally have rolling terms and indeterminate maturities and may only be called by the investor with significant advance notice. Termination notices are in effect on two EQ2 investments that terminate in August 2029 (\$800,000) and December 2027 (\$1,000,000), respectively (see below).

One \$500,000 EQ2 note payable has a ten-year term with a maturity date in February 2024. The maturity date automatically extends for an additional two years to February 2027, unless the Community Loan Fund opts out of the extension.

As of June 30, 2020 and 2019, EQ2s are summarized as follows:

<u>Category of EQ2</u>	<u>Number of EQ2 Notes</u>	<u>Amount of EQ2 Notes</u>
Rolling terms with indefinite maturities	17	\$ 6,300,000
Termination notices issued	2	1,800,000
Maturity date issued at origination	<u>1</u>	<u>500,000</u>
Total	<u>20</u>	<u>\$ 8,600,000</u>

13. CHARITABLE GIFT ANNUITIES PAYABLE

The Community Loan Fund receives contributions from donors who stipulate that the Community Loan Fund is to make annuity payments for life to an annuitant designated by the donor, with the remaining principal reverting to the Community Loan Fund after the death of the annuitant. The Community Loan Fund invests these charitable contributions in cash and marketable securities based upon investment regulations of the State of New Hampshire. The present value of the principal portion of estimated future annuity payments is recorded as a liability of the Community Loan Fund and the excess of the contribution over the present value is recorded as public support at the time of receipt. At June 30, 2020 and 2019, the present value of commitments to two annuitants totaled \$26,688 and \$26,907, respectively, and is included in accounts payable and accrued expenses in the accompanying statements of financial position.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2020 and 2019

14. CONTINGENCIES AND CONCENTRATION

Individual Development Accounts Collaborative

The Individual Development Accounts Collaborative (IDA) is administered by the Community Loan Fund through community organizations to offer people with low incomes financial training and matched-savings accounts to help them save for homeownership, post-secondary education, small-business investment, home repairs or vehicle purchase. Each dollar of savings by participants is matched with eight dollars using funds raised by the Community Loan Fund for this purpose.

As of June 30, 2020, the Community Loan Fund had a total of 1,090 IDA graduates. Each completed all training and savings requirements and purchased an approved asset. A total of 16 individuals are actively enrolled in the IDA program. If all of these individuals graduate from the program with the maximum allowed amount of matchable personal savings, it would result in an obligation to pay \$64,000 in matching funds. To meet these obligations in subsequent years, there is \$190,779 in IDA matching funds raised in previous years and set aside at June 30, 2020, in net assets with donor restrictions and conditional advances (see Note 2).

CDFI Awards Under the Capital Magnet Program

The Community Loan Fund received three rounds of Capital Magnet Fund (CMF) awards from the Treasury (see Note 1) as follows:

<u>Fiscal Year</u>	<u>Total Award</u>	<u>Use of Proceeds</u>		
		<u>Qualified Loans</u>	<u>Pass-Through Grants to Homeowners</u>	<u>Direct Administrative Expenses (5%)</u>
2011	\$ 3,700,000	\$ 3,058,176	\$ 456,824	\$ 185,000
2017	\$ 1,502,163	\$ 1,427,055	\$ -	\$ 75,108
2019	\$ 1,500,000	\$ 1,425,000	\$ -	\$ 75,000

CMF funds are treated as time restricted net assets during the initial five-year investment period applicable to each award, and they are released from net assets with donor restrictions after the five-year investment period ends (see Note 2).

Under the terms of the CMF agreements, the funded projects must comply with various affordability requirements for a period of ten years after the project completion date. For the 2011 CMF award, the ten-year affordability period ends in 2026. For the 2017 and 2019 CMF awards, the affordability period end-date will be established after funds have been fully deployed to qualified loans and the last project is completed. The Community Loan Fund expects the underlying transactions executed to comply with the grant's requirements and affordability restrictions for the duration of the compliance period. If a transaction involving funds previously released were to fall out of compliance, the Community Loan Fund would be required to replace the transaction and possibly the previously released funds with another qualifying expense or loan.

COVID-19

In March 2020, the COVID-19 coronavirus (COVID-19) pandemic emerged in the United States triggering widespread government mandated and voluntary business closures, which in turn have led to substantial interruptions in financial markets, employment and the economy as a whole. Though the potential financial effects cannot be reasonably estimated at this time, these circumstances may have adverse effects on the Community Loan Fund, its operations and future financial statements.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2020 and 2019

14. CONTINGENCIES AND CONCENTRATION (Continued)

COVID-19 (Continued)

Management of the Community Loan Fund is monitoring these events closely to assess the financial impact of the situation and determine appropriate courses of action. As of the date of this report, the Community Loan Fund is unable to accurately predict how COVID-19 will affect the results of its operations because the disease's severity and the duration of the outbreak are uncertain.

Management has applied for and was awarded a PPP loan (see Note 11).

15. RETIREMENT PLAN

The Community Loan Fund maintains a Section 401(k) retirement plan allowing employees to elect to defer compensation up to the maximum allowed under IRC regulations. Employees with a minimum of six months of employment receive a safe harbor contribution benefit in the first quarter of the calendar year. That benefit was calculated at 3% of eligible compensation for the fiscal year. For the years ended June 30, 2020 and 2019, the Community Loan Fund had \$112,896 and \$104,851, respectively, of retirement benefits expense, which is included in benefits in the accompanying statements of functional expenses.

16. RELATED PARTY TRANSACTIONS

The Community Loan Fund's by-laws require the Board of Directors to include representatives of borrower organizations and investors among its membership. All transaction decisions follow standard policies and procedures including those covering conflict of interest.

One former member of the Board of Directors is employed by a nonprofit organization that has an outstanding loan from the Community Loan Fund totaling \$617,613.

Two members of the Board of Directors have provided investments or have family members who have provided investments totaling \$372,836 to the Community Loan Fund as of June 30, 2020. Thirteen employees have provided investments or have family members who have provided investments totaling \$405,347 to the Community Loan Fund as of June 30, 2020.

Board members and staff are typically donors to the Community Loan Fund. Donations and investments are accepted from employees, from individual Board members, or from organizations with which current and former employees and Board members are employed or associated. The transactions are part of the Community Loan Fund's normal course of business.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2020 and 2019

17. LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

Financial assets available for general operating use, that is, without donor or other restrictions limiting their use (see Note 2), within one year of the statements of financial position date, comprise the following for fiscal year ended June 30:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 13,276,519	\$ 18,170,418
Investments	8,087,585	12,561,035
Grants, contracts and other receivables	498,423	676,574
Current portion of pledges receivable	50,000	162,000
Current portion of loans receivable	2,509,710	2,611,836
Accrued interest receivable	<u>586,523</u>	<u>706,913</u>
	25,008,760	34,888,776
Less - investments in equity mutual funds which are not readily salable (see Note 3)	(51,708)	(51,939)
Less - purpose restricted in net assets with donor restrictions	<u>(168,352)</u>	<u>(169,336)</u>
	<u>\$ 24,788,700</u>	<u>\$ 34,667,501</u>

The Community Loan Fund's investment and cash management objectives are to carry out the Community Loan Fund's mission. Effective investment and cash management enhances the Community Loan Fund's capacity to increase access to capital for the benefit of low- and moderate-income people. Also, the Community Loan Fund seeks to manage capital judiciously. The Community Loan Fund is committed to repaying in full all investors and to preserving its capital for use in fulfilling its mission.

As part of its internal cash management policies, the Community Loan Fund aims to maintain operating liquidity balances of at least three months of operating expenses. Cash exceeding short-term requirements is invested in various marketable securities, mainly Treasury and government agency instruments (see Note 3) following the parameters of a Board-approved Investment Policy. In managing its investment portfolio, the Community Loan Fund aims to minimize risk to principal and ensure compliance with all investor covenants.

The Community Loan Fund's Asset-Liability Committee (ALCO) is comprised of Senior Management. The ALCO regularly monitors the availability of resources required to manage liquidity, using a variety of reports and practices to manage asset-liability matching and to identify liquidity concerns, including a rolling six-month cash-forecasting model; a portfolio management report showing fund availability after required reserves and commitments; an eighteen-month investor maturity forecast reporting status of each followed by active engagement of investors; five-year projections showing financing activity with detailed deployment and capital assumptions; and other financial reports and scorecards showing indicators and ratios.

To ensure sufficient funding is available to support investor repayments, as part of a Board-approved Investor Policy, the Community Loan Fund maintains an internal liquidity reserve of at least 10% of its total outstanding senior-debt investments. This reserve may be reduced by the amount of the Community Loan Fund's available lines of credit (unsecured or real-estate backed) (see Note 10) that can be readily accessed for capital liquidity purposes.

In its Board-approved Investor Policy, the Community Loan Fund has established a maximum investment amount that can come due at any time from one investor. This amount, currently at \$3,000,000, has been set by the ALCO and may be changed from time to time by the ALCO. The Policy does not prevent an investor from investing more than this amount. The investment would need to be divided between more than one maturity date, each at least one year apart, with no one maturity exceeding the maximum amount.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2020 and 2019

17. LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES (Continued)

To supplement liquidity for mission-related financing, the Community Loan Fund currently has five committed lines of credit from four different entities which it could draw upon, in the aggregate amount of \$14,473,875 and \$13,142,000 as of June 30, 2020 and 2019, respectively (see Note 10).

Another key source of liquidity includes loan sales, and participation and co-lending strategies:

- **Loan Sales:** The Community Loan Fund aims to leverage its assets and recycle capital by selling loans or pools of seasoned loans from our portfolio. The single-family mortgage portfolio of Welcome Home loans was designed in collaboration with local financial institutions that had interest in buying packaged, seasoned loans as part of the original Welcome Home loan recapitalization plan. To date, the Community Loan Fund has sold three separate \$500,000 pools of seasoned Welcome Home loans to local banks. The most recent loan pool sale was in 2016, and the loans were sold at a premium.
- **Participation Strategies:** When considering large loans, especially those that are more than single loan size policies, the Community Loan Fund actively engages other organizations and individual investors in a variety of co-lending arrangements.
- **Co-Investor Strategies:** At origination, or for follow on financing, in both the Business Financing and ROC-NH product lines, the Community Loan Fund has engaged co-investors to invest directly in businesses and ROCs. These investors are available to take over some of the financing share either directly or as participants, if liquidity is needed.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Supplemental Statement of Financial Position

June 30, 2020

(With Comparative Totals as of June 30, 2019)

Assets	2020			Total	2019 Total
	Program Activities	Financing Activities	Eliminations		
Current Assets:					
Cash and cash equivalents	\$ 1,272,469	\$ 12,004,050	\$ -	\$ 13,276,519	\$ 18,170,418
Cash and cash equivalents - pass-through	249,539	-	-	249,539	315,134
Marketable securities	-	8,087,585	-	8,087,585	12,561,035
Grants, contracts and other receivables	26,190	472,233	-	498,423	676,574
Current portion of pledges receivable	-	50,000	-	50,000	162,000
Interfund accounts receivable	1,624,379	-	(1,624,379)	-	-
Current portion of loans receivable	-	2,457,878	-	2,457,878	2,611,836
Current portion of interfund loans receivable	-	190,611	(190,611)	-	-
Accrued interest receivable, net allowance for losses of \$133,956 at June 30, 2020	-	586,523	-	586,523	706,913
Property held for sale	-	115,606	-	115,606	339,075
Prepaid expenses and other	58,494	70,200	-	128,694	144,322
Total current assets	<u>3,231,071</u>	<u>24,034,686</u>	<u>(1,814,990)</u>	<u>25,450,767</u>	<u>35,687,307</u>
Loans Receivable, net of current portion and allowance for loan losses of \$2,933,443	-	138,263,544	-	138,263,544	118,767,897
Pledges Receivable, net of current portion	-	-	-	-	50,000
Interfund Loans Receivable, net of current portion	-	2,287,338	(2,287,338)	-	-
Program-Related Development Investment, net	-	3,084,460	-	3,084,460	2,942,040
Equity Investments	-	1,098,816	-	1,098,816	1,122,922
Property and Equipment, net	<u>3,986,263</u>	<u>-</u>	<u>-</u>	<u>3,986,263</u>	<u>3,960,801</u>
Total assets	<u>\$ 7,217,334</u>	<u>\$ 168,768,844</u>	<u>\$ (4,102,328)</u>	<u>\$ 171,883,850</u>	<u>\$ 162,530,967</u>
Liabilities and Net Assets					
Current Liabilities:					
Current portion of loans payable	\$ -	\$ 12,230,974	\$ -	\$ 12,230,974	\$ 13,318,801
Accounts payable and accrued expenses	404,852	31,016	-	435,868	425,371
Accrued interest payable	698	1,502,011	-	1,502,709	1,303,332
Conditional advances	163,528	142,953	-	306,481	245,125
Interfund accounts payable	70,343	1,554,036	(1,624,379)	-	-
Current portion of interfund loans payable	190,611	-	(190,611)	-	-
Total current liabilities	<u>830,032</u>	<u>15,460,990</u>	<u>(1,814,990)</u>	<u>14,476,032</u>	<u>15,292,629</u>
Long-Term Liabilities:					
Loans payable, net of current portion	822,075	116,029,073	-	116,851,148	108,324,140
Non-recourse participation in loans receivable	-	636,002	-	636,002	-
Interfund loans payable, net of current portion	2,287,338	-	(2,287,338)	-	-
Subordinated loans payable - equity equivalent investments	-	8,600,000	-	8,600,000	8,600,000
Total liabilities	<u>3,939,445</u>	<u>140,726,065</u>	<u>(4,102,328)</u>	<u>140,563,182</u>	<u>132,216,769</u>
Net Assets:					
Without donor restrictions:					
Program	3,148,560	-	-	3,148,560	3,008,577
Financing	-	18,692,891	-	18,692,891	17,026,616
Total without donor restrictions	<u>3,148,560</u>	<u>18,692,891</u>	<u>-</u>	<u>21,841,451</u>	<u>20,035,193</u>
With donor restrictions:					
Program	114,077	-	-	114,077	104,050
Financing	-	9,349,888	-	9,349,888	10,147,704
Pass-through	15,252	-	-	15,252	27,251
Total with donor restrictions	<u>129,329</u>	<u>9,349,888</u>	<u>-</u>	<u>9,479,217</u>	<u>10,279,005</u>
Total net assets	<u>3,277,889</u>	<u>28,042,779</u>	<u>-</u>	<u>31,320,668</u>	<u>30,314,198</u>
Total liabilities and net assets	<u>\$ 7,217,334</u>	<u>\$ 168,768,844</u>	<u>\$ (4,102,328)</u>	<u>\$ 171,883,850</u>	<u>\$ 162,530,967</u>

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Supplemental Statement of Financial Position
June 30, 2019

<u>Assets</u>	<u>Program Activities</u>	<u>Financing Activities</u>	<u>Eliminations</u>	<u>Total</u>
Current Assets:				
Cash and cash equivalents	\$ 2,830,052	\$ 15,340,366	\$ -	\$ 18,170,418
Cash and cash equivalents - pass-through	315,134	-	-	315,134
Marketable securities	-	12,561,035	-	12,561,035
Grants, contracts and other receivables	89,785	586,789	-	676,574
Current portion of pledges receivable	10,000	152,000	-	162,000
Interfund accounts receivable	-	859,632	(859,632)	-
Current portion of loans receivable	-	2,611,836	-	2,611,836
Current portion of interfund loans receivable	-	190,611	(190,611)	-
Accrued interest receivable	-	706,913	-	706,913
Property held for sale	-	339,075	-	339,075
Prepaid expenses and other	65,864	78,458	-	144,322
Total current assets	<u>3,310,835</u>	<u>33,426,715</u>	<u>(1,050,243)</u>	<u>35,687,307</u>
Loans Receivable, net of current portion and allowance for loan losses of \$2,403,445	-	118,767,897	-	118,767,897
Pledges Receivable, net of current portion	-	50,000	-	50,000
Interfund Loans Receivable, net of current portion	-	2,477,948	(2,477,948)	-
Program-Related Development Investments, net	-	2,942,040	-	2,942,040
Equity Investments	-	1,122,922	-	1,122,922
Property and Equipment, net	3,960,801	-	-	3,960,801
Total assets	<u>\$ 7,271,636</u>	<u>\$ 158,787,522</u>	<u>\$ (3,528,191)</u>	<u>\$ 162,530,967</u>
Liabilities and Net Assets				
Current Liabilities:				
Current portion of loans payable	\$ -	\$ 13,318,801	\$ -	\$ 13,318,801
Accounts payable and accrued expenses	378,442	46,929	-	425,371
Accrued interest payable	-	1,303,332	-	1,303,332
Conditional advances	225,125	20,000	-	245,125
Interfund accounts payable	859,632	-	(859,632)	-
Current portion of interfund loans payable	190,611	-	(190,611)	-
Total current liabilities	<u>1,653,810</u>	<u>14,689,062</u>	<u>(1,050,243)</u>	<u>15,292,629</u>
Long-Term Liabilities:				
Loans payable, net of current portion	-	108,324,140	-	108,324,140
Interfund loans payable, net of current portion	2,477,948	-	(2,477,948)	-
Subordinated loans payable - equity equivalent investments	-	8,600,000	-	8,600,000
Total liabilities	<u>4,131,758</u>	<u>131,613,202</u>	<u>(3,528,191)</u>	<u>132,216,769</u>
Net Assets:				
Without donor restrictions:				
Program	3,008,577	-	-	3,008,577
Financing	-	17,026,616	-	17,026,616
Total without donor restrictions	<u>3,008,577</u>	<u>17,026,616</u>	<u>-</u>	<u>20,035,193</u>
With donor restrictions:				
Program	104,050	-	-	104,050
Financing	-	10,147,704	-	10,147,704
Pass-through	27,251	-	-	27,251
Total with donor restrictions	<u>131,301</u>	<u>10,147,704</u>	<u>-</u>	<u>10,279,005</u>
Total net assets	<u>3,139,878</u>	<u>27,174,320</u>	<u>-</u>	<u>30,314,198</u>
Total liabilities and net assets	<u>\$ 7,271,636</u>	<u>\$ 158,787,522</u>	<u>\$ (3,528,191)</u>	<u>\$ 162,530,967</u>

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Supplemental Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2020
(With Summarized Comparative Totals for the Year Ended June 30, 2019)

	2020					2019						
	Without Donor Restrictions		Total			Without Donor Restrictions		Total				
	Program Activities	Financing Activities	Eliminations	Without Donor Restrictions	Program Activities	Financing Activities	Restrictions	Without Donor Restrictions	Program Activities	Financing Activities	Restrictions	
Operating Revenues:												
Public support:												
Grants and contributions	\$ 914,763	\$ 1,518,243	\$ -	\$ 2,433,006	\$ 35,000	\$ 100,886	\$ 135,886	\$ 2,568,892	\$ 6,098,931	\$ 129,513	\$ -	\$ -
Grants - pass-through	61,597	-	-	61,597	-	-	-	61,597	129,513	-	-	-
Net assets released from restrictions	24,972	898,702	-	923,674	(24,972)	(898,702)	(923,674)	-	-	-	-	-
Net assets released from restrictions - pass-through	12,000	-	-	12,000	(12,000)	-	(12,000)	-	-	-	-	-
Less - grants passed through to others	(73,597)	-	-	(73,597)	-	-	-	(73,597)	(155,513)	-	-	-
Net public support	939,735	2,416,945	-	3,356,680	(1,972)	(797,816)	(799,788)	2,556,892	6,072,931	-	-	-
Earned revenue:												
Financial revenue:												
Interest on loans	-	9,711,371	(212,807)	9,498,564	-	-	-	9,498,564	8,662,322	-	-	-
Loan related fees	467,997	-	-	467,997	-	-	-	467,997	256,875	-	-	-
Investment income	6,607	319,041	-	325,648	-	-	-	325,648	256,565	-	-	-
Net loan loss provision	-	(809,141)	-	(809,141)	-	-	-	(809,141)	(476,648)	-	-	-
Less - interest expense	(212,807)	(4,890,891)	212,807	(4,890,891)	-	-	-	(4,890,891)	(4,334,615)	-	-	-
Net financial revenue	261,797	4,330,380	-	4,592,177	-	-	-	4,592,177	4,364,499	-	-	-
Training and other fees	21,977	-	-	21,977	-	-	-	21,977	24,056	-	-	-
Program service fees	5,136,791	-	(5,136,791)	-	-	-	-	(66,359)	(51,685)	-	-	-
Other net losses	-	(66,359)	-	(66,359)	-	-	-	-	-	-	-	-
Total earned revenue	5,420,565	4,264,021	(5,136,791)	4,547,795	-	-	-	4,547,795	4,336,870	-	-	-
Total operating revenues	6,360,300	6,680,966	(5,136,791)	7,904,475	(1,972)	(797,816)	(799,788)	7,104,687	10,409,801	-	-	-
Operating Expenses:												
Program services	5,039,212	5,151,325	(5,136,791)	5,053,746	-	-	-	5,053,746	4,840,496	-	-	-
Management and administrative	798,019	-	-	798,019	-	-	-	798,019	630,382	-	-	-
Fundraising	383,086	-	-	383,086	-	-	-	383,086	322,469	-	-	-
Total operating expenses	6,220,317	5,151,325	(5,136,791)	6,234,851	-	-	-	6,234,851	5,793,347	-	-	-
Changes in net assets from operations	139,983	1,529,641	-	1,669,624	(1,972)	(797,816)	(799,788)	869,836	4,616,454	-	-	-
Non-Operating Revenue (Expense):												
Share of income (loss) from program-related development investment	-	204,920	-	204,920	-	-	-	204,920	(36,232)	-	-	-
Net unrealized gain on investments	-	(68,286)	-	(68,286)	-	-	-	(68,286)	231,423	-	-	-
Total non-operating revenue (expense)	-	136,634	-	136,634	-	-	-	136,634	195,191	-	-	-
Total changes in net assets	139,983	1,666,275	-	1,806,258	(1,972)	(797,816)	(799,788)	1,006,470	4,811,645	-	-	-
Net Assets:												
Beginning of year	3,008,577	17,026,616	-	20,035,193	131,301	10,147,704	10,279,005	30,314,198	25,502,553	-	-	-
End of year	\$ 3,148,560	\$ 18,692,891	\$ -	\$ 21,841,451	\$ 129,329	\$ 9,349,888	\$ 9,479,217	\$ 31,320,668	\$ 30,314,198	-	-	-

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Supplemental Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2019

	Without Donor Restrictions			With Donor Restrictions		
	Program Activities	Financing Activities	Total Without Donor Restrictions	Program Activities	Financing Activities	Total With Donor Restrictions
Operating Revenues:						
Public support:						
Grants and contributions	\$ 986,563	\$ 2,711,306	\$ 3,697,869	\$ -	\$ 2,401,062	\$ 6,098,931
Grants - pass-through	129,513	-	129,513	-	-	129,513
Net assets released from restrictions	68,331	548,648	616,979	(68,331)	(548,648)	-
Net assets released from restrictions - pass-through	26,000	-	26,000	(26,000)	-	-
Less - grants passed through to others	(155,513)	-	(155,513)	-	-	(155,513)
Net public support	1,054,894	3,259,954	4,314,848	(94,331)	1,852,414	6,072,931
Earned revenue:						
Financial revenue:						
Interest on loans	-	8,890,377	8,662,322	-	-	8,662,322
Loan related fees	256,875	-	256,875	-	-	256,875
Investment income	7,641	248,924	256,565	-	-	256,565
Net loan loss provision	-	(476,648)	(476,648)	-	-	(476,648)
Less - interest expense	(228,055)	(4,334,615)	(228,055)	-	-	(4,334,615)
Net financial revenue	36,461	4,328,038	4,364,499	-	-	4,364,499
Training and other fees	24,056	-	24,056	-	-	24,056
Program service fees	4,802,241	-	4,802,241	-	-	-
Other net gains (losses)	(12,397)	(39,288)	(51,685)	-	-	(51,685)
Total earned revenue	4,850,361	4,288,750	4,336,870	-	-	4,336,870
Total operating revenues	5,905,255	7,548,704	8,651,718	(94,331)	1,852,414	10,409,801
Operating Expenses:						
Program services	4,814,241	4,828,496	4,840,496	-	-	4,840,496
Management and administrative	630,382	-	630,382	-	-	630,382
Fundraising	322,469	-	322,469	-	-	322,469
Total operating expenses	5,767,092	4,828,496	5,793,347	-	-	5,793,347
Changes in net assets from operations	138,163	2,720,208	2,858,371	(94,331)	1,852,414	4,616,454
Non-Operating Revenue (Expense):						
Share of income from program-related development investments	-	(36,232)	(36,232)	-	-	(36,232)
Net unrealized gain on investment	-	231,423	231,423	-	-	231,423
Total non-operating revenue	-	195,191	195,191	-	-	195,191
Total changes in net assets	138,163	2,915,399	3,053,562	(94,331)	1,852,414	4,811,645
Net Assets:						
Beginning of year	2,870,414	14,111,217	16,981,631	225,632	8,295,290	25,502,553
End of year	\$ 3,008,577	\$ 17,026,616	\$ 20,035,193	\$ 131,301	\$ 10,147,704	\$ 30,314,198