



New Hampshire
COMMUNITY
LOAN FUND

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

**FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Contents
June 30, 2023 and 2022

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Independent Auditor's Report

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

Opinion

We have audited the 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, 2023 and 2022, 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.

In our opinion, the accompanying 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, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Community Loan Fund and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Community Loan Fund's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Community Loan Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Community Loan Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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 supplementary information shown on pages 33 through 36 is fairly stated in all material respects in relation to the financial statements as a whole.

AAFCPA, Inc.

Westborough, Massachusetts
September 28, 2023

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Statements of Financial Position
June 30, 2023 and 2022

Assets	2023	2022
Current Assets:		
Cash and cash equivalents	\$ 14,123,354	\$ 7,053,293
Marketable securities	2,589,240	12,134,117
Grants, contracts and other receivables	743,131	917,650
Current portion of pledges receivable	150,000	-
Current portion of loans receivable, net	6,020,041	8,966,619
Accrued interest receivable	680,746	623,047
Property held for sale	160,000	-
Prepaid expenses and other	176,118	144,796
Total current assets	<u>24,642,630</u>	<u>29,839,522</u>
Pledges Receivable, net of current portion	100,000	-
Loans Receivable, net of current portion and allowance for loan losses of \$3,005,401 and \$2,935,929 at June 30, 2023 and 2022, respectively	156,958,559	141,169,008
Program-Related Development Investments, net	3,351,100	3,317,343
Equity Investments	473,234	605,443
Property and Equipment, net	<u>3,656,870</u>	<u>3,890,092</u>
Total assets	<u>\$ 189,182,393</u>	<u>\$ 178,821,408</u>
Liabilities and Net Assets		
Current Liabilities:		
Current portion of loans payable	\$ 31,073,720	\$ 25,809,863
Current portion of subordinated loans payable - equity equivalent investments	125,000	-
Accounts payable and accrued expenses	771,442	742,232
Accrued interest payable	1,219,935	1,281,694
Conditional advances	204,522	277,053
Line of credit	378,007	-
Total current liabilities	<u>33,772,626</u>	<u>28,110,842</u>
Long-Term Liabilities:		
Loans payable, net of current portion	101,937,192	99,501,839
Non-recourse participation in loans receivable	548,871	566,369
Subordinated loans payable - equity equivalent investments, net of current portion	<u>11,975,000</u>	<u>12,100,000</u>
Total liabilities	<u>148,233,689</u>	<u>140,279,050</u>
Net Assets:		
Without donor restrictions:		
Program	4,540,722	3,542,065
Financing	28,230,552	26,625,634
Total without donor restrictions	<u>32,771,274</u>	<u>30,167,699</u>
With donor restrictions:		
Program	296,229	234,991
Financing	7,881,201	8,048,771
Pass-through	-	90,897
Total with donor restrictions	<u>8,177,430</u>	<u>8,374,659</u>
Total net assets	<u>40,948,704</u>	<u>38,542,358</u>
Total liabilities and net assets	<u>\$ 189,182,393</u>	<u>\$ 178,821,408</u>

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2023

(With Summarized Comparative Totals for the Year Ended June 30, 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating Revenues:				
Earned revenue:				
Financial revenue:				
Interest on loans	\$ 10,422,640	\$ -	\$ 10,422,640	\$ 9,790,006
Loan related fees	425,074	-	425,074	678,867
Investment income	252,142	-	252,142	189,911
Net loan loss recovery (provision)	(174,685)	-	(174,685)	163,864
Less - interest expense	(3,809,429)	-	(3,809,429)	(4,061,533)
Net financial revenue	7,115,742	-	7,115,742	6,761,115
Training and other fees	28,351	-	28,351	4,012
Other net income (losses)	13,000	-	13,000	(7,324)
Total earned revenue	7,157,093	-	7,157,093	6,757,803
Public support:				
Grants and contributions	2,799,482	257,115	3,056,597	4,767,511
Grants - pass-through	462,227	-	462,227	147,529
Net assets released from restrictions	363,447	(363,447)	-	-
Net assets released from restrictions - pass-through	90,897	(90,897)	-	-
Less - grants passed through to others	(553,124)	-	(553,124)	(56,632)
Net public support	3,162,929	(197,229)	2,965,700	4,858,408
Total operating revenues	10,320,022	(197,229)	10,122,793	11,616,211
Operating Expenses:				
Program services	6,396,372	-	6,396,372	5,633,006
Management and administrative	898,592	-	898,592	770,731
Fundraising	449,134	-	449,134	408,279
Total operating expenses	7,744,098	-	7,744,098	6,812,016
Changes in net assets from operations	2,575,924	(197,229)	2,378,695	4,804,195
Non-Operating Revenue (Expense):				
Share of income from program-related development investment	80,632	-	80,632	101,000
Net unrealized loss on investments	(52,981)	-	(52,981)	(21,033)
Total non-operating revenue (expense)	27,651	-	27,651	79,967
Total changes in net assets	2,603,575	(197,229)	2,406,346	4,884,162
Net Assets:				
Beginning of year	30,167,699	8,374,659	38,542,358	33,658,196
End of year	\$ 32,771,274	\$ 8,177,430	\$ 40,948,704	\$ 38,542,358

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Revenues:			
Earned revenue:			
Financial revenue:			
Interest on loans	\$ 9,790,006	\$ -	\$ 9,790,006
Loan related fees	678,867	-	678,867
Investment income	189,911	-	189,911
Net loan loss provision	-	163,864	163,864
Less - interest expense	<u>(4,061,533)</u>	-	<u>(4,061,533)</u>
Net financial revenue	6,597,251	163,864	6,761,115
Training and other fees	4,012	-	4,012
Other net losses	<u>(7,324)</u>	-	<u>(7,324)</u>
Total earned revenue	<u>6,593,939</u>	<u>163,864</u>	<u>6,757,803</u>
Public support:			
Grants and contributions	4,603,837	163,674	4,767,511
Grants - pass-through	47,529	100,000	147,529
Net assets released from restrictions	1,513,935	(1,513,935)	-
Net assets released from restrictions - pass-through	9,103	(9,103)	-
Less - grants passed through to others	<u>(56,632)</u>	-	<u>(56,632)</u>
Net public support	<u>6,117,772</u>	<u>(1,259,364)</u>	<u>4,858,408</u>
Total operating revenues	<u>12,711,711</u>	<u>(1,095,500)</u>	<u>11,616,211</u>
Operating Expenses:			
Program services	5,633,006	-	5,633,006
Management and administrative	770,731	-	770,731
Fundraising	408,279	-	408,279
Total operating expenses	<u>6,812,016</u>	-	<u>6,812,016</u>
Changes in net assets from operations	<u>5,899,695</u>	<u>(1,095,500)</u>	<u>4,804,195</u>
Non-Operating Revenue (Expense):			
Share of income from program-related development investment	101,000	-	101,000
Net unrealized loss on investments	<u>(21,033)</u>	-	<u>(21,033)</u>
Total non-operating revenue (expense)	<u>79,967</u>	-	<u>79,967</u>
Total changes in net assets	5,979,662	(1,095,500)	4,884,162
Net Assets:			
Beginning of year	<u>24,188,037</u>	<u>9,470,159</u>	<u>33,658,196</u>
End of year	<u>\$ 30,167,699</u>	<u>\$ 8,374,659</u>	<u>\$ 38,542,358</u>

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Statements of Cash Flows
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 2,406,346	\$ 4,884,162
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	266,741	233,794
Loans payable converted to contributions	(156,374)	(935,669)
Net loan loss (recovery) provision	174,685	(163,864)
Net loss on equity investments	52,981	21,033
Amortization of premiums/discounts on investments	20,487	(93,012)
Share of income from program-related development investment	(80,632)	(101,000)
Changes in operating assets and liabilities:		
Grants, contracts and other receivables	174,519	(261,226)
Pledges receivable	(250,000)	-
Accrued interest receivable	(57,699)	(23,548)
Prepaid expenses and other	(31,322)	17,808
Deferred loan fees	(51,833)	(51,833)
Accounts payable and accrued expenses	29,210	209,045
Accrued interest payable	(61,759)	(134,485)
Conditional advances	(72,531)	(147,102)
Net cash provided by operating activities	<u>2,362,819</u>	<u>3,454,103</u>
Cash Flows from Investing Activities:		
Issuance of loans receivable	(26,546,369)	(33,385,856)
Principal payments of loans receivable	13,403,046	23,932,684
Purchase of property and equipment	(33,519)	(314,564)
Purchases of marketable securities	(2,358,423)	(11,878,763)
Proceeds from sale of marketable securities	12,008,916	-
Net cash used in investing activities	<u>(3,526,349)</u>	<u>(21,646,499)</u>
Cash Flows from Financing Activities:		
Proceeds from loans payable	19,667,728	7,048,610
Proceeds from equity equivalents payable	-	3,500,000
Proceeds from line of credit	378,007	-
Principal payments on loans payable	(11,812,144)	(11,084,670)
Net cash provided by (used in) financing activities	<u>8,233,591</u>	<u>(536,060)</u>
Net Change in Cash and Cash Equivalents	7,070,061	(18,728,456)
Cash and Cash Equivalents:		
Beginning of year	<u>7,053,293</u>	<u>25,781,749</u>
End of year	<u>\$ 14,123,354</u>	<u>\$ 7,053,293</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	<u>\$ 3,871,188</u>	<u>\$ 4,196,018</u>
Other real estate owned acquired by foreclosure	<u>\$ 160,000</u>	<u>\$ -</u>

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, 2023
 (With Summarized Comparative Totals for the Year Ended June 30, 2022)

	2023						2022	
	Program Services			Support Services			Total	Total
	Community Services	Affordable Housing	Business and Community	Capitalization and Philanthropy	Total Program Services	Management and Administrative		
Personnel costs:								
Salaries	\$ 124,736	\$ 2,433,443	\$ 628,467	\$ 530,032	\$ 3,716,678	\$ 329,696	\$ 256,726	\$ 4,303,100
Benefits	23,047	434,488	108,941	94,892	661,368	61,962	41,877	765,207
Payroll taxes	9,691	181,998	45,220	38,483	275,392	25,235	18,719	319,346
Total personnel costs	157,474	3,049,929	782,628	663,407	4,653,438	416,893	317,322	5,387,653
Professional services	7,730	398,184	47,335	36,875	490,124	113,759	18,119	622,002
Administrative services	1,468	254,034	8,749	6,449	270,700	22,526	14,111	307,337
Occupancy	2,547	91,030	23,576	30,264	147,417	131,479	3,232	282,128
Depreciation	2,272	88,624	21,700	28,228	140,824	123,149	2,768	266,741
Office expense	3,642	118,563	25,569	32,694	180,468	47,459	11,282	239,209
Public education	39,003	119,633	50,416	12,295	221,347	2,682	392	224,421
Training and travel	1,612	90,762	32,265	38,608	163,247	22,098	3,370	188,715
Communications	127	76,309	9,283	9,268	94,987	4,305	76,477	175,769
Equipment expense	1,189	25,456	5,847	1,328	33,820	14,242	2,061	50,123
Total expenses	\$ 217,064	\$ 4,312,524	\$ 1,007,368	\$ 859,416	\$ 6,396,372	\$ 898,592	\$ 449,134	\$ 7,744,098
								\$ 6,812,016

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, 2022

	Program Services				Support Services		Total
	Community Services	Affordable Housing	Business Finance	Capitalization and Philanthropy	Management and Administrative	Fundraising	
Personnel costs:							
Salaries	\$ 160,201	\$ 2,055,475	\$ 590,922	\$ 601,033	\$ 328,398	\$ 241,086	\$ 3,977,115
Benefits	26,794	339,347	98,115	98,797	62,201	35,155	660,409
Payroll taxes	12,243	160,847	45,604	46,621	25,926	18,173	309,414
Total personnel costs	199,238	2,555,669	734,641	746,451	416,525	294,414	4,946,938
Professional services	18,692	273,613	53,281	50,779	98,331	42,193	536,889
Administrative services	2,102	217,926	9,088	6,680	16,502	13,192	265,490
Occupancy	2,608	72,871	30,655	20,939	89,291	4,411	220,775
Depreciation	6,878	103,118	22,926	25,218	66,484	9,170	233,794
Office expense	5,425	97,266	24,426	34,069	44,221	10,250	215,657
Public education	6,939	67,982	17,685	13,286	883	256	107,031
Training and travel	1,971	60,106	20,753	22,808	16,361	2,213	124,212
Communications	762	28,523	2,640	20,568	1,791	29,379	83,663
Equipment expense	2,397	30,629	7,767	13,631	20,342	2,801	77,567
Total expenses	\$ 247,012	\$ 3,507,703	\$ 923,862	\$ 954,429	\$ 770,731	\$ 408,279	\$ 6,812,016

The accompanying notes are an integral part of these statements.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2023 and 2022

1. OPERATIONS AND TAX 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 Community Loan Fund addresses the most-pressing needs of New Hampshire's people and communities by lending and bringing training and technical assistance to two broad sectors: Affordable Housing and Business and Community Finance. Program areas also include Capitalization and Philanthropy and Public Policy.

Affordable Housing

ROC-NH - Since 1984, building long-term value for owners of manufactured homes in New Hampshire's resident-owned communities by helping them purchase, manage, and improve 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.

Business Finance

Business Finance - 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.

Minority-Owned Business Lending - Since 2021, providing equitable and inclusive financing and coaching to help entrepreneurs of color thrive, and help local economies be more resilient.

Clean Energy Initiative - Since 2019, providing loans and assistance to support equitable renewable energy projects.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2023 and 2022

1. OPERATIONS AND TAX STATUS (Continued)

Community Services

Community Services Lending - 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.

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 2023 and 2022, the Community Loan Fund recognized awards of \$560,000 and \$2,416,265, respectively.

Housing Affordability Partnership, LLC (HAP) - During fiscal year 2023, the Community Loan Fund established HAP, a single member LLC, a New Hampshire limited liability company for the purpose of partnering with New Hampshire nonprofit affordable housing developers utilizing the Low-Income Housing Tax Credits (LIHTC) as the owner of the Disaffiliated Shareholder Entities in future LIHTC transactions. The Community Loan Fund is the sole member of HAP. As of June 30, 2023, HAP does not hold any financial assets and has not participated in a LIHTC project. Due to the nature of no financial activity, these are not considered consolidated financial statements as of June 30, 2023.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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).

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, 2023 and 2022

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 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*. 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.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2023 and 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

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 2023 and 2022, there were ten and nine contributed loans payable and related interest totaling \$156,374 and \$935,669, respectively, which are included in grants and contributions in the accompanying statements of activities and changes in net assets. The fiscal year 2022 amount includes \$856,829 of the second-round Paycheck Protection Program Loan, which was fully forgiven (see Note 11).

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 equivalents 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, 2023 and 2022, are held in insured cash sweep accounts or are separately collateralized by securities held by the financial institutions.

Marketable Securities

Marketable securities are carried at fair value 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 losses arising from sales of marketable securities are reported as other net 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 (expense). 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.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2023 and 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Community Loan Fund receives grants and pledges from donors. Grants, contracts, pledges 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. There was no allowance deemed necessary as of June 30, 2023 and 2022.

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.

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.

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, 2023 and 2022

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. Equity investments are carried at fair value (see Note 8) 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 and 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 were to increase or decrease, could result in a material change in the value realized upon sale. Warrants to obtain common stock are considered as 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 of June 30, 2023, there were two properties acquired through loan foreclosure. As of June 30, 2022, there were no properties held for sale.

Property and Equipment and Depreciation

Property and equipment 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, 2023 and 2022, 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>2023</u>	<u>2022</u>
Federal Home Loan Bank AHP Subsidy for Veterans First Project	\$ 134,527	\$ 134,527
USDOT Coronavirus Relief Fund Subsidy for Veterans Housing	68,000	117,500
Other	1,995	2,136
IDA Program Matched Savings Grants for Individuals	<u>-</u>	<u>22,890</u>
	<u>\$ 204,522</u>	<u>\$ 277,053</u>

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2023 and 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Asset Classifications

Net Assets Without Donor Restrictions - Include those net assets 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 - 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 - 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 \$174,685 and recovered \$163,864 related to net loan loss provision for the years ended June 30, 2023 and 2022, respectively. All but \$275,000 of these net assets may be used as reserves for uncollectible financing activities as of June 30, 2022. During fiscal year 2023, the Community Loan Fund redesignated the funds to be used for general financing activities, as the Community Loan Fund had met the requirements in accordance with the grant agreement.

Pass-Through - 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, 2023 and 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Asset Classifications (Continued)

Net Assets With Donor Restrictions (Continued)

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

<u>Program Initiative</u>	<u>2023</u>			<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	\$ 46,230	\$ -	\$ -	\$ 46,230
General Program Delivery	50,000	-	-	50,000
Farm Food Initiative Program Delivery	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>200,000</u>
Total Program Activities	<u>296,230</u>	<u>-</u>	<u>-</u>	<u>296,230</u>
Financing Activities:				
Restricted in General for Financing	6,401,900	54,300	-	6,456,200
Affordable Housing - Capital Magnet Fund	<u>1,425,000</u>	<u>-</u>	<u>-</u>	<u>1,425,000</u>
Total Financing Activities	<u>7,826,900</u>	<u>54,300</u>	<u>-</u>	<u>7,881,200</u>
Total net assets with donor restrictions	<u>\$ 8,123,130</u>	<u>\$ 54,300</u>	<u>\$ -</u>	<u>\$ 8,177,430</u>
<u>Program Initiative</u>	<u>2022</u>			<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	\$ 52,797	\$ -	\$ -	\$ 52,797
Business Finance Program Delivery	-	25,000	-	25,000
Child Care Program Delivery	<u>157,194</u>	<u>-</u>	<u>-</u>	<u>157,194</u>
Total Program Activities	<u>209,991</u>	<u>25,000</u>	<u>-</u>	<u>234,991</u>
Financing Activities:				
General	6,294,471	54,300	275,000	6,623,771
Affordable Housing - Capital Magnet Fund	<u>1,425,000</u>	<u>-</u>	<u>-</u>	<u>1,425,000</u>
Total Financing Activities	<u>7,719,471</u>	<u>54,300</u>	<u>275,000</u>	<u>8,048,771</u>
Pass-Thru Activities:				
ROC-NH Colebrook PT Grant	<u>90,897</u>	<u>-</u>	<u>-</u>	<u>90,897</u>
Total net assets with donor restrictions	<u>\$ 8,020,359</u>	<u>\$ 79,300</u>	<u>\$ 275,000</u>	<u>\$ 8,374,659</u>

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2023 and 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Asset Classifications (Continued)

Net Assets With Donor Restrictions (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>2023</u>	<u>2022</u>
Satisfaction of purpose restrictions:		
Child Care Initiative	\$ 157,194	\$ 10,737
ROC-NH	97,465	9,103
Capital Magnet Fund (see Note 14)	-	1,427,055
Welcome Home Loans - Energy Efficiency	<u>-</u>	<u>10,000</u>
Total releases from purpose restrictions	254,659	1,456,895
Loan loss provision	174,685	-
Other	-	16,143
Expiration of time restrictions	<u>25,000</u>	<u>50,000</u>
Total releases	<u>\$ 454,344</u>	<u>\$ 1,523,038</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.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the accompanying 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, 2023 and 2022

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, 2023 and 2022. 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 28, 2023, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or 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>2023</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	\$ -	\$ 2,536,866	\$ -	\$ 2,536,866
Equity mutual funds	<u>52,374</u>	<u>-</u>	<u>-</u>	<u>52,374</u>
	<u>\$ 52,374</u>	<u>\$ 2,536,866</u>	<u>\$ -</u>	<u>\$ 2,589,240</u>
<u>Marketable Securities</u>	<u>2022</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	\$ -	\$ 12,083,804	\$ -	\$ 12,083,804
Equity mutual funds	<u>50,313</u>	<u>-</u>	<u>-</u>	<u>50,313</u>
	<u>\$ 50,313</u>	<u>\$ 12,083,804</u>	<u>\$ -</u>	<u>\$ 12,134,117</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 is 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.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2023 and 2022

4. PLEDGES RECEIVABLE

Unconditional pledges from donors are included in the accompanying financial statements as pledges receivable and revenue in the net assets with donor restrictions category. Unconditional pledges are expected to be realized in the following periods at June 30, 2023:

Amounts due in:	
Within one year	\$ 150,000
Within two years	<u>100,000</u>
	<u>\$ 250,000</u>

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

5. LOANS RECEIVABLE AND OTHER FINANCING ACTIVITIES

Loans Receivable

At June 30, 2023 and 2022, there were 1,148 and 1,094, respectively, of loans receivable from the Community Loan Fund's borrowers. As of June 30, 2023, the balances due on these loans varied in amounts from \$177 to \$5,897,857, and in terms from six months to forty years. The Community Loan Fund lends primarily 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, 2023 and 2022, ranged from 0% to 12% (two business loans). The overall weighted-average interest rate on the portfolio of loans receivable was 6.50% and 6.44% as of June 30, 2023 and 2022, 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:

	2023			2022		
Affordable Housing:						
ROC-NH	128	\$ 101,656,135	61.1%	124	\$ 96,120,092	62.6%
Welcome Home Loans	756	47,470,298	28.6	722	39,913,219	26.0
Multi-Family Housing	9	5,668,598	3.4	11	6,874,600	4.5
Other Single-Family Housing	<u>204</u>	<u>1,189,009</u>	<u>0.7</u>	<u>192</u>	<u>1,195,072</u>	<u>0.8</u>
Sub-total	<u>1,097</u>	<u>155,984,040</u>	<u>93.8</u>	<u>1,049</u>	<u>144,102,983</u>	<u>93.9</u>
Community Services:						
Nonprofits	9	2,297,805	1.4	8	2,564,837	1.7
Child Care Initiative	<u>4</u>	<u>790,473</u>	<u>0.5</u>	<u>6</u>	<u>1,077,942</u>	<u>0.7</u>
Sub-total	<u>13</u>	<u>3,088,278</u>	<u>1.9</u>	<u>14</u>	<u>3,642,779</u>	<u>2.4</u>
Business Finance	<u>38</u>	<u>7,222,678</u>	<u>4.3</u>	<u>31</u>	<u>5,688,620</u>	<u>3.7</u>
Total	<u>1,148</u>	<u>\$ 166,294,996</u>	<u>100.0%</u>	<u>1,094</u>	<u>\$ 153,434,382</u>	<u>100.0%</u>

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2023 and 2022

5. LOANS RECEIVABLE AND OTHER FINANCING ACTIVITIES (Continued)

Loans Receivable (Continued)

Loans receivable are presented net of qualifying third-party loan participations of \$7,266,941 and \$7,380,951 as of June 30, 2023 and 2022, respectively, in accordance with ASC Topic, *Transfers and Servicing*. Loan participations that do not qualify for loan sale treatment are shown as non-recourse participations in loans receivable (see Note 11).

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 exceeds 7% of total financing capital. As of June 30, 2023 and 2022, there were no loans that exceeded this threshold.

Principal payments of the loans scheduled for receipt are as follows as of June 30:

	<u>2023</u>	<u>2022</u>
Amounts due in:		
Within one year	\$ 6,071,874	\$ 9,018,451
One to five years	20,251,733	24,330,867
More than five years	<u>139,971,389</u>	<u>120,085,064</u>
Loan Portfolio	166,294,996	153,434,382
Less - deferred loan fees	(310,995)	(362,826)
Less - allowance for loan losses (see Note 6)	<u>(3,005,401)</u>	<u>(2,935,929)</u>
Net loans receivable	162,978,600	150,135,627
Less - current portion	<u>(6,020,041)</u>	<u>(8,966,619)</u>
Long-term portion	<u>\$ 156,958,559</u>	<u>\$ 141,169,008</u>

Commitments to Lend

In addition to funded loans receivable, the Community Loan Fund had loan commitments to borrowers totaling \$4,482,400 and \$6,252,987 at June 30, 2023 and 2022, 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, 2023 and 2022, was \$3,005,401 and \$2,935,929, respectively, representing approximately 2% of loans receivable at the end of each year.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2023 and 2022

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. 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, 2022</u>	<u>Net Charge-offs of Loans in ALL at June 30, 2023</u>	<u>Net Provision (Recovery)</u>	<u>ALL June 30, 2023</u>
Affordable Housing:				
ROC-NH	\$ 927,859	\$ (17,984)	\$ 22,218	\$ 932,093
Welcome Home Loans	919,410	(15,475)	122,036	1,025,971
Other Single-Family Housing	9,963	-	(2,819)	7,144
Multi-Family Housing	<u>85,932</u>	<u>-</u>	<u>(1,931)</u>	<u>87,863</u>
Sub-total, Affordable Housing Loans	<u>1,943,164</u>	<u>(33,459)</u>	<u>143,366</u>	<u>2,053,071</u>
Community Services:				
Nonprofits	417,348	-	(178,641)	238,707
Child Care Initiative	<u>19,403</u>	<u>-</u>	<u>(5,569)</u>	<u>13,834</u>
Sub-total, Community Services Loans	<u>436,751</u>	<u>-</u>	<u>(184,210)</u>	<u>252,541</u>
Business Finance:	<u>556,014</u>	<u>-</u>	<u>143,775</u>	<u>699,789</u>
Grand total	<u>\$ 2,935,929</u>	<u>\$ (33,459)</u>	<u>\$ 102,931</u>	<u>\$ 3,005,401</u>

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2023 and 2022

6. ALLOWANCE FOR LOAN LOSSES (Continued)

<u>Loan Category</u>	<u>ALL June 30, 2021</u>	<u>Net Charge-offs of Loans in ALL at June 30, 2022</u>	<u>Net Provision (Recovery)</u>	<u>ALL June 30, 2022</u>
Affordable Housing:				
ROC-NH	\$ 786,153	\$ (9,189)	\$ 150,895	\$ 927,859
Welcome Home Loans	788,878	(7,093)	137,625	919,410
Other Single-Family Housing	8,530	-	1,433	9,963
Multi-Family Housing	<u>99,722</u>	<u>-</u>	<u>(13,790)</u>	<u>85,932</u>
Sub-total, Affordable Housing Loans	<u>1,683,283</u>	<u>(16,282)</u>	<u>276,163</u>	<u>1,943,164</u>
Community Services:				
Nonprofits	426,861	-	(9,513)	417,348
Child Care Initiative	<u>23,587</u>	<u>-</u>	<u>(4,184)</u>	<u>19,403</u>
Sub-total, Community Services Loans	<u>450,448</u>	<u>-</u>	<u>(13,697)</u>	<u>436,751</u>
Business Finance:	<u>808,342</u>	<u>-</u>	<u>(252,328)</u>	<u>556,014</u>
Grand total	<u>\$ 2,942,073</u>	<u>\$ (16,282)</u>	<u>\$ 10,138</u>	<u>\$ 2,935,929</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>2023</u>	<u>2022</u>
Allowance for loan losses:		
Provisions	\$ 330,602	\$ 289,953
Direct charge-offs not previously reserved	133,154	42,856
Actual recoveries from loans previously charged-off	(61,400)	(216,857)
Valuation recovery from loans previously reserved	<u>(227,671)</u>	<u>(279,816)</u>
Net loan loss provision (recovery)	<u>\$ 174,685</u>	<u>\$ (163,864)</u>

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

	<u>2023</u>	<u>2022</u>
Direct charge-offs	\$ 166,613	\$ 59,138
Recoveries	<u>(61,400)</u>	<u>(216,857)</u>
Net charge-offs (recoveries)	<u>\$ 105,213</u>	<u>\$ (157,719)</u>

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2023 and 2022

6. ALLOWANCE FOR LOAN LOSSES (Continued)

Past Due and Non-Accrual Loans

Past due loans are as follows as of June 30:

	<u>2023</u>	<u>2022</u>
31 - 60 days	\$ 1,369,041	\$ 834,039
61 - 90 days	339,267	148,370
Greater than 90 days	<u>1,463,135</u>	<u>1,156,676</u>
Total past due	3,171,443	2,139,085
Current	<u>163,123,553</u>	<u>151,295,297</u>
	<u>\$ 166,294,996</u>	<u>\$ 153,434,382</u>

As of June 30, 2023 and 2022, the Community Loan Fund had 43 loans in non-accrual status with outstanding principal of \$2,462,417 and \$2,328,551, 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, 2023 and 2022, are set forth in the tables below:

<u>Loan Category</u>	<u>2023</u>		
	<u>Number of Impaired Loans</u>	<u>Amount of Impaired Loans</u>	<u>Allowance for Loan Losses</u>
Affordable Housing:			
Welcome Home Loans	46	\$ 2,721,820	\$ 408,273
Other Single-Family Housing	<u>12</u>	<u>84,768</u>	<u>12,715</u>
Sub-total, Affordable Housing Loans	58	2,806,588	420,988
Community Services:			
Nonprofits	<u>1</u>	<u>271,862</u>	<u>203,897</u>
Total impaired loans	<u>59</u>	<u>\$ 3,078,450</u>	<u>\$ 624,885</u>

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2023 and 2022

6. ALLOWANCE FOR LOAN LOSSES (Continued)

<u>Loan Category</u>	<u>Number of Impaired Loans</u>	<u>2022</u>	
		<u>Amount of Impaired Loans</u>	<u>Allowance for Loan Losses</u>
Affordable Housing:			
Welcome Home Loans	49	\$ 2,616,602	\$ 392,490
Other Single-Family Housing	<u>11</u>	<u>91,044</u>	<u>13,657</u>
Sub-total, Affordable Housing Loans	60	2,707,646	406,147
Community Services:			
Nonprofits	<u>1</u>	<u>507,636</u>	<u>380,727</u>
Total impaired loans	<u>61</u>	<u>\$ 3,215,282</u>	<u>\$ 786,874</u>

Troubled Debt Restructurings

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>2023 Troubled Debt Restructurings</u>	<u>Number of Loans Restructured</u>	<u>Amount of Restructured Loans</u>	<u>Allowance for Loan Losses</u>
Extension resulting from financial difficulty	5	\$ <u>404,202</u>	\$ <u>223,748</u>
<u>2022 Troubled Debt Restructurings</u>	<u>Number of Loans Restructured</u>	<u>Amount of Restructured Loans</u>	<u>Allowance for Loan Losses</u>
Extension resulting from financial difficulty	5	\$ <u>644,372</u>	\$ <u>401,237</u>

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2023 and 2022

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 \$3,351,100 and \$3,317,343 as of June 30, 2023 and 2022, 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, 2023 and 2022, the Community Loan Fund's share of income was \$80,632 and \$101,000, respectively, including the effects of the hypothetical liquidation analysis. During fiscal years 2023 and 2022, the Community Loan Fund received quarterly dividends from ROC USA totaling \$46,875 and \$62,500, respectively, which is included in share of income from program-related development investments in the accompanying statements of activities and changes in net assets.

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

	<u>2023</u>	<u>2022</u>
Total net assets without restrictions of ROC USA	\$ 10,224,084	\$ 10,436,972
Member capital percentage	<u>33.33%</u>	<u>33.33%</u>
Equity valuation	3,407,687	3,478,643
Less - hypothetical liquidation allowance	<u>(56,587)</u>	<u>(161,299)</u>
Net carrying value	<u>\$ 3,351,100</u>	<u>\$ 3,317,343</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>
12/31/2022	\$ 179,101,638	\$ 160,186,984	\$ 18,914,654	\$ 8,625,715	\$ 5,936,486
12/31/2021	\$ 163,263,242	\$ 146,850,317	\$ 16,412,925	\$ 7,526,993	\$ 5,387,289

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2023 and 2022

8. EQUITY INVESTMENTS

Equity investments (see Note 3), including warrants, consist of investments made by the Community Loan Fund in privately held corporations. Through its Business Finance 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. Business Finance 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>2023</u>		<u>2022</u>	
	<u>Number of Investees</u>	<u>Investment Amount</u>	<u>Number of Investees</u>	<u>Investment Amount</u>
Information technology	1	\$ 296,625	1	\$ 370,443
Farm and Food	<u>2</u>	<u>176,609</u>	<u>2</u>	<u>235,000</u>
Total as of June 30	<u>3</u>	<u>\$ 473,234</u>	<u>3</u>	<u>\$ 605,443</u>

A reconciliation of Level 3 investments for the years ended June 30, 2023 and 2022, is as follows:

	<u>Equity Investments</u>	
	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 605,443	\$ 571,151
Purchases	7,700	35,440
Net unrealized loss/impairment	<u>(139,909)</u>	<u>(1,148)</u>
Balance, end of year	<u>\$ 473,234</u>	<u>\$ 605,443</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>2023</u>	<u>2022</u>
Land	\$ 321,461	\$ 321,461
Buildings and improvements	4,958,532	4,933,072
Office furniture and equipment	<u>1,096,642</u>	<u>1,088,583</u>
	6,376,635	6,343,116
Less - accumulated depreciation	<u>2,719,765</u>	<u>2,453,024</u>
	<u>\$ 3,656,870</u>	<u>\$ 3,890,092</u>

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2023 and 2022

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 has a maturity date of July 31, 2026. The amount available shall not exceed 85% of the market value of the government bonds collateralizing the loan (see Note 3). On June 30, 2023 and 2022, the market value of the bonds was \$2,463,672 and \$11,988,063, respectively, which is comprised of the gross fair value of \$2,494,385 and \$12,083,804, respectively, less unamortized discounts or premiums on bond purchases of \$30,713 and \$95,741, respectively. Therefore, \$2,094,121 and \$7,500,000 were available to be drawn as of June 30, 2023 and 2022, respectively. Advances bear interest at the *Wall Street Journal's* prime rate (8.25% and 4.75% at June 30, 2023 and 2022, respectively) minus .50%. As of June 30, 2023 and 2022, 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 has a maturity date of July 31, 2026. Advances bear interest at the *Wall Street Journal's* prime rate minus .50% (see above). As of June 30, 2023 and 2022, 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 for \$4,000,000. The line of credit was originally established in June 2014 and had a maturity date of February 7, 2023. During fiscal year 2023, this line of credit was extended to February 7, 2024. Advances bear interest at the *Wall Street Journal's* prime rate (see above). As of June 30, 2023 and 2022, 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 had a maturity date of February 7, 2022. During fiscal year 2022, this line of credit was extended to May 7, 2025. Advances bear interest at the *Wall Street Journal's* prime rate (see above). As of June 30, 2023 and 2022, there was no outstanding balance.

The third is a \$500,000 unsecured revolving line of credit from a public corporation. The line of credit was established in January 2021, bears no interest, and has a maturity date of January 22, 2024. Advances may only be used to finance loans for development of manufactured housing infill homes in Resident Owned Communities in New Hampshire. As of June 30, 2023, there was an outstanding balance of \$378,007. There was no outstanding balance as of June 30, 2022.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2023 and 2022

11. LOANS PAYABLE

Notes Payable to Investors

At June 30, 2023 and 2022, there were 1,172 and 1,224 notes payable for financing activities ranging in outstanding balances of \$1,000 up to \$7,500,000 and totaling \$133,010,912 and \$125,311,702, respectively. Loans payable consist of loans from individuals, religious institutions, nonprofit organizations, banks, foundations, hospitals, universities, 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 view this as a way to increase their financial commitment to the Community Loan Fund's mission, above and beyond what they can make 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 ten years, with interest rates from 0% to 5%, and are unsecured. Historically, roughly 80% of the number of loans that mature have been renewed. The Community Loan Fund anticipates approximately \$21,805,000 to be renewed during fiscal year 2024. Accrued interest payable on loans payable was \$1,089,574 and \$1,155,562 as of June 30, 2023 and 2022, respectively.

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

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

<u>Year Ending June 30</u>	
2024	\$ 31,073,720
2025	17,919,612
2026	26,741,311
2027	13,275,673
2028	19,575,950
Thereafter	<u>24,424,646</u>
	<u>\$ 133,010,912</u>

Paycheck Protection Program Loan

The Community Loan Fund was granted loans from a financial institution for \$856,829 in fiscal year 2021, pursuant to the Paycheck Protection Program (PPP) established as part of the 2020 Coronavirus Aid, Relief, and Economic Security Act (CARES Act). This loan was forgiven in full during fiscal year 2022 and is included in grants and contributions in the accompanying 2022 statement of activities and changes in net assets.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2023 and 2022

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, 2023 and 2022, there were twenty-two EQ2 notes payable, totaling \$12,100,000, with interest rates ranging from 1.75% to 3.00%. Accrued interest at June 30, 2023 and 2022, was \$130,361 and \$126,132, 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. Starting in February 2024, quarterly principal payments of \$62,500 are due over the next four years, unless the Community Loan Fund opts out of the extension.

One \$500,000 EQ2 note payable has a five-year term with a maturity date in June 2027. The Community Loan Fund has the option to request one-year extensions for years six, seven, and eight.

As of June 30, 2023 and 2022, 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	18	\$ 9,300,000
Termination notices issued	2	1,800,000
Maturity date issued at origination	<u>2</u>	<u>1,000,000</u>
Total	<u>22</u>	<u>\$ 12,100,000</u>

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2023 and 2022

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, 2023 and 2022, the present value of commitments to two annuitants totaled \$25,630 and \$24,436, respectively, and is included in accounts payable and accrued expenses in the accompanying statements of financial position.

14. CONTINGENCIES AND CONCENTRATION

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:

Fiscal Year	Total Award	Full Disbursement Date	Use of Proceeds		
			Qualified Loans	Pass-Through Grants to Homeowners	Direct Administrative Expenses (5%)
2011	\$ 3,700,000	2016	\$ 3,058,176	\$ 456,824	\$ 185,000
2017	\$ 1,502,163	2021	\$ 1,427,055	\$ -	\$ 75,108
2019	\$ 1,500,000	2019	\$ 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 funds have been fully disbursed. The ten-year affordability periods for the 2011, 2017 and 2019 CMF grants will end in 2026, 2031, and 2029, respectively. 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.

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 three months of employment receive a safe harbor contribution within the calendar year. That benefit was calculated at 5% of eligible compensation for the fiscal year. For the years ended June 30, 2023 and 2022, the Community Loan Fund had \$217,295 and \$164,236, respectively, of retirement benefits expense, which is included in benefits in the accompanying statements of functional expenses.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2023 and 2022

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.

As of June 30, 2023, two members of the Board of Directors are on the Board of nonprofit organizations that have outstanding loans from the Community Loan Fund totaling \$1,330,947. One employee is on the Board of Directors of a resident-owned community that has an outstanding loan from the Community Loan Fund totaling \$103,630.

Two members of the Board of Directors have provided investments or have family members who have provided investments totaling \$368,741 to the Community Loan Fund as of June 30, 2023. Nine employees have provided investments or have family members who have provided investments totaling \$155,823 to the Community Loan Fund as of June 30, 2023. One member of the Board of Directors is a shareholder of a legal firm the Community Loan Fund does business with.

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 and are open to the public at large.

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 years ended June 30:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 14,123,354	\$ 7,053,293
Marketable securities	2,589,240	12,134,117
Grants, contracts and other receivables	743,131	917,650
Current portion of pledges receivable	150,000	-
Current portion of loans receivable	6,020,041	8,966,619
Accrued interest receivable	680,746	623,047
	<u>24,306,512</u>	<u>29,694,726</u>
Less - cash with purpose restrictions in net assets with donor restrictions	(46,230)	(209,991)
Less - pledge receivable with purpose restrictions in net assets with donor restrictions	<u>(150,000)</u>	<u>-</u>
	<u>\$ 24,110,282</u>	<u>\$ 29,484,735</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.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2023 and 2022

17. LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES (Continued)

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; 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 become 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.

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 \$9,608,114 and \$15,392,000 as of June 30, 2023 and 2022, 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.

Notes to Financial Statements
June 30, 2023 and 2022

18. EMPLOYEE RETENTION TAX CREDIT

Employee Retention Tax Credit (ERTC) was first established by the CARES Act and was extended and expanded by the Consolidated Appropriations Act (CAA) and American Rescue Plan (ARP). ERTC provides a refundable tax credit against certain employment taxes equal to 50% of the first \$10,000 in qualified wages paid to each employee between March 12, 2020 and December 31, 2020 (2020 ERTC), and 70% of the first \$10,000, per quarter, in qualified wages paid to each employee between January 1, 2021 and September 30, 2021 (2021 ERTC). To be eligible, the Community Loan Fund must meet certain conditions as described in applicable laws and regulations.

During fiscal year 2023, the Community Loan Fund determined that it qualified for the 2021 ERTC and 2020 ERTC in the amounts of \$643,446 and \$248,595, respectively, and, therefore, is accounting for them as a conditional grant under ASC Subtopic 958-605. These grants are conditional upon certain performance requirements and the incurrence of eligible expenses. In the opinion of management, these conditions were met as of June 30, 2023. During fiscal year 2023, the Community Loan Fund received payments of \$643,446 related to the 2021 ERTC. As of June 30, 2023, \$248,595 is included in grants, contracts and other receivables in the accompanying statement of financial position related to the 2020 ERTC.

Eligibility for the credit and the credit calculations is subject to review and approval by the Federal government. In the opinion of management, the results of such reviews and audit will not have a material effect on the financial position of the Community Loan Fund as of June 30, 2023, and on the changes in its net assets for the year then ended.

19. MORTGAGE SERVICES AGREEMENT

The Community Loan Fund has a loan servicing agreement with a company to service and maintain a portion of its loan portfolio. The initial term of the agreement runs from July 1, 2019 through June 30, 2024. The term automatically renews annually unless the Community Loan Fund or the company elect to terminate the agreement. Under the terms of the agreement, the company receives a monthly service fee for each loan, a fee for setting up new loans, and fees related to monthly reports related to the portfolio. The total compensation to the company under this agreement was \$209,848 and \$184,496 for the years ended June 30, 2023 and 2022, respectively, and is included in administrative services in the accompanying statements of functional expenses.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Supplemental Statement of Financial Position

June 30, 2023

(With Summarized Comparative Totals as of June 30, 2022)

Assets	2023			2022	
	Program Activities	Financing Activities	Eliminations	Total	Total
Current Assets:					
Cash and cash equivalents	\$ 2,236,421	\$ 11,886,933	\$ -	\$ 14,123,354	\$ 7,053,293
Marketable securities	-	2,589,240	-	2,589,240	12,134,117
Grants, contracts and other receivables	248,616	494,515	-	743,131	917,650
Current portion of pledges receivable	150,000	-	-	150,000	-
Interfund accounts receivable	933,742	-	(933,742)	-	-
Current portion of loans receivable	-	6,020,041	-	6,020,041	8,966,619
Current portion of interfund loans receivable	-	190,611	(190,611)	-	-
Accrued interest receivable	-	680,746	-	680,746	623,047
Property held for sale	-	160,000	-	160,000	-
Prepaid expenses and other	57,413	118,705	-	176,118	144,796
Total current assets	<u>3,626,192</u>	<u>22,140,791</u>	<u>(1,124,353)</u>	<u>24,642,630</u>	<u>29,839,522</u>
Pledges Receivable, net of current portion	100,000	-	-	100,000	-
Loans Receivable, net of current portion and allowance for loan losses of \$3,005,401	-	156,958,559	-	156,958,559	141,169,008
Interfund Loans Receivable, net of current portion	-	1,715,503	(1,715,503)	-	-
Program-Related Development Investment, net	-	3,351,100	-	3,351,100	3,317,343
Equity Investments	-	473,234	-	473,234	605,443
Property and Equipment, net	<u>3,656,870</u>	<u>-</u>	<u>-</u>	<u>3,656,870</u>	<u>3,890,092</u>
Total assets	<u>\$ 7,383,062</u>	<u>\$ 184,639,187</u>	<u>\$ (2,839,856)</u>	<u>\$ 189,182,393</u>	<u>\$ 178,821,408</u>
Liabilities and Net Assets					
Current Liabilities:					
Current portion of loans payable	\$ -	\$ 31,073,720	\$ -	\$ 31,073,720	\$ 25,809,863
Current portion of subordinated loans payable - equity equivalent investments	-	125,000	-	125,000	-
Accounts payable and accrued expenses	639,997	131,445	-	771,442	742,232
Accrued interest payable	-	1,219,935	-	1,219,935	1,281,694
Conditional advances	-	204,522	-	204,522	277,053
Interfund accounts payable	-	933,742	(933,742)	-	-
Current portion of interfund loans payable	190,611	-	(190,611)	-	-
Line of credit	-	378,007	-	378,007	-
Total current liabilities	<u>830,608</u>	<u>34,066,371</u>	<u>(1,124,353)</u>	<u>33,772,626</u>	<u>28,110,842</u>
Long-Term Liabilities:					
Loans payable, net of current portion	-	101,937,192	-	101,937,192	99,501,839
Non-recourse participation in loans receivable	-	548,871	-	548,871	566,369
Interfund loans payable, net of current portion	1,715,503	-	(1,715,503)	-	-
Subordinated loans payable - equity equivalent investments, net of current portion	-	11,975,000	-	11,975,000	12,100,000
Total liabilities	<u>2,546,111</u>	<u>148,527,434</u>	<u>(2,839,856)</u>	<u>148,233,689</u>	<u>140,279,050</u>
Net Assets:					
Without donor restrictions:					
Program	4,540,722	-	-	4,540,722	3,542,065
Financing	-	28,230,552	-	28,230,552	26,625,634
Total without donor restrictions	<u>4,540,722</u>	<u>28,230,552</u>	<u>-</u>	<u>32,771,274</u>	<u>30,167,699</u>
With donor restrictions:					
Program	296,229	-	-	296,229	234,991
Financing	-	7,881,201	-	7,881,201	8,048,771
Pass-through	-	-	-	-	90,897
Total with donor restrictions	<u>296,229</u>	<u>7,881,201</u>	<u>-</u>	<u>8,177,430</u>	<u>8,374,659</u>
Total net assets	<u>4,836,951</u>	<u>36,111,753</u>	<u>-</u>	<u>40,948,704</u>	<u>38,542,358</u>
Total liabilities and net assets	<u>\$ 7,383,062</u>	<u>\$ 184,639,187</u>	<u>\$ (2,839,856)</u>	<u>\$ 189,182,393</u>	<u>\$ 178,821,408</u>

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Supplemental Statement of Financial Position
June 30, 2022

<u>Assets</u>	<u>Program Activities</u>	<u>Financing Activities</u>	<u>Eliminations</u>	<u>Total</u>
Current Assets:				
Cash and cash equivalents	\$ 2,422,870	\$ 4,630,423	\$ -	\$ 7,053,293
Marketable securities	-	12,134,117	-	12,134,117
Grants, contracts and other receivables	70,828	846,822	-	917,650
Interfund accounts receivable	167,026	-	(167,026)	-
Current portion of loans receivable	-	8,966,619	-	8,966,619
Current portion of interfund loans receivable	-	190,611	(190,611)	-
Accrued interest receivable	-	623,047	-	623,047
Prepaid expenses and other	72,995	71,801	-	144,796
Total current assets	<u>2,733,719</u>	<u>27,463,440</u>	<u>(357,637)</u>	<u>29,839,522</u>
Loans Receivable, net of current portion and allowance				
for loan losses of \$2,935,929	-	141,169,008	-	141,169,008
Interfund Loans Receivable, net of current portion	-	1,906,114	(1,906,114)	-
Program-Related Development Investments, net	-	3,317,343	-	3,317,343
Equity Investments	-	605,443	-	605,443
Property and Equipment, net	3,890,092	-	-	3,890,092
Total assets	<u>\$ 6,623,811</u>	<u>\$ 174,461,348</u>	<u>\$ (2,263,751)</u>	<u>\$ 178,821,408</u>
Liabilities and Net Assets				
Current Liabilities:				
Current portion of loans payable	\$ -	\$ 25,809,863	\$ -	\$ 25,809,863
Accounts payable and accrued expenses	636,243	105,989	-	742,232
Accrued interest payable	-	1,281,694	-	1,281,694
Conditional advances	22,890	254,163	-	277,053
Interfund accounts payable	-	167,026	(167,026)	-
Current portion of interfund loans payable	190,611	-	(190,611)	-
Total current liabilities	<u>849,744</u>	<u>27,618,735</u>	<u>(357,637)</u>	<u>28,110,842</u>
Long-Term Liabilities:				
Loans payable, net of current portion	-	99,501,839	-	99,501,839
Non-recourse participation in loans receivable	-	566,369	-	566,369
Interfund loans payable, net of current portion	1,906,114	-	(1,906,114)	-
Subordinated loans payable - equity equivalent investments	-	12,100,000	-	12,100,000
Total liabilities	<u>2,755,858</u>	<u>139,786,943</u>	<u>(2,263,751)</u>	<u>140,279,050</u>
Net Assets:				
Without donor restrictions:				
Program	3,542,065	-	-	3,542,065
Financing	-	26,625,634	-	26,625,634
Total without donor restrictions	<u>3,542,065</u>	<u>26,625,634</u>	<u>-</u>	<u>30,167,699</u>
With donor restrictions:				
Program	234,991	-	-	234,991
Financing	-	8,048,771	-	8,048,771
Pass-through	90,897	-	-	90,897
Total with donor restrictions	<u>325,888</u>	<u>8,048,771</u>	<u>-</u>	<u>8,374,659</u>
Total net assets	<u>3,867,953</u>	<u>34,674,405</u>	<u>-</u>	<u>38,542,358</u>
Total liabilities and net assets	<u>\$ 6,623,811</u>	<u>\$ 174,461,348</u>	<u>\$ (2,263,751)</u>	<u>\$ 178,821,408</u>

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Supplemental Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2023
(With Summarized Comparative Totals for the Year Ended June 30, 2022)

	2023						2022						
	Without Donor Restrictions			With Donor Restrictions			Without Donor Restrictions			With Donor Restrictions			
	Program Activities	Financing Activities	Eliminations	Total Without Donor Restrictions	Program Activities	Financing Activities	Total With Donor Restrictions	Program Activities	Financing Activities	Total Without Donor Restrictions	Program Activities	Financing Activities	Total With Donor Restrictions
Operating Revenues:													
Earned revenue:													
Financial revenue:													
Interest on loans	\$ -	\$ 10,588,345	\$ (165,705)	\$ 10,422,640	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,422,640	\$ -	\$ -	\$ 10,422,640
Loan related fees	425,074	-	-	425,074	-	-	-	-	-	425,074	-	-	425,074
Investment income	37,954	214,188	-	252,142	-	-	-	-	-	252,142	-	-	252,142
Net loan loss recovery (provision)	(165,705)	(3,809,429)	165,705	(3,809,429)	-	-	-	-	-	(174,685)	-	-	(174,685)
Less - interest expense	297,323	6,818,419	-	7,115,742	-	-	-	-	-	(3,809,429)	-	-	(3,809,429)
Net financial revenue													
Training and other fees	28,351	-	-	28,351	-	-	-	-	-	28,351	-	-	28,351
Program service fees	6,993,104	-	(6,993,104)	-	-	-	-	-	-	-	-	-	-
Other net income (losses)	13,000	-	-	13,000	-	-	-	-	-	13,000	-	-	13,000
Total earned revenue	7,331,778	6,818,419	(6,993,104)	7,157,093	-	-	-	-	-	7,157,093	-	-	7,157,093
Public support:													
Grants and contributions	1,922,216	877,266	-	2,799,482	250,000	7,115	257,115	-	-	3,056,597	-	-	4,767,511
Grants - pass-through	462,227	-	-	462,227	-	-	-	-	-	462,227	-	-	462,227
Net assets released from restrictions	188,762	174,685	-	363,447	(188,762)	(174,685)	(363,447)	-	-	-	-	-	-
Net assets released from restrictions - pass-through	(553,124)	-	-	(553,124)	(90,897)	-	(90,897)	-	-	(553,124)	-	-	(553,124)
Less - grants passed through to others	2,110,978	1,051,951	-	3,162,929	(29,659)	(167,570)	(197,229)	-	-	2,965,700	-	-	4,858,408
Net public support													
Total operating revenues	9,442,756	7,870,370	(6,993,104)	10,320,022	(29,659)	(167,570)	(197,229)	-	-	10,122,793	-	-	11,616,211
Operating Expenses:													
Program services	6,396,373	6,993,103	(6,993,104)	6,396,372	-	-	-	-	-	6,396,372	-	-	5,633,006
Management and administrative	898,592	-	-	898,592	-	-	-	-	-	898,592	-	-	770,731
Fundraising	449,134	-	-	449,134	-	-	-	-	-	449,134	-	-	408,279
Total operating expenses	7,744,099	6,993,103	(6,993,104)	7,744,098	-	-	-	-	-	7,744,098	-	-	6,812,016
Changes in net assets from operations	1,698,657	877,267	-	2,575,924	(29,659)	(167,570)	(197,229)	-	-	2,378,695	-	-	4,804,195
Non-Operating Revenue (Expense):													
Share of income from program-related development investment	-	80,632	-	80,632	-	-	-	-	-	80,632	-	-	101,000
Net unrealized loss on investments	-	(52,981)	-	(52,981)	-	-	-	-	-	(52,981)	-	-	(21,033)
Total non-operating revenue (expense)													
		27,651	-	27,651	-	-	-	-	-	27,651	-	-	79,967
Total changes in net assets	1,698,657	904,918	-	2,603,575	(29,659)	(167,570)	(197,229)	-	-	2,406,346	-	-	4,884,162
Net Assets:													
Beginning of year	3,542,065	26,625,634	-	30,167,699	325,888	8,048,771	8,374,659	-	-	38,542,358	-	-	33,658,196
Net asset transfer	(700,000)	700,000	-	-	-	-	-	-	-	-	-	-	-
End of year	\$ 4,540,722	\$ 28,230,552	\$ -	\$ 32,771,274	\$ 296,229	\$ 7,881,201	\$ 8,177,430	\$ -	\$ -	\$ 40,948,704	\$ -	\$ -	\$ 38,542,358

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Supplemental Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2022

	Without Donor Restrictions			With Donor Restrictions			Total
	Program Activities	Financing Activities	Eliminations	Program Activities	Financing Activities	Restrictions	
Operating Revenues:							
Earned revenue:							
Financial revenue:							
Interest on loans	\$ -	\$ 9,973,671	\$ (183,665)	\$ -	\$ -	\$ -	\$ 9,790,006
Loan related fees	678,867	-	-	678,867	-	-	678,867
Investment income	732	189,179	-	189,911	-	-	189,911
Net loan loss recovery	-	-	-	-	163,864	-	163,864
Less - interest expense	(183,665)	(4,061,533)	183,665	(4,061,533)	-	-	(4,061,533)
Net financial revenue	495,934	6,101,317	-	6,597,251	163,864	163,864	6,761,115
Training and other fees	4,012	-	-	4,012	-	-	4,012
Program service fees	6,101,317	(7,753)	(6,101,317)	-	-	-	-
Other net income (losses)	429	(7,753)	-	(7,324)	-	-	(7,324)
Total earned revenue	6,601,692	6,093,564	(6,101,317)	6,593,939	163,864	163,864	6,757,803
Public support:							
Grants and contributions	1,979,289	2,624,548	-	4,603,837	10,390	163,674	4,767,511
Grants - pass-through	47,529	-	-	47,529	-	100,000	147,529
Net assets released from restrictions	70,737	1,443,198	-	1,513,935	(1,443,198)	(9,103)	-
Less - grants passed through to others	(56,632)	-	-	(56,632)	-	-	(56,632)
Net public support	2,050,026	4,067,746	-	6,117,772	(1,432,808)	(1,259,364)	4,858,408
Total operating revenues	8,651,718	10,161,310	(6,101,317)	12,711,711	(1,268,944)	(1,095,500)	11,616,211
Operating Expenses:							
Program services	5,633,009	6,101,314	(6,101,317)	5,633,006	-	-	5,633,006
Management and administrative	770,731	-	-	770,731	-	-	770,731
Fundraising	408,279	-	-	408,279	-	-	408,279
Total operating expenses	6,812,019	6,101,314	(6,101,317)	6,812,016	-	-	6,812,016
Changes in net assets from operations	1,839,699	4,059,996	-	5,899,695	173,444	(1,095,500)	4,804,195
Non-Operating Revenue (Expense):							
Share of income from program-related development investments	-	101,000	-	101,000	-	-	101,000
Net unrealized loss on investment	-	(21,033)	-	(21,033)	-	-	(21,033)
Total non-operating revenue (expense)	-	79,967	-	79,967	-	-	79,967
Total changes in net assets	1,839,699	4,139,963	-	5,979,662	173,444	(1,095,500)	4,884,162
Net Assets:							
Beginning of year	3,202,366	20,985,671	-	24,188,037	152,444	9,470,159	33,658,196
Net asset transfer	(1,500,000)	1,500,000	-	-	-	-	-
End of year	\$ 3,542,065	\$ 26,625,634	\$ -	\$ 30,167,699	\$ 325,888	\$ 8,048,771	\$ 38,542,358