



***PENNSYLVANIA HOME LENDING COLLABORATIVE, INC. AND
NEIGHBORHOOD HOUSING SERVICES OF GREATER BERKS, INC.***

**CONSOLIDATED FINANCIAL STATEMENTS AND
COMPLIANCE REPORT**

Years Ended December 31, 2016 and 2015

TABLE OF CONTENTS

	Pages
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities.....	4
Consolidated Statements of Functional Expenses.....	5 - 6
Consolidated Statements of Cash Flows.....	7
Notes to Consolidated Financial Statements.....	8 - 21
SUPPLEMENTARY INFORMATION	
Consolidating Schedules of Financial Position.....	22 - 23
Consolidating Schedules of Activities	24 - 25
Consolidating Schedules of Functional Expenses	26 - 27
Consolidating Schedules of Cash Flows	28 - 29
Schedule of Financial Position for Neighborhood Reinvestment Corporation dba NeighborWorks America Grants	30
Schedule of Activities for Neighborhood Reinvestment Corporation dba NeighborWorks America Grants	31
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	32 - 33
SCHEDULE OF FINDINGS AND RESPONSES	34



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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Pennsylvania Home Lending Collaborative, Inc. and
Neighborhood Housing Services of Greater Berks, Inc.
Reading, Pennsylvania**

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Pennsylvania Home Lending Collaborative, Inc. and Neighborhood Housing Services of Greater Berks, Inc. (nonprofit organizations), which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to previously present fairly, in all material respects, the financial position of Pennsylvania Home Lending Collaborative, Inc. and Neighborhood Housing Services of Greater Berks, Inc. as of December 31, 2016 and 2015, and the changes in their net assets, their functional expenses, and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating schedules of financial position, activities, functional expenses, and cash flows, the schedule of financial position for Neighborhood Reinvestment Corporation dba NeighborWorks America Grants, and the schedule of activities for Neighborhood Reinvestment Corporation dba NeighborWorks America Grants are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2017, on our consideration of Pennsylvania Home Lending Collaborative, Inc.'s and Neighborhood Housing Services of Greater Berks, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pennsylvania Home Lending Collaborative, Inc.'s and Neighborhood Housing Services of Greater Berks, Inc.'s internal control over financial reporting and compliance.

Herbein + Company, Inc.

Reading, Pennsylvania

June 26, 2017

**PENNSYLVANIA HOME LENDING COLLABORATIVE, INC. AND
NEIGHBORHOOD HOUSING SERVICES OF GREATER BERKS, INC.**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2016	2015
ASSETS		
Cash and cash equivalents	\$ 2,133,849	\$ 802,922
Cash - restricted for loan down payments	627,461	467,161
Government grants receivable	78,814	282,276
Other receivables	2,747	504
Prepaid expenses	4,103	4,068
Properties held for resale	70,000	-
Home repair loans receivable	-	69,540
Mortgages receivable, net of allowance	2,919,134	2,910,419
Leasehold improvements and equipment, net of depreciation	837	987
	<u>5,836,945</u>	<u>4,537,877</u>
TOTAL ASSETS	\$ 5,836,945	\$ 4,537,877
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 92,427	\$ 29,018
Other current liabilities	300	7,250
Salaries and wages payable	15,760	15,282
Payroll taxes and related liabilities	7,151	1,544
Unearned revenue	689,426	81,910
Loan funds held for distribution	627,461	450,171
Note payable	1,100,000	725,000
Repair escrows payable	2,380	12,808
Rental security deposits	-	3,398
	<u>2,534,905</u>	<u>1,326,381</u>
TOTAL LIABILITIES	2,534,905	1,326,381
NET ASSETS		
Unrestricted	1,372,378	1,431,834
Permanently restricted	1,929,662	1,779,662
	<u>3,302,040</u>	<u>3,211,496</u>
TOTAL NET ASSETS	3,302,040	3,211,496
TOTAL LIABILITIES AND NET ASSETS	\$ 5,836,945	\$ 4,537,877

See accompanying notes.

PENNSYLVANIA HOME LENDING COLLABORATIVE, INC. AND NEIGHBORHOOD HOUSING SERVICES OF GREATER BERKS, INC.

CONSOLIDATED STATEMENTS OF ACTIVITIES

	Year Ended December 31, 2016			Year Ended December 31, 2015		
	Unrestricted	Permanently Restricted	Total	Unrestricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT						
Grants	\$ 572,978	\$ 150,000	\$ 722,978	\$ 668,510	\$ 157,000	\$ 825,510
Fee revenue	451,094	-	451,094	506,385	-	506,385
Contributions	72,560	-	72,560	72,878	-	72,878
Mortgage interest	96,545	-	96,545	98,187	-	98,187
Investment interest	294	-	294	2,018	-	2,018
Mortgage application fees	21,632	-	21,632	10,866	-	10,866
Appraisal and inspection fees	795	-	795	1,175	-	1,175
Escrow and other administrative fees	90	-	90	12,150	-	12,150
Miscellaneous	9,172	-	9,172	4,444	-	4,444
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	1,225,160	150,000	1,375,160	1,376,613	157,000	1,533,613
EXPENSES AND LOSSES						
Real estate and rehabilitation	152,954	-	152,954	686,421	-	686,421
Home ownership center	760,950	-	760,950	509,285	-	509,285
Neighborhood building	123,500	-	123,500	88,941	-	88,941
State-wide lending	106,360	-	106,360	104,769	-	104,769
Administrative and general	129,434	-	129,434	87,466	-	87,466
Fundraising	11,418	-	11,418	10,845	-	10,845
TOTAL EXPENSES AND LOSSES	1,284,616	-	1,284,616	1,487,727	-	1,487,727
CHANGE IN NET ASSETS	(59,456)	150,000	90,544	(111,114)	157,000	45,886
NET ASSETS AT BEGINNING OF YEAR	1,431,834	1,779,662	3,211,496	1,542,948	1,622,662	3,165,610
NET ASSETS AT END OF YEAR	\$ 1,372,378	\$ 1,929,662	\$ 3,302,040	\$ 1,431,834	\$ 1,779,662	\$ 3,211,496

See accompanying notes.

PENNSYLVANIA HOME LENDING COLLABORATIVE, INC. AND NEIGHBORHOOD HOUSING SERVICES OF GREATER BERKS, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2016

	Program Services					Supporting Services			Total
	Real Estate and Rehabilitation	Home Ownership Center	Neighborhood Building	State-Wide Lending	Total Program Services	Administrative and General	Fund Raising	Total Support Services	
Salaries	\$ 54,250	\$ 392,725	\$ 43,415	\$ 56,336	\$ 546,726	\$ 34,873	\$ 6,421	\$ 41,294	\$ 588,020
Payroll taxes	5,016	36,315	4,015	5,209	50,555	3,225	594	3,819	54,374
Employee benefits	10,382	75,154	8,308	10,781	104,625	6,674	1,229	7,903	112,528
Total salaries and related benefits	69,648	504,194	55,738	72,326	701,906	44,772	8,244	53,016	754,922
Property rehabilitation	56,191	-	-	-	56,191	-	-	-	56,191
Operation Renovation	-	-	54,057	-	54,057	-	-	-	54,057
Cost of property sold	-	-	-	-	-	-	-	-	-
Legal and professional	10,852	61,050	8,440	4,937	85,279	41,880	-	41,880	127,159
Bad debt reserve	-	82,007	-	-	82,007	-	-	-	82,007
Office lease	4,191	30,841	2,078	-	37,110	7,659	-	7,659	44,769
Insurance	515	-	-	-	515	3,745	-	3,745	4,260
Utilities, property taxes, and repairs	7,351	6,075	426	-	13,852	4,434	-	4,434	18,286
Office expense	1,960	10,672	1,525	2,265	16,422	6,534	1,089	7,623	24,045
Travel and conferences	248	20,748	-	-	20,996	64	1,108	1,172	22,168
Communications	784	4,267	610	1,233	6,894	1,380	435	1,815	8,709
Equipment maintenance	377	2,054	293	-	2,724	1,467	-	1,467	4,191
Mortgage processing	-	12,149	-	-	12,149	-	-	-	12,149
Marketing/advertising	-	1,913	-	-	1,913	2,268	-	2,268	4,181
State-wide lending expense	-	-	-	2,910	2,910	-	-	-	2,910
Home improvement expense	-	14,355	-	-	14,355	-	-	-	14,355
Dues and subscriptions	419	2,283	326	-	3,028	1,741	-	1,741	4,769
Interest expense	-	-	-	20,929	20,929	-	-	-	20,929
Bank fees	-	8,241	-	1,565	9,806	2,966	-	2,966	12,772
Miscellaneous	404	-	-	195	599	10,496	542	11,038	11,637
TOTAL EXPENSES BEFORE DEPRECIATION	152,940	760,849	123,493	106,360	1,143,642	129,406	11,418	140,824	1,284,466
Depreciation expense	14	101	7	-	122	28	-	28	150
TOTAL EXPENSES	\$ 152,954	\$ 760,950	\$ 123,500	\$ 106,360	\$ 1,143,764	\$ 129,434	\$ 11,418	\$ 140,852	\$ 1,284,616

See accompanying notes.

PENNSYLVANIA HOME LENDING COLLABORATIVE, INC. AND NEIGHBORHOOD HOUSING SERVICES OF GREATER BERKS, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2015

	Program Services					Supporting Services			Total
	Real Estate and Rehabilitation	Home Ownership Center	Neighborhood Building	State-Wide Lending	Total Program Services	Administrative and General	Fund Raising	Total Support Services	
Salaries	\$ 51,638	\$ 318,170	\$ 39,072	\$ 46,874	\$ 455,754	\$ 31,757	\$ 5,262	\$ 37,019	\$ 492,773
Payroll taxes	4,611	28,413	3,489	4,186	40,699	2,836	470	3,306	44,005
Employee benefits	8,718	53,715	6,596	7,913	76,942	5,361	888	6,249	83,191
Total salaries and related benefits	64,967	400,298	49,157	58,973	573,395	39,954	6,620	46,574	619,969
Property rehabilitation	301,740	-	-	-	301,740	-	-	-	301,740
Operation Renovation	-	-	30,665	-	30,665	-	-	-	30,665
Cost of property sold	291,887	-	-	-	291,887	-	-	-	291,887
Legal and professional	5,941	32,181	4,621	15,015	57,758	8,337	-	8,337	66,095
Bad debt reserve	-	944	-	-	944	-	-	-	944
Office lease	4,025	29,668	1,995	1,032	36,720	6,309	-	6,309	43,029
Insurance	-	-	-	-	-	3,954	-	3,954	3,954
Utilities, property taxes, and repairs	12,739	6,407	449	-	19,595	6,813	-	6,813	26,408
Office expense	1,373	7,476	1,068	3,346	13,263	1,231	763	1,994	15,257
Travel and conferences	330	5,642	-	980	6,952	11,084	949	12,033	18,985
Communications	693	3,772	539	1,346	6,350	963	385	1,348	7,698
Equipment maintenance	565	3,077	440	-	4,082	2,198	-	2,198	6,280
Mortgage processing	-	13,009	-	-	13,009	-	-	-	13,009
Marketing/advertising	-	1,475	-	210	1,685	4,269	1,851	6,120	7,805
State-wide lending expense	-	-	-	19,368	19,368	-	-	-	19,368
Interest expense	-	5,235	-	3,706	8,941	-	-	-	8,941
Bank fees	1,743	-	-	-	1,743	-	-	-	1,743
Miscellaneous	404	-	-	793	1,197	2,326	277	2,603	3,800
TOTAL EXPENSES BEFORE DEPRECIATION	686,407	509,184	88,934	104,769	1,389,294	87,438	10,845	98,283	1,487,577
Depreciation expense	14	101	7	-	122	28	-	28	150
TOTAL EXPENSES	\$ 686,421	\$ 509,285	\$ 88,941	\$ 104,769	\$ 1,389,416	\$ 87,466	\$ 10,845	\$ 98,311	\$ 1,487,727

See accompanying notes.

**PENNSYLVANIA HOME LENDING COLLABORATIVE, INC. AND
NEIGHBORHOOD HOUSING SERVICES OF GREATER BERKS, INC.**

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 90,544	\$ 45,886
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	150	150
Changes in:		
Government grants receivable	203,462	(212,423)
Other receivables	(2,243)	26,744
Prepaid expenses	(35)	764
Properties held for resale	(70,000)	265,023
Accounts payable	63,409	(15,520)
Unearned revenue	607,516	(107,130)
Salaries and wages payable	478	2,392
Payroll taxes and related liabilities	5,607	575
Other payables	(20,776)	(16,267)
	<u>878,112</u>	<u>(9,806)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan funds held for distribution	177,290	500,161
Principal payments received on mortgages outstanding	445,056	798,868
New mortgages issued	(384,231)	(867,416)
	<u>238,115</u>	<u>431,613</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	375,000	750,000
Repayments on note payable	-	(300,000)
	<u>375,000</u>	<u>450,000</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES		
NET INCREASE IN CASH		
	1,491,227	871,807
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		
	<u>1,270,083</u>	<u>398,276</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		
	<u>\$ 2,761,310</u>	<u>\$ 1,270,083</u>
RECONCILIATION OF CASH AT END OF YEAR		
Cash	\$ 2,133,849	\$ 802,922
Cash - restricted for loan down payments	627,461	467,161
	<u>\$ 2,761,310</u>	<u>\$ 1,270,083</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 20,929	\$ 8,941

See accompanying notes.

**PENNSYLVANIA HOME LENDING COLLABORATIVE, INC. AND
NEIGHBORHOOD HOUSING SERVICES OF GREATER BERKS, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

Pennsylvania Home Lending Collaborative, Inc. and Neighborhood Housing Services of Greater Berks, Inc. (the "Organizations") are nonprofit organizations. Neighborhood Housing Services of Greater Berks, Inc. (NHS) is accredited as a Community Development Financial Institution (CDFI). Neighborhood Housing Services of Greater Berks, Inc. provides comprehensive revitalization programs to halt and reverse disinvestment in the County of Berks, primarily within the City of Reading, through a coordinated reinvestment strategy that involves neighborhood residents, the financial community, the City, and the County working together. The Organizations promote community development by assisting residents in obtaining loans from lending institutions, making loans for home purchases, and home improvements available to residents who, because of limited financial means and resources, cannot obtain loans from lending institutions. NHS also provides services to the County of Philadelphia on a limited basis. In December 2014, another related entity was incorporated, Pennsylvania Home Lending Collaborative, Inc. (PHLC). PHLC is related to NHS as a result of their common management and of their financial interrelationship. PHLC began lending operations in 2015 and is organized to provide similar services as NHS to the entire Commonwealth of Pennsylvania. In June 2016, the bylaws and articles of incorporation of PHLC were amended making Neighborhood Housing Services of Greater Berks, Inc. the sole member organization of PHLC.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting.

Consolidation Policy

These consolidated financial statements include the activity of Pennsylvania Home Lending Collaborative, Inc., and Neighborhood Housing Services of Greater Berks, Inc. Intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of 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.

Financial Statement Presentation

The Organizations are required to report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- a. Unrestricted net assets are those currently available for use of the Organizations' boards, and the resources invested in fixed assets. These assets are accounted for internally in the general operating fund.

**PENNSYLVANIA HOME LENDING COLLABORATIVE, INC. AND
NEIGHBORHOOD HOUSING SERVICES OF GREATER BERKS, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

- b. Temporarily restricted net assets are those received with donor stipulations that limit the use of the donated assets. When stipulated time restrictions expire or purpose restrictions are accomplished, these net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- c. Permanently restricted net assets are those contributed with donor stipulations that they be held in perpetuity with use of income for unrestricted or temporarily restricted purposes. The Revolving Loan Fund, which grants home ownership loans, falls within this class of net assets. The corpus of the fund must be maintained, but interest and investment income is unrestricted.

Properties Held for Resale (Inventory)

Properties held for resale are stated at the lower of cost or market. Properties were purchased as constructed by a builder and will be resold to applicants of the housing programs.

Financial Instruments

PHLC and Neighborhood Housing Services of Greater Berks, Inc. have a number of financial instruments, none of which are held for trading purposes. The Organizations estimate that the fair value of most of their financial instruments at December 31, 2016 and 2015, does not differ materially from the aggregate carrying value of the financial instruments recorded in the accompanying balance sheets. It was not possible to estimate the fair values of the mortgages receivable due to the nature of the mortgages and the nonprofit motive used in the lending process. Considerable judgment is required in interpreting market data to develop the estimate of fair value and, accordingly, the estimates are not necessarily indicative of the amount the Organizations could realize in the current market exchange.

Leasehold Improvements and Equipment

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

Property and equipment purchased is stated at historical cost less accumulated depreciation. Property and equipment is depreciated using the straight-line method over their estimated useful lives as follows:

Leasehold improvements	10 to 20 years
Office furniture and fixtures	5 to 10 years
Equipment and tools	3 to 7 years
Computer equipment	3 to 5 years

Interest Income

The interest income on the mortgages receivable is recognized when received. The mortgages are granted with terms designed to minimize the likelihood of financial stress, and with interest rates that are generally at or below the prevailing market rate. The other interest and investment income is recognized as earned.

**PENNSYLVANIA HOME LENDING COLLABORATIVE, INC. AND
NEIGHBORHOOD HOUSING SERVICES OF GREATER BERKS, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Cash and Cash Equivalents

The Organizations consider all short-term investments with a maturity of three months or less to be cash equivalents. At various times during the year, the Organizations had cash balances in excess of the federally insured limit in deposit accounts at local banks.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions with stipulations that limit the use of the donated assets or if they are designated as support for future periods are restricted support. All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. If a restriction is met in the same time period in which the contribution is received, the Organizations record the contribution as unrestricted.

The Organizations use the allowance method to determine uncollectible unconditional monies receivable. The allowance is based on prior year's experience and management's analysis of specific promises made.

Grants and Contracts

Support received under grants and contracts with federal, state, and local agencies is recorded as public support in the appropriate fund when the related costs and program requirements have been met. Grants and contracts receivable represent amounts due for expenditures incurred prior to year end. Unearned amounts represent cash received in advance of related expenditures.

Contributed Services

The boards of directors and volunteers donate significant amounts of time to the various programs and operations of the Organizations. However, only the value of donated services that require specialized skills provided by individuals possessing those skills, and that would typically need to be purchased if not donated may be recorded. Approximately 11,200 and 1,858 hours of services were donated during the 2016 and 2015 Operation Renovation Campaigns for an estimated value of \$262,080 and \$46,117, respectively.

Advertising Costs

The Organizations expense advertising costs as they are incurred. Total expense was \$4,181 and \$7,805 for the years ended December 31, 2016 and 2015, respectively.

Functional Expense Allocations

Expenses that can be identified with specific programs and support services are allocated directly to their natural expenditure classification. Expenses relating to more than one function are allocated to program and supporting services based on the Organizations' records of time devoted and related expenses incurred for each program, as provided by the executive director.

**PENNSYLVANIA HOME LENDING COLLABORATIVE, INC. AND
NEIGHBORHOOD HOUSING SERVICES OF GREATER BERKS, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Tax-Exempt Status

The Organizations are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organizations are organized under the Pennsylvania Nonprofit Corporation Law of 1972 and, as such, are exempt from state income taxes. The Organizations annually file federal and state information returns as required.

In accordance with generally accepted accounting principles, the Organizations account for uncertain tax positions relative to unrelated business income, if any, as required.

NOTE 2 - PROGRAMS AND SERVICES

The core programs of the Organizations include:

Real Estate and Rehabilitation

The Organizations seek to remove blighted properties through purchase and renovation, with subsequent resale to first time homebuyers. In addition, the Organizations act as a consultant to provide administration of rehabilitation programs run by other entities.

Real estate and rehabilitation constructs new affordable homes on a scattered site basis outside the City of Reading for first-time homeowners and provides technical assistance to the home repair programs and Operation Renovation.

Home Ownership Center

The Organizations offer assistance through a variety of programs to clients who are preparing to become homeowners, and offers several types of loans to assist first-time homebuyers. The programs include lending for home purchase assistance and home repairs, homebuyer education, and budget and credit counseling.

Neighborhood Building

The Organizations provide a number of neighborhood-based initiatives designed to empower the residents to control their environment. During this year, the Organizations provided assistance in running resident meetings, providing resources, and leadership training throughout the year. They assist the community in gathering volunteers for clean-ups and repair efforts such as Operation Renovation, which brought more than 419 volunteers to clean up and repair 72 homes in the City of Reading.

**PENNSYLVANIA HOME LENDING COLLABORATIVE, INC. AND
NEIGHBORHOOD HOUSING SERVICES OF GREATER BERKS, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 2 - PROGRAMS AND SERVICES - CONTINUED

State-Wide Lending

The Organizations are collaborating with six other established NeighborWorks organizations that cover the majority of Pennsylvania in their collective service areas. In the interest of providing financial assistance to low/moderate income clients seeking first time home ownership in their regions, the Organizations were asked to lead the creation of a lending effort, whereby the Organizations could provide lending services and capital to their constituents who qualify. In December 2014, PHLC was incorporated and just began efforts to raise lending capital in support of this initiative. In the year ended December 31, 2015, lending from the PHLC commenced.

NOTE 3 - CASH AND CASH EQUIVALENTS

Cash includes certificates of deposit and any investment with a maturity of three months or less. At year end and at various times during the year, the Organizations had cash balances in excess of the federally insured limit in deposit accounts at two local banks. No funds obtained from Neighborhood Reinvestment Corporation dba NeighborWorks America exceed the limit.

NOTE 4 - RESTRICTED CASH/LIFT FINANCING PROGRAM

In September 2012, Neighborhood Housing Services of Greater Berks, Inc. (NHS) entered into an agreement with NeighborWorks America to administer a program funded by Wells Fargo which provides a down payment assistance program designed to advance the recovery of cities most impacted by the housing crisis. A total of \$7,040,000 of down payment assistance was advanced to NHS plus an additional \$648,000 to cover administration costs. In accordance with terms of the agreement, NHS is responsible for administering a five-year down payment assistance program which provides forgiveness of the assistance at a rate of 20 percent annually until 100 percent forgiven at five years; providing borrowers with a minimum of eight hours of counseling and education, as well as a number of other reporting and marketing initiatives.

**PENNSYLVANIA HOME LENDING COLLABORATIVE, INC. AND
NEIGHBORHOOD HOUSING SERVICES OF GREATER BERKS, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 4 - RESTRICTED CASH/LIFT FINANCING PROGRAM - CONTINUED

In October 2015, NHS entered into an amendment to the original agreement for additional funding through October 2016. A total of \$1,178,940 of down payment assistance was advanced to NHS plus an additional \$120,000 to cover administration for NHS and another organization collaborating on the program. In December 2015, NHS and PHLC entered into an additional agreement for the LIFT III Program. A total of \$4,000,000 was advanced to NHS for down payment assistance and administrative expenses for NHS and PHLC collaborating on the program. At December 31, 2016 and 2015, \$627,461 and \$450,171 of loan fund advances, respectively, were held in restricted accounts with an offsetting liability on the books. As NHS and PHLC just acted as agents for these funds, no revenue or expenses related to the down payment assistance was recognized in the years ended December 31, 2016 or 2015, other than their portion of the administrative assistance funds, totaling \$276,500 and \$60,000, recognized in the years ended December 31, 2016 and 2015, respectively.

NOTE 5 - LEASEHOLD IMPROVEMENTS AND EQUIPMENT

Leasehold improvements and equipment consist of the following:

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Leasehold improvements	\$ 1,500	\$ 1,500
Office furniture and fixtures	-	-
Equipment and tools	-	-
	<u>1,500</u>	<u>1,500</u>
Accumulated depreciation	<u>(663)</u>	<u>(513)</u>
	<u>\$ 837</u>	<u>\$ 987</u>

**PENNSYLVANIA HOME LENDING COLLABORATIVE, INC. AND
NEIGHBORHOOD HOUSING SERVICES OF GREATER BERKS, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 6 - RECEIVABLES AND CONTINGENT LIABILITY

Mortgages Receivable

Pennsylvania Home Lending Collaborative, Inc. and Neighborhood Housing Services of Greater Berks, Inc. have \$3,053,334 and \$2,962,435 of outstanding loans receivable from residents of the Greater Berks County area for the purchase of low to moderate income housing at December 31, 2016 and 2015, respectively. Interest rates range from 1.00 percent to 5.5 percent and maturity dates range from 2017 to 2045. The following tables provide information on the loan portfolio:

	Dollar Amount	%	Number Amount	%
December 31, 2016				
Total loans receivable	\$ 3,053,334	100.0 %	240	100.0 %
Current	2,748,799	90.0	208	86.7
30 to 90 days past due	244,410	8.0	22	9.2
Greater than 90 days past due	60,125	2.0	10	4.1
	Dollar Amount	%	Number Amount	%
December 31, 2015				
Total loans receivable	\$ 2,962,435	100.0 %	254	100.0 %
Current	2,772,016	93.6	234	92.0
30 to 90 days past due	145,924	4.9	13	5.2
Greater than 90 days past due	44,495	1.5	7	2.8

Mortgages receivable on the statements of financial position consist of the following:

	December 31	
	2016	2015
Total mortgages outstanding	\$ 3,053,334	\$ 2,962,435
Mortgage loss provision	(134,200)	(52,016)
	<u>\$ 2,919,134</u>	<u>\$ 2,910,419</u>

During 2016, NHS was awarded CDFI grant funds which required the establishment of a loan loss reserve in advance of any loans under the CDFI program of \$84,200.

**PENNSYLVANIA HOME LENDING COLLABORATIVE, INC. AND
NEIGHBORHOOD HOUSING SERVICES OF GREATER BERKS, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 6 - RECEIVABLES AND CONTINGENT LIABILITY - CONTINUED

Bad debt expense (recoveries) consists of the following:

	December 31	
	2016	2015
Loan loss reserve increase	<u>\$ 82,007</u>	<u>\$ 944</u>

Home Repair Loans Receivable

Neighborhood Housing Services of Greater Berks, Inc. entered into an agreement with a local bank to administer a loan program for home repairs. As of December 31, 2015, \$69,540 of loans was outstanding. In 2016, the local bank was acquired by another bank and the loan program was terminated with the bank purchasing all the remaining loans and NHS keeping any unused funds.

NOTE 7 - PROPERTIES HELD FOR RESALE

In February 2016, Neighborhood Housing Services of Greater Berks, Inc. purchased a property in the City of Reading for rehabilitation and resale. The property is available for resale at year end for \$70,000. The property was subsequently sold in March 2017 for \$70,000.

NOTE 8 - NOTE PAYABLE

In November 2014, Neighborhood Housing Services of Greater Berks, Inc. entered into a loan agreement with a local bank under a term note agreement in the amount of \$2,500,000, with a fixed interest rate at 2.0 percent per annum. Proceeds of the loan are disbursed by the bank at the request of the Organization during a two-year draw availability period commencing November 14, 2014, with all amounts due at the end of the term of the loan on November 15, 2024, if not paid sooner. Interest payments are payable to the bank on a quarterly basis commencing February 15, 2015. Proceeds from the loan are to be used for the home lending activities in Berks County and the City of Philadelphia and will provide second mortgage loans to counseled and qualified low and moderate income first time homebuyers, and home repair loans to existing homeowners.

In February 2016, a loan modification was signed with PHLC added to the loan as the primary obligor. The period for advances under the note was extended through February 1, 2018. As of December 31, 2016 and 2015, the balance of the note was \$1,100,000 and \$725,000, respectively.

**PENNSYLVANIA HOME LENDING COLLABORATIVE, INC. AND
NEIGHBORHOOD HOUSING SERVICES OF GREATER BERKS, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 9 - LINE OF CREDIT

Neighborhood Housing Services of Greater Berks, Inc. has a \$125,000 available line of credit with a local bank, with interest at the greater of the bank's prime rate plus 1.35 percent at December 31, 2016 and 2015, with a floor rate of 5.00 percent at December 31, 2016 and 2015 (5.1% and 5% at December 31, 2016 and 2015, respectively). The balance on this line of credit at both December 31, 2016 and 2015 was \$0.

NOTE 10 - CONTRACTS WITH THE CITY OF READING

Pursuant to separate agreements between the U.S. Department of Housing and Urban Development and the City of Reading, and the Neighborhood Reinvestment Corporation and the City of Reading, in 1979, Neighborhood Housing Services of Greater Berks, Inc. entered into a contract with the City to establish and operate a neighborhood rehabilitation program. Under terms of the contract, as amended, the City granted monies to the Organization over an eight-year period with the stipulation that such monies be placed in a "revolving fund" and be used primarily to provide home improvement loans to qualified individuals. These monies were also permitted to be used by the Organization to fund general operating deficits and to rehabilitate its office building.

No repayment of the grant funds is required unless certain specified events occur, in which case all monies related to the Revolving Loan and Capital Projects Program up to the amount contributed by the City (\$682,500 at December 31, 2016 and 2015) will revert to the City. The specified events include the dissolution of Neighborhood Housing Services of Greater Berks, Inc., a material change or departure from the practice of housing rehabilitation, or an insufficient number of qualified recipients within the current project area. The agreement has been amended to allow for the sale of the property at 383 Schuylkill Avenue, with the assignment of this agreement transferable to the purchaser as long as the purchaser continues to provide affordable housing units in accordance with the original agreement.

NOTE 11 - NEIGHBORHOOD REINVESTMENT CORPORATION DBA NEIGHBORWORKS AMERICA

In 1978, the Neighborhood Reinvestment Corporation dba NeighborWorks America granted \$75,000 to be used to establish and maintain the Revolving Loan and Capital Projects Programs. A grant amendment executed in 1980 authorized the use of \$3,000 of this amount for operational purposes with no requirement for payment of the funds to the Revolving Loan and Capital Projects Programs. Through the years, the Neighborhood Reinvestment Corporation dba NeighborWorks America has granted a total of \$2,433,080 in capital grants to the Revolving Loan and Capital Projects Programs, and released \$503,418 for operations. The remaining \$1,929,662, including interest earnings and other foreseeable changes to the funds, will revert to Neighborhood Reinvestment Corporation dba NeighborWorks America should material deficiencies in Neighborhood Housing Services of Greater Berks, Inc. threaten its ability to accomplish its mission or upon its becoming defunct.

**PENNSYLVANIA HOME LENDING COLLABORATIVE, INC. AND
NEIGHBORHOOD HOUSING SERVICES OF GREATER BERKS, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 11 - NEIGHBORHOOD REINVESTMENT CORPORATION DBA NEIGHBORWORKS AMERICA - CONTINUED

These grants have been used as follows as of December 31, 2016:

Loans	\$ 1,929,662
Adjustment for operations	46,000
Unrestricted release per NeighborWorks America	<u>457,418</u>
	<u>\$ 2,433,080</u>

During 2009, the Neighborhood Reinvestment Corporation dba NeighborWorks America released \$457,418 of capital grant funds from permanent restriction. These funds were transferred from permanently to unrestricted funds by the Organization upon notification of this reduction. During 2008, \$46,000 was released for general operations of the Organization. As of December 31, 2016, \$1,929,662 remains restricted for loans.

During the years ended December 31, 2016 and 2015, \$191,808 and \$162,256, respectively, in new expendable grant funds were received from the Neighborhood Reinvestment Corporation dba NeighborWorks America. The grants were available to fund general operations of Neighborhood Housing Services of Greater Berks, Inc.

NOTE 12 - RISK MANAGEMENT

The Organizations are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance, including a policy for employee dishonesty coverage. There were no significant reductions in insurance coverage for the fiscal year. Settlement amounts have not exceeded insurance coverage for the fiscal year.

**PENNSYLVANIA HOME LENDING COLLABORATIVE, INC. AND
NEIGHBORHOOD HOUSING SERVICES OF GREATER BERKS, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 13 - CONCENTRATIONS OF CREDIT RISK

Neighborhood Housing Services of Greater Berks, Inc. loans monies to low and medium income individual residents of the County of Berks, Pennsylvania, with a significant portion within the City of Reading. These loans are secured primarily by second-lien mortgages on the specific properties purchased.

The Organizations rely on federal funding through the City of Reading, the County of Berks, the local business community, and national organizations to provide the financial resources necessary to fund its operations. During the year ended December 31, 2016, the Organizations received 39 percent (\$535,247) of its revenues from two sources: the City of Reading and Neighborhood Reinvestment Corporation dba NeighborWorks America. Accounts receivable due from these grantors at December 31, 2016, is \$78,814.

During the year ended December 31, 2015, the Organizations received 43 percent (\$657,306) of its revenues from two sources: the City of Reading and Neighborhood Reinvestment Corporation dba NeighborWorks America. Accounts receivable due from these grantors at December 31, 2015, is \$282,276.

NOTE 14 - RETIREMENT PLAN

Neighborhood Housing Services of Greater Berks, Inc. has a defined contribution pension plan, which was established effective July 1, 1997, covering all eligible employees. Under the terms of the Plan, the Organization, at its discretion, may match portions of the contributions made by individual participants. Contributions are determined by management on a discretionary basis. The amounts expensed for the years ended December 31, 2016 and 2015, were \$8,918 and \$8,827, respectively.

NOTE 15 - CONTINGENCIES

Neighborhood Housing Services of Greater Berks, Inc. has various delinquent mortgages receivable and negative escrow accounts at December 31, 2016. If these balances would become uncollectible, potential losses could exceed the loan loss reserve, which has been included on this report.

The Organizations receive federal awards through various agreements with the City of Reading, County of Berks, and NeighborWorks America. All awards are subject to audit by the federal or awarding agencies. Any amounts of expenditures which may be disallowed cannot be determined at this time, although the Organization expects such amounts, if any, to be immaterial.

**PENNSYLVANIA HOME LENDING COLLABORATIVE, INC. AND
NEIGHBORHOOD HOUSING SERVICES OF GREATER BERKS, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 16 - NET ASSETS

Permanently restricted net assets of \$1,929,662 and \$1,779,662 as of December 31, 2016 and 2015, respectively, represent the balance in the Revolving Loan Fund. This amount is restricted to investments in perpetuity, the income of which is expendable (unrestricted) to support the operations of Neighborhood Housing Services of Greater Berks, Inc. See Note 11 for further details.

NOTE 17 - LEASES

Neighborhood Housing Services of Greater Berks, Inc. leases office space for its administrative offices and home ownership center. This lease has an initial term of five years and is renewable for two additional five-year terms. The base rent includes heat, air conditioning, water, sewer, and trash expenses. The Organization is required to pay electricity, telephone, janitorial services, and a portion of property expenses, including taxes and operating and maintenance costs. Base rent amounts are scheduled as follows:

<u>Year Ending December 31</u>	<u>Term</u>
2017	\$ 44,589
2018	3,725
	<u>\$ 48,314</u>

Lease expense for the years ended December 31, 2016 and 2015, was \$44,769 and \$43,029, respectively.

In May 2017, the Organization entered into a lease for additional office space for an initial term of five years and nine months through January 2023 and is renewable for two additional five-year terms through January 2033. In addition to base rent, the Organization will pay additional rent totaling 3% of the property expenses incurred, including real estate taxes, maintenance and repair, electricity, lawn care and landscaping, snow removal, garbage removal, fire alarm service, security, parking lot maintenance and repair, and janitorial services. Base rent will not be charged for the additional space until August 2019 because the Organization is paying for improvements to the property. Operating expenses will be charged commencing with the agreement.

**PENNSYLVANIA HOME LENDING COLLABORATIVE, INC. AND
NEIGHBORHOOD HOUSING SERVICES OF GREATER BERKS, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 18 - UNIFORM GUIDANCE APPLICABILITY

Federal regulations require an organization to undergo a Uniform Guidance Audit when during their fiscal period they have met or exceeded the minimum federal funding threshold. During the year ended December 31, 2016, the minimum federal funding requirement for a Uniform Guidance Audit was \$750,000. The Organizations did not receive the required minimum federal funding, therefore, was not required to undergo an audit for Uniform Guidance.

NOTE 19 - SUBSEQUENT EVENTS

In preparing these financial statements, the Organizations have evaluated events and transactions for potential recognition through June 26, 2017, the date the financial statements were available to be issued.

In May 2017, the Organizations entered into an agreement with a local contracting group for improvements to the additional office space the Organizations began leasing in May 2017. The contract totals \$100,487 and the Organizations plan to use grant funds, as well as reserves to pay for the project.

NOTE 20 - NEW ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606) and Other Assets and Deferred Costs - Contracts with Customers (Subtopic 340-40). This standard implements a single framework for recognition of all revenue earned from customers. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services by allocating transaction price to identified performance obligations and recognizing revenue as performance obligations are satisfied. Qualitative and quantitative disclosures are required to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. In August 2015, the FASB issued ASU No. 2015-14 which defers the effective date of ASU No. 2014-09 one year, making it effective for fiscal years beginning after December 15, 2018. The Organizations are evaluating the impact of this standard on the consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments - Overall (Subtopic 825-10): *Recognition and Measurement of Financial Assets and Financial Liabilities*. Per this guidance, entities that are not public business entities are not required to apply the fair value of financial instruments disclosure guidance in the General Subsection of Section 825-10-50. The Organizations have elected to early adopt this standard for fiscal year 2016.

**PENNSYLVANIA HOME LENDING COLLABORATIVE, INC. AND
NEIGHBORHOOD HOUSING SERVICES OF GREATER BERKS, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 20 - NEW ACCOUNTING PRONOUNCEMENTS - CONTINUED

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). Under this guidance, lessees will need to recognize the following for all leases (with the exception of leases with a term of twelve months or less) at the commencement date: (a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (b) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. The guidance requires a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements. The modified retrospective approach would not require any transition accounting for leases that expire before the earliest comparative period presented. A full retrospective transition approach is not permitted. This standard is effective for fiscal years beginning after December 15, 2019, with early application permitted. The Organizations are evaluating the impact this standard will have on the consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which makes targeted changes to the not-for-profit financial reporting model. Under the new ASU, the existing three-category classification of net assets (i.e. unrestricted, temporarily restricted, and permanently restricted) will be replaced with a model that combines temporarily restricted and permanently restricted into a single category called "net assets with donor restrictions." Differences in the nature of donor restrictions will be disclosed in the notes, with an emphasis on how and when the resources can be used. The guidance for classifying deficiencies in endowment funds ("underwater endowments") and on accounting for the lapsing of restrictions on gifts to acquire property, plant, and equipment have also been clarified. New disclosures will highlight restrictions on the use of resources that make otherwise liquid assets unavailable for meeting near-term financial requirements. Entities will be required to disclose (on the face of the statement or in notes) the extent to which the balance sheet comprises financial assets, the extent to which those assets can be converted to cash within one year, and any limitations that would preclude their current use. This standard is effective for fiscal years beginning after December 15, 2017, with early application permitted. This standard should be applied on a retrospective basis in the year that the standard is first applied. The Organizations are evaluating the impact of this standard on the consolidated financial statements.

SUPPLEMENTARY INFORMATION

PENNSYLVANIA HOME LENDING COLLABORATIVE, INC. AND NEIGHBORHOOD HOUSING SERVICES OF GREATER BERKS, INC.

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

December 31, 2016

	Neighborhood Housing Services of Greater Berks, Inc.	Pennsylvania Home Lending Collaborative, Inc.	Total
ASSETS			
Cash and cash equivalents	\$ 2,083,252	\$ 50,597	\$ 2,133,849
Cash - restricted for loan down payments	627,461	-	627,461
Government grants receivable	78,814	-	78,814
Other receivables	2,747	-	2,747
Prepaid expenses	4,103	-	4,103
Properties held for resale	70,000	-	70,000
Home repair loans receivable	-	-	-
Mortgages receivable, net of allowance	2,180,397	738,737	2,919,134
Leasehold improvements and equipment, net of depreciation	837	-	837
	<u>\$ 5,047,611</u>	<u>\$ 789,334</u>	<u>\$ 5,836,945</u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable	\$ 92,427	\$ -	\$ 92,427
Other current liabilities	300	-	300
Salaries and wages payable	15,760	-	15,760
Payroll taxes and related liabilities	7,151	-	7,151
Due to (from) related party	327,808	(327,808)	-
Unearned revenue	689,426	-	689,426
Loan funds held for distribution	627,461	-	627,461
Note payable	-	1,100,000	1,100,000
Repair escrows payable	-	2,380	2,380
Rental security deposits	-	-	-
	<u>1,760,333</u>	<u>774,572</u>	<u>2,534,905</u>
	TOTAL LIABILITIES		
NET ASSETS			
Unrestricted	1,357,616	14,762	1,372,378
Permanently restricted	1,929,662	-	1,929,662
	<u>3,287,278</u>	<u>14,762</u>	<u>3,302,040</u>
	TOTAL NET ASSETS		
	<u>\$ 5,047,611</u>	<u>\$ 789,334</u>	<u>\$ 5,836,945</u>
	TOTAL LIABILITIES AND NET ASSETS		

PENNSYLVANIA HOME LENDING COLLABORATIVE, INC. AND NEIGHBORHOOD HOUSING SERVICES OF GREATER BERKS, INC.

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

December 31, 2015

	Neighborhood Housing Services of Greater Berks, Inc.	Pennsylvania Home Lending Collaborative, Inc.	Total
ASSETS			
Cash and cash equivalents	\$ 781,657	\$ 21,265	\$ 802,922
Cash - restricted for loan down payments	467,161	-	467,161
Government grants receivable	282,276	-	282,276
Other receivables	504	-	504
Prepaid expenses	4,068	-	4,068
Home repair loans receivable	69,540	-	69,540
Mortgages receivable, net of allowance	2,555,941	354,478	2,910,419
Leasehold improvements and equipment, net of depreciation	987	-	987
	<u>\$ 4,162,134</u>	<u>\$ 375,743</u>	<u>\$ 4,537,877</u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable	\$ 29,018	\$ -	\$ 29,018
Other current liabilities	7,250	-	7,250
Salaries and wages payable	15,282	-	15,282
Payroll taxes and related liabilities	1,544	-	1,544
Due to (from) related party	(366,806)	366,806	-
Unearned revenue	81,910	-	81,910
Loan funds held for distribution	450,171	-	450,171
Note payable	725,000	-	725,000
Repair escrows payable	4,958	7,850	12,808
Rental security deposits	3,398	-	3,398
	<u>951,725</u>	<u>374,656</u>	<u>1,326,381</u>
	<u>\$ 4,162,134</u>	<u>\$ 375,743</u>	<u>\$ 4,537,877</u>
NET ASSETS			
Unrestricted	1,430,747	1,087	1,431,834
Permanently restricted	1,779,662	-	1,779,662
	<u>3,210,409</u>	<u>1,087</u>	<u>3,211,496</u>
	<u>\$ 4,162,134</u>	<u>\$ 375,743</u>	<u>\$ 4,537,877</u>

PENNSYLVANIA HOME LENDING COLLABORATIVE, INC. AND NEIGHBORHOOD HOUSING SERVICES OF GREATER BERKS, INC.

CONSOLIDATING SCHEDULE OF ACTIVITIES

Year Ended December 31, 2016

	Unrestricted				Permanently Restricted				
	Neighborhood Housing Services of Greater Berks, Inc.	Pennsylvania Home Lending Collaborative, Inc.	Eliminations	Total Unrestricted	Neighborhood Housing Services of Greater Berks, Inc.	Pennsylvania Home Lending Collaborative, Inc.	Eliminations	Total Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT									
Grants	\$ 572,978	\$ -	\$ -	\$ 572,978	\$ 150,000	\$ -	\$ -	\$ 150,000	\$ 722,978
Fee revenue	451,094	-	-	451,094	-	-	-	-	451,094
Contributions	72,560	-	-	72,560	-	-	-	-	72,560
Mortgage interest	76,079	20,466	-	96,545	-	-	-	-	96,545
Investment interest	203	91	-	294	-	-	-	-	294
Mortgage application fees	225	21,407	-	21,632	-	-	-	-	21,632
Appraisal and inspection fees	-	795	-	795	-	-	-	-	795
Escrow and other administrative fees	-	90	-	90	-	-	-	-	90
Miscellaneous	9,107	65	-	9,172	-	-	-	-	9,172
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	1,182,246	42,914	-	1,225,160	150,000	-	-	150,000	1,375,160
EXPENSES AND LOSSES									
Real estate and rehabilitation	152,954	-	-	152,954	-	-	-	-	152,954
Home ownership center	760,950	-	-	760,950	-	-	-	-	760,950
Neighborhood building	123,500	-	-	123,500	-	-	-	-	123,500
State-wide lending	77,121	29,239	-	106,360	-	-	-	-	106,360
Administrative and general	129,434	-	-	129,434	-	-	-	-	129,434
Fundraising	11,418	-	-	11,418	-	-	-	-	11,418
TOTAL EXPENSES AND LOSSES	1,255,377	29,239	-	1,284,616	-	-	-	-	1,284,616
CHANGE IN NET ASSETS	(73,131)	13,675	-	(59,456)	150,000	-	-	150,000	90,544
NET ASSETS AT BEGINNING OF YEAR	1,430,747	1,087	-	1,431,834	157,000	-	-	1,779,662	3,211,496
NET ASSETS AT END OF YEAR	\$ 1,357,616	\$ 14,762	\$ -	\$ 1,372,378	\$ 307,000	\$ -	\$ -	\$ 1,929,662	\$ 3,302,040

PENNSYLVANIA HOME LENDING COLLABORATIVE, INC. AND NEIGHBORHOOD HOUSING SERVICES OF GREATER BERKS, INC.

CONSOLIDATING SCHEDULE OF ACTIVITIES

Year Ended December 31, 2015

	Unrestricted				Permanently Restricted				
	Neighborhood Housing Services of Greater Berks, Inc.	Pennsylvania Home Lending Collaborative, Inc.	Eliminations	Total Unrestricted	Neighborhood Housing Services of Greater Berks, Inc.	Pennsylvania Home Lending Collaborative, Inc.	Eliminations	Total Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT									
Grants	\$ 668,510	\$ -	\$ -	\$ 668,510	\$ 157,000	\$ -	\$ -	\$ 157,000	\$ 825,510
Fee revenue	506,385	-	-	506,385	-	-	-	-	506,385
Contributions	72,878	-	-	72,878	-	-	-	-	72,878
Mortgage interest	98,187	-	-	98,187	-	-	-	-	98,187
Investment interest	583	1,435	-	2,018	-	-	-	-	2,018
Mortgage application fees	7,572	3,294	-	10,866	-	-	-	-	10,866
Appraisal and inspection fees	800	375	-	1,175	-	-	-	-	1,175
Escrow and other administrative fees	11,825	325	-	12,150	-	-	-	-	12,150
Miscellaneous	4,444	-	-	4,444	-	-	-	-	4,444
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	1,371,184	5,429	-	1,376,613	157,000	-	-	157,000	1,533,613
EXPENSES AND LOSSES									
Real estate and rehabilitation	686,421	-	-	686,421	-	-	-	-	686,421
Home ownership center	509,285	-	-	509,285	-	-	-	-	509,285
Neighborhood building	88,941	-	-	88,941	-	-	-	-	88,941
State-wide lending	100,427	4,342	-	104,769	-	-	-	-	104,769
Administrative and general	87,466	-	-	87,466	-	-	-	-	87,466
Fundraising	10,845	-	-	10,845	-	-	-	-	10,845
TOTAL EXPENSES AND LOSSES	1,483,385	4,342	-	1,487,727	-	-	-	-	1,487,727
CHANGE IN NET ASSETS	(112,201)	1,087	-	(111,114)	157,000	-	-	157,000	45,886
NET ASSETS AT BEGINNING OF YEAR	1,542,948	-	-	1,542,948	-	-	-	1,622,662	3,165,610
NET ASSETS AT END OF YEAR	\$ 1,430,747	\$ 1,087	\$ -	\$ 1,431,834	\$ 157,000	\$ -	\$ -	\$ 1,779,662	\$ 3,211,496

PENNSYLVANIA HOME LENDING COLLABORATIVE, INC. AND NEIGHBORHOOD HOUSING SERVICES OF GREATER BERKS, INC.

CONSOLIDATING SCHEDULE OF FUNCTIONAL EXPENSES

Year Ended December 31, 2016

	Neighborhood Housing Services of Greater Berks, Inc.								Pennsylvania Home Lending Collaborative, Inc.	Totals			
	Program Services				Supporting Services				Program Services	Adminis- trative and General			Totals
	Real Estate and Rehabilitation	Home Ownership Center	Neighborhood Building	State-Wide Lending	Total Program Services	Adminis- trative and General	Fund Raising	Total Support Services	State-Wide Lending	Program Services	Adminis- trative and General	Fundraising	Totals
Salaries	\$ 54,250	\$ 392,725	\$ 43,415	\$ 56,336	\$ 546,726	\$ 34,873	\$ 6,421	\$ 41,294	\$ -	\$ 546,726	\$ 34,873	\$ 6,421	\$ 588,020
Payroll taxes	5,016	36,315	4,015	5,209	50,555	3,225	594	3,819	-	50,555	3,225	594	54,374
Employee benefits	10,382	75,154	8,308	10,781	104,625	6,674	1,229	7,903	-	104,625	6,674	1,229	112,528
Total salaries and related benefits	69,648	504,194	55,738	72,326	701,906	44,772	8,244	53,016	-	701,906	44,772	8,244	754,922
Property rehabilitation	56,191	-	-	-	56,191	-	-	-	-	56,191	-	-	56,191
Operation Renovation	-	-	54,057	-	54,057	-	-	-	-	54,057	-	-	54,057
Cost of property sold	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal and professional	10,852	61,050	8,440	539	80,881	41,880	-	41,880	4,398	85,279	41,880	-	127,159
Foreclosure loss/expenses	-	82,007	-	-	82,007	-	-	-	-	82,007	-	-	82,007
Office lease	4,191	30,841	2,078	-	37,110	7,659	-	7,659	-	37,110	7,659	-	44,769
Insurance	515	-	-	-	515	3,745	-	3,745	-	515	3,745	-	4,260
Utilities, property taxes, and repairs	7,351	6,075	426	-	13,852	4,434	-	4,434	-	13,852	4,434	-	18,286
Office expense	1,960	10,672	1,525	-	14,157	6,534	1,089	7,623	2,265	16,422	6,534	1,089	24,045
Travel and conferences	248	20,748	-	-	20,996	64	1,108	1,172	-	20,996	64	1,108	22,168
Communications	784	4,267	610	1,233	6,894	1,380	435	1,815	-	6,894	1,380	435	8,709
Equipment maintenance	377	2,054	293	-	2,724	1,467	-	1,467	-	2,724	1,467	-	4,191
Mortgage processing	-	12,149	-	-	12,149	-	-	-	-	12,149	-	-	12,149
Marketing/advertising	-	1,913	-	-	1,913	2,268	-	2,268	-	1,913	2,268	-	4,181
State-wide lending expense	-	-	-	2,910	2,910	-	-	-	-	2,910	-	-	2,910
Home improvement expense	-	14,355	-	-	14,355	-	-	-	-	14,355	-	-	14,355
Dues and subscriptions	419	2,283	326	-	3,028	1,741	-	1,741	-	3,028	1,741	-	4,769
Interest expense	-	-	-	-	-	-	-	-	20,929	20,929	-	-	20,929
Bank fees	-	8,241	-	-	8,241	2,966	-	2,966	1,565	9,806	2,966	-	12,772
Miscellaneous	404	-	-	113	517	10,496	542	11,038	82	599	10,496	542	11,637
TOTAL EXPENSES BEFORE DEPRECIATION	152,940	760,849	123,493	77,121	1,114,403	129,406	11,418	140,824	29,239	1,143,642	129,406	11,418	1,284,466
Depreciation expense	14	101	7	-	122	28	-	28	-	122	28	-	150
TOTAL EXPENSES	\$ 152,954	\$ 760,950	\$ 123,500	\$ 77,121	\$ 1,114,525	\$ 129,434	\$ 11,418	\$ 140,852	\$ 29,239	\$ 1,143,764	\$ 129,434	\$ 11,418	\$ 1,284,616

PENNSYLVANIA HOME LENDING COLLABORATIVE, INC. AND NEIGHBORHOOD HOUSING SERVICES OF GREATER BERKS, INC.

CONSOLIDATING SCHEDULE OF FUNCTIONAL EXPENSES

Year Ended December 31, 2015

	Neighborhood Housing Services of Greater Berks, Inc.								Pennsylvania Home Lending Collaborative, Inc.	Totals			
	Program Services				Supporting Services				Program Services	Adminis- trative and General			Totals
	Real Estate and Rehabilitation	Home Ownership Center	Neighborhood Building	State-Wide Lending	Total Program Services	Adminis- trative and General	Fund Raising	Total Support Services	State-Wide Lending	Program Services	Adminis- trative and General	Fundraising	Totals
Salaries	\$ 51,638	\$ 318,170	\$ 39,072	\$ 46,874	\$ 455,754	\$ 31,757	\$ 5,262	\$ 37,019	\$ -	\$ 455,754	\$ 31,757	\$ 5,262	\$ 492,773
Payroll taxes	4,611	28,413	3,489	4,186	40,699	2,836	470	3,306	-	40,699	2,836	470	44,005
Employee benefits	8,718	53,715	6,596	7,913	76,942	5,361	888	6,249	-	76,942	5,361	888	83,191
Total salaries and related benefits	64,967	400,298	49,157	58,973	573,395	39,954	6,620	46,574	-	573,395	39,954	6,620	619,969
Property rehabilitation	301,740	-	-	-	301,740	-	-	-	-	301,740	-	-	301,740
Operation Renovation	-	-	30,665	-	30,665	-	-	-	-	30,665	-	-	30,665
Cost of property sold	291,887	-	-	-	291,887	-	-	-	-	291,887	-	-	291,887
Legal and professional	5,941	32,181	4,621	14,749	57,492	8,337	-	8,337	266	57,758	8,337	-	66,095
Foreclosure loss/expenses	-	944	-	-	944	-	-	-	-	944	-	-	944
Office lease	4,025	29,668	1,995	1,032	36,720	6,309	-	6,309	-	36,720	6,309	-	43,029
Insurance	-	-	-	-	-	3,954	-	3,954	-	-	3,954	-	3,954
Utilities, property taxes, and repairs	12,739	6,407	449	-	19,595	6,813	-	6,813	-	19,595	6,813	-	26,408
Office expense	1,373	7,476	1,068	3,346	13,263	1,231	763	1,994	-	13,263	1,231	763	15,257
Travel and conferences	330	5,642	-	980	6,952	11,084	949	12,033	-	6,952	11,084	949	18,985
Communications	693	3,772	539	1,346	6,350	963	385	1,348	-	6,350	963	385	7,698
Equipment maintenance	565	3,077	440	-	4,082	2,198	-	2,198	-	4,082	2,198	-	6,280
Mortgage processing	-	13,009	-	-	13,009	-	-	-	-	13,009	-	-	13,009
Marketing/advertising	-	1,475	-	210	1,685	4,269	1,851	6,120	-	1,685	4,269	1,851	7,805
State-wide lending expense	-	-	-	19,368	19,368	-	-	-	-	19,368	-	-	19,368
Interest expense	-	5,235	-	-	5,235	-	-	-	3,706	8,941	-	-	8,941
Bank fees	1,743	-	-	-	1,743	-	-	-	-	1,743	-	-	1,743
Miscellaneous	404	-	-	423	827	2,326	277	2,603	370	1,197	2,326	277	3,800
TOTAL EXPENSES BEFORE DEPRECIATION	686,407	509,184	88,934	100,427	1,384,952	87,438	10,845	98,283	4,342	1,389,294	87,438	10,845	1,487,577
Depreciation expense	14	101	7	-	122	28	-	28	-	122	28	-	150
TOTAL EXPENSES	\$ 686,421	\$ 509,285	\$ 88,941	\$ 100,427	\$ 1,385,074	\$ 87,466	\$ 10,845	\$ 98,311	\$ 4,342	\$ 1,389,416	\$ 87,466	\$ 10,845	\$ 1,487,727

**PENNSYLVANIA HOME LENDING COLLABORATIVE, INC. AND
NEIGHBORHOOD HOUSING SERVICES OF GREATER BERKS, INC.**

CONSOLIDATING SCHEDULE OF CASH FLOWS

Year Ended December 31, 2016

	Neighborhood Housing Services of Greater Berks, Inc.	Pennsylvania Home Lending Collaborative, Inc.	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Change in net assets	\$ 76,869	\$ 13,675	\$ 90,544
Adjustments to reconcile change in net assets to net cash from operating activities:			
Depreciation	150	-	150
Changes in:			
Government grants receivable	203,462	-	203,462
Other receivables	(2,243)	-	(2,243)
Prepaid expenses	(35)	-	(35)
Properties held for resale	(70,000)	-	(70,000)
Accounts payable	63,409	-	63,409
Unearned revenue	607,516	-	607,516
Salaries and wages payable	478	-	478
Payroll taxes and related liabilities	5,607	-	5,607
Other payables	(15,306)	(5,470)	(20,776)
Due to (from) related party	694,614	(694,614)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,564,521	(686,409)	878,112
CASH FLOWS FROM INVESTING ACTIVITIES			
Loan funds held for distribution	177,290	-	177,290
Principal payments received on mortgages and loans outstanding	406,495	38,561	445,056
New mortgages issued	38,589	(422,820)	(384,231)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	622,374	(384,259)	238,115
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from notes payable	-	375,000	375,000
Transfer of note payable to related party	(725,000)	725,000	-
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(725,000)	1,100,000	375,000
NET INCREASE IN CASH	1,461,895	29,332	1,491,227
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,248,818	21,265	1,270,083
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 2,710,713	\$ 50,597	\$ 2,761,310
RECONCILIATION OF CASH AT END OF YEAR			
Cash	\$ 2,083,252	\$ 50,597	\$ 2,133,849
Cash - restricted for loan down payments	627,461	-	627,461
	\$ 2,710,713	\$ 50,597	\$ 2,761,310
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid during the year for interest	\$ -	\$ 20,929	\$ 20,929

**PENNSYLVANIA HOME LENDING COLLABORATIVE, INC. AND
NEIGHBORHOOD HOUSING SERVICES OF GREATER BERKS, INC.**

CONSOLIDATING SCHEDULE OF CASH FLOWS

Year Ended December 31, 2015

	Neighborhood Housing Services of Greater Berks, Inc.	Pennsylvania Home Lending Collaborative, Inc.	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Change in net assets	\$ 44,799	\$ 1,087	\$ 45,886
Adjustments to reconcile change in net assets to net cash from operating activities:			
Depreciation	150	-	150
Changes in:			
Government grants receivable	(212,423)	-	(212,423)
Other receivables	26,744	-	26,744
Prepaid expenses	764	-	764
Properties held for resale	265,023	-	265,023
Accounts payable	(15,520)	-	(15,520)
Unearned revenue	(107,130)	-	(107,130)
Salaries and wages payable	2,392	-	2,392
Payroll taxes and related liabilities	575	-	575
Other payables	(24,117)	7,850	(16,267)
Due to (from) related party	(366,806)	366,806	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(385,549)	375,743	(9,806)
CASH FLOWS FROM INVESTING ACTIVITIES			
Loan funds held for distribution	500,161	-	500,161
Principal payments received on mortgages outstanding	804,681	(5,813)	798,868
New mortgages issued	(518,751)	(348,665)	(867,416)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	786,091	(354,478)	431,613
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from notes payable	750,000	-	750,000
Repayments on note payable	(300,000)	-	(300,000)
NET CASH PROVIDED BY FINANCING ACTIVITIES	450,000	-	450,000
NET INCREASE IN CASH	850,542	21,265	871,807
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	398,276	-	398,276
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,248,818	\$ 21,265	\$ 1,270,083
RECONCILIATION OF CASH AT END OF YEAR			
Cash	\$ 781,657	\$ 21,265	\$ 802,922
Cash - restricted for loan down payments	467,161	-	467,161
	\$ 1,248,818	\$ 21,265	\$ 1,270,083
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid during the year for interest	\$ 5,235	\$ 3,706	\$ 8,941

**PENNSYLVANIA HOME LENDING COLLABORATIVE, INC. AND
NEIGHBORHOOD HOUSING SERVICES OF GREATER BERKS, INC.**

**SCHEDULE OF FINANCIAL POSITION FOR NEIGHBORHOOD REINVESTMENT
CORPORATION DBA NEIGHBORWORKS AMERICA GRANTS**

	December 31	
	2016	2015
ASSETS		
Mortgages receivable	<u>\$ 1,929,662</u>	<u>\$ 1,779,662</u>
TOTAL ASSETS	<u><u>\$ 1,929,662</u></u>	<u><u>\$ 1,779,662</u></u>
LIABILITIES AND NET ASSETS		
NET ASSETS		
Permanently restricted: Qualified mortgage loans	<u>\$ 1,929,662</u>	<u>\$ 1,779,662</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,929,662</u></u>	<u><u>\$ 1,779,662</u></u>

**PENNSYLVANIA HOME LENDING COLLABORATIVE, INC. AND
NEIGHBORHOOD HOUSING SERVICES OF GREATER BERKS, INC.**

**SCHEDULE OF ACTIVITIES FOR NEIGHBORHOOD REINVESTMENT
CORPORATION DBA NEIGHBORWORKS AMERICA GRANTS**

	Year Ended December 31	
	2016	2015
REVENUE, GAINS, AND OTHER SUPPORT		
Expendable grants	\$ 191,808	\$ 162,256
Capital grants (Revolving Loan Fund)	150,000	157,000
TOTAL REVENUE, GAINS, AND OTHER SUPPORT	341,808	319,256
EXPENSES AND LOSSES		
General operations	176,516	105,925
Housing counseling/home ownership center	15,292	56,331
TOTAL EXPENSES AND LOSSES	191,808	162,256
CHANGE IN NET ASSETS	150,000	157,000
NET ASSETS RELEASED FROM RESTRICTION		
Released by Neighborhood Reinvestment Corporation	-	-
NET ASSETS AT BEGINNING OF YEAR	1,779,662	1,622,662
NET ASSETS AT END OF YEAR	\$ 1,929,662	\$ 1,779,662



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

**To the Board of Directors
Pennsylvania Home Lending Collaborative, Inc. and
Neighborhood Housing Services of Greater Berks, Inc.
Reading, Pennsylvania**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Pennsylvania Home Lending Collaborative, Inc. and Neighborhood Housing Services of Greater Berks, Inc. (nonprofit organizations), which comprise the consolidated statement of financial position as of December 31, 2016, and the related statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 26, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Pennsylvania Home Lending Collaborative, Inc.'s and Neighborhood Housing Services of Greater Berks, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pennsylvania Home Lending Collaborative, Inc.'s and Neighborhood Housing Services of Greater Berks, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a material weakness. See 2016-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pennsylvania Home Lending Collaborative, Inc.'s and Neighborhood Housing Services of Greater Berks, Inc.'s consolidated financial statements are free from material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Pennsylvania Home Lending Collaborative, Inc.'s and Neighborhood Housing Services of Greater Berks, Inc.'s Response to Findings

Pennsylvania Home Lending Collaborative, Inc.'s and Neighborhood Housing Services of Greater Berks, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Pennsylvania Home Lending Collaborative, Inc.'s and Neighborhood Housing Services of Greater Berks, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Herbein + Company, Inc.

**Reading, Pennsylvania
June 26, 2017**

**PENNSYLVANIA HOME LENDING COLLABORATIVE, INC. AND
NEIGHBORHOOD HOUSING SERVICES OF GREATER BERKS, INC.**

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended December 31, 2016

2016-001 - Account Reconciliations/Material Adjustments Posted as a Result of the Audit

Criteria

AU Section 325 indicates that the “Identification by the auditor of a material misstatement of the financial statements under audit in circumstances that indicate that the misstatement would not have been detected by the entity’s internal control” should be regarded as a material weakness in internal controls.

Condition

During the year the fiscal officer passed away. As a result material audit adjustments were proposed during the audit and recorded to properly reflect accounts on the financial statements to bring accounts into compliance with reporting requirements under U.S. generally accepted accounting principles.

Cause

Reconciliations and other monitoring activities were not being performed. The Organization had been going through an unexpected transition with the fiscal officer’s illness at the end of 2015 and subsequent passing in 2016.

Effect

As a result of the reconciliations and other monitoring activities not being performed, material adjustments were needed during the audit to bring the accounts into compliance with reporting requirements under U.S. generally accepted accounting standards.

Recommendation

Management should review and document its policies and procedures for key transaction classes to ensure that the appropriate individual is assigned the proper task and has the tools necessary to complete that task effectively and efficiently. We also recommend that a further understanding of the reports needed and the analysis of said reports be obtained by the appropriate personnel in order to identify possible under/overstatements in material accounts and investigate the possible cause. It is strongly recommended that these material accounts are reconciled monthly to the general ledger and deadlines are set up for accountability of preparation and review.

Management Response

We are working to take prudent steps to resolve the identified weakness. With the unexpected loss of the long-tenured fiscal officer in 2016, the transition of responsibilities in the fiscal department took longer than we had hoped. We have established a process of oversight by the Board Treasurer, and we hired a consultant for assistance with the fiscal responsibilities.