



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

**CONSOLIDATED FINANCIAL STATEMENTS AND  
COMPLIANCE REPORT**

**Years Ended December 31, 2017 and 2016**

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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, 2017 and 2016, 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, 2017 and 2016, 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 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. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is also 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 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 May 11, 2018, 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  
May 11, 2018

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

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	December 31	
	2017	2016
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,225,293	\$ 2,133,849
Cash - restricted for loan down payments	51,281	627,461
Government grants receivable	104,271	78,814
Other receivables	-	1,977
Prepaid expenses	10,233	4,873
Properties held for resale	78,081	70,000
Mortgages receivable, net of allowance	3,411,369	2,919,134
Leasehold improvements and equipment, net of depreciation	180,035	837
	<u>5,060,563</u>	<u>5,836,945</u>
<b>TOTAL ASSETS</b>	<b>\$ 5,060,563</b>	<b>\$ 5,836,945</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 133,356	\$ 92,427
Other current liabilities	300	300
Salaries and wages payable	17,776	15,760
Payroll taxes and related liabilities	7,357	7,151
Unearned revenue	532,202	689,426
Loan funds held for distribution	51,281	627,461
Accrued interest payable	3,728	-
Note payable	1,100,000	1,100,000
Repair escrows payable	27,961	2,380
	<u>1,873,961</u>	<u>2,534,905</u>
<b>TOTAL LIABILITIES</b>	<b>1,873,961</b>	<b>2,534,905</b>
<b>NET ASSETS</b>		
Unrestricted	1,760,469	1,550,344
Temporarily restricted	24,437	-
Permanently restricted	1,401,696	1,751,696
	<u>3,186,602</u>	<u>3,302,040</u>
<b>TOTAL NET ASSETS</b>	<b>3,186,602</b>	<b>3,302,040</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 5,060,563</b>	<b>\$ 5,836,945</b>

See accompanying notes.

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

**CONSOLIDATED STATEMENTS OF ACTIVITIES**

	Year Ended December 31, 2017				Year Ended December 31, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>								
Grants	\$ 712,781	\$ -	\$ -	\$ 712,781	\$ 572,978	\$ -	\$ 150,000	\$ 722,978
Fee revenue	266,901	-	-	266,901	473,611	-	-	473,611
Contributions	71,626	24,437	-	96,063	72,560	-	-	72,560
Mortgage interest	97,970	-	-	97,970	96,545	-	-	96,545
Investment interest	1,697	-	-	1,697	294	-	-	294
Miscellaneous	9,655	-	-	9,655	9,172	-	-	9,172
<b>TOTAL REVENUES, GAINS, AND OTHER SUPPORT</b>	<b>1,160,630</b>	<b>24,437</b>	<b>-</b>	<b>1,185,067</b>	<b>1,225,160</b>	<b>-</b>	<b>150,000</b>	<b>1,375,160</b>
<b>EXPENSES AND LOSSES</b>								
Real estate and rehabilitation	248,140	-	-	248,140	152,954	-	-	152,954
Home ownership center	677,383	-	-	677,383	760,950	-	-	760,950
Neighborhood building	86,219	-	-	86,219	123,500	-	-	123,500
State-wide lending	69,901	-	-	69,901	106,360	-	-	106,360
Administrative and general	201,488	-	-	201,488	129,434	-	-	129,434
Fundraising	17,374	-	-	17,374	11,418	-	-	11,418
<b>TOTAL EXPENSES AND LOSSES</b>	<b>1,300,505</b>	<b>-</b>	<b>-</b>	<b>1,300,505</b>	<b>1,284,616</b>	<b>-</b>	<b>-</b>	<b>1,284,616</b>
<b>CHANGE IN NET ASSETS</b>	<b>(139,875)</b>	<b>24,437</b>	<b>-</b>	<b>(115,438)</b>	<b>(59,456)</b>	<b>-</b>	<b>150,000</b>	<b>90,544</b>
<b>RECLASSIFICATION</b>	<b>350,000</b>	<b>-</b>	<b>(350,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>1,550,344</b>	<b>-</b>	<b>1,751,696</b>	<b>3,302,040</b>	<b>1,609,800</b>	<b>-</b>	<b>1,601,696</b>	<b>3,211,496</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 1,760,469</b>	<b>\$ 24,437</b>	<b>\$ 1,401,696</b>	<b>\$ 3,186,602</b>	<b>\$ 1,550,344</b>	<b>\$ -</b>	<b>\$ 1,751,696</b>	<b>\$ 3,302,040</b>

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, 2017

	Program Services				Supporting Services				Total
	Real Estate and Rehabili- tation	Home Ownership Center	Neighborhood Building	State-Wide Lending	Total Program Services	Adminis- trative and General	Fund Raising	Total Support Services	
Salaries	\$ 68,156	\$ 413,761	\$ 39,412	\$ 29,865	\$ 551,194	\$ 80,268	\$ 11,148	\$ 91,416	\$ 642,610
Payroll taxes	5,141	31,209	2,973	2,253	41,576	6,055	841	6,896	48,472
Employee benefits	12,305	74,698	7,115	5,392	99,510	14,491	2,013	16,504	116,014
Total salaries and related benefits	85,602	519,668	49,500	37,510	692,280	100,814	14,002	114,816	807,096
Property rehabilitation	107,575	-	-	-	107,575	-	-	-	107,575
Operation Renovation	-	-	21,714	-	21,714	-	-	-	21,714
Cost of property sold	11,884	-	-	-	11,884	-	-	-	11,884
Legal and professional	8,262	52,496	5,164	101	66,023	42,895	-	42,895	108,918
Bad debt reserve	-	7,290	-	-	7,290	-	-	-	7,290
Office lease	5,257	37,181	2,606	-	45,044	10,910	-	10,910	55,954
Insurance	515	-	-	500	1,015	2,620	-	2,620	3,635
Utilities, property taxes, and repairs	24,077	1,968	138	-	26,183	10,734	-	10,734	36,917
Office expense	1,367	7,860	854	193	10,274	7,699	854	8,553	18,827
Travel and conferences	582	17,431	-	61	18,074	5,785	1,253	7,038	25,112
Communications	730	4,197	456	1,126	6,509	3,284	456	3,740	10,249
Equipment maintenance	560	3,221	350	-	4,131	2,871	-	2,871	7,002
Mortgage processing	-	11,375	-	-	11,375	-	-	-	11,375
Marketing/advertising	-	1,351	4,365	-	5,716	5,679	-	5,679	11,395
Home improvement expense	-	623	-	-	623	-	-	-	623
Dues and subscriptions	373	2,143	233	642	3,391	853	-	853	4,244
Interest expense	-	-	-	26,033	26,033	167	-	167	26,200
Bank fees	-	2,703	-	3,580	6,283	733	-	733	7,016
Miscellaneous	1,295	7,447	809	155	9,706	6,327	809	7,136	16,842
<b>TOTAL EXPENSES BEFORE DEPRECIATION</b>	<b>248,079</b>	<b>676,954</b>	<b>86,189</b>	<b>69,901</b>	<b>1,081,123</b>	<b>201,371</b>	<b>17,374</b>	<b>218,745</b>	<b>1,299,868</b>
Depreciation expense	61	429	30	-	520	117	-	117	637
<b>TOTAL EXPENSES</b>	<b>\$ 248,140</b>	<b>\$ 677,383</b>	<b>\$ 86,219</b>	<b>\$ 69,901</b>	<b>\$ 1,081,643</b>	<b>\$ 201,488</b>	<b>\$ 17,374</b>	<b>\$ 218,862</b>	<b>\$ 1,300,505</b>

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			
	Real Estate and Rehabili- tation	Home Ownership Center	Neighborhood Building	State-Wide Lending	Total Program Services	Adminis- trative and General	Fund Raising	Total Support Services	Total
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
<b>TOTAL EXPENSES BEFORE DEPRECIATION</b>	<b>152,940</b>	<b>760,849</b>	<b>123,493</b>	<b>106,360</b>	<b>1,143,642</b>	<b>129,406</b>	<b>11,418</b>	<b>140,824</b>	<b>1,284,466</b>
Depreciation expense	14	101	7	-	122	28	-	28	150
<b>TOTAL EXPENSES</b>	<b>\$ 152,954</b>	<b>\$ 760,950</b>	<b>\$ 123,500</b>	<b>\$ 106,360</b>	<b>\$ 1,143,764</b>	<b>\$ 129,434</b>	<b>\$ 11,418</b>	<b>\$ 140,852</b>	<b>\$ 1,284,616</b>

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	
	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (115,438)	\$ 90,544
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	637	150
Changes in:		
Government grants receivable	(25,457)	203,462
Other receivables	1,977	(1,473)
Prepaid expenses	(5,360)	(805)
Properties held for resale	(8,081)	(70,000)
Accounts payable	40,929	63,409
Unearned revenue	(157,224)	607,516
Salaries and wages payable	2,016	478
Payroll taxes and related liabilities	206	5,607
Repair escrows payable	25,581	
Other payables	3,728	(20,776)
	<b>(236,486)</b>	<b>878,112</b>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of leasehold improvements and equipment	(179,835)	-
Loan funds held for distribution	(576,180)	177,290
Principal payments received on mortgages outstanding	388,466	445,056
New mortgages issued	(880,701)	(384,231)
	<b>(1,248,250)</b>	<b>238,115</b>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from notes payable	-	375,000
	<b>-</b>	<b>375,000</b>
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>		
<b>NET INCREASE (DECREASE) IN CASH</b>		
	<b>(1,484,736)</b>	<b>1,491,227</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>2,761,310</b>	<b>1,270,083</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 1,276,574</b>	<b>\$ 2,761,310</b>
<b>RECONCILIATION OF CASH AT END OF YEAR</b>		
Cash	\$ 1,225,293	\$ 2,133,849
Cash - restricted for loan down payments	51,281	627,461
	<b>\$ 1,276,574</b>	<b>\$ 2,761,310</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	\$ 26,200	\$ 20,929

See accompanying notes.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2017 and 2016**

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**

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**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, 2017 and 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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- 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, 2017 and 2016, 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, 2017 and 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**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 505 and 11,200 hours of services were donated during the 2017 and 2016 Operation Renovation Campaigns for an estimated value of \$12,191 and \$262,080, respectively.

**Advertising Costs**

The Organizations expense advertising costs as they are incurred. Total expense was \$11,395 and \$4,181 for the years ended December 31, 2017 and 2016, 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, 2017 and 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**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.

**Reclassification**

The presentation of certain prior year balances has been reclassified to conform to the current year presentation.

**Subsequent Events**

In preparing these financial statements, the Organizations have evaluated events and transactions for potential recognition through May 11, 2018, the date the consolidated financial statements were available to be issued.

**NOTE 2 - PROGRAMS AND SERVICES**

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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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2017 and 2016**

**NOTE 2 - PROGRAMS AND SERVICES - CONTINUED**

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**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.

**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.

**NOTE 3 - CASH AND CASH EQUIVALENTS**

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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**

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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% annually until 100% 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, 2017 and 2016**

**NOTE 4 - RESTRICTED CASH/LIFT FINANCING PROGRAM - CONTINUED**

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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, 2017 and 2016, \$51,281 and \$627,461 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, 2017 or 2016, other than their portion of the administrative assistance funds, totaling \$88,200 and \$276,500, recognized in the years ended December 31, 2017 and 2016, respectively.

**NOTE 5 - LEASEHOLD IMPROVEMENTS AND EQUIPMENT**

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Leasehold improvements and equipment consist of the following:

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Leasehold improvements	\$ 1,500	\$ 1,500
Equipment and tools	2,185	-
Construction in progress	177,650	-
	<u>181,335</u>	<u>1,500</u>
Accumulated depreciation	(1,300)	(663)
	<u>\$ 180,035</u>	<u>\$ 837</u>

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2017 and 2016**

**NOTE 6 - RECEIVABLES AND CONTINGENT LIABILITY**

**Mortgages Receivable**

Pennsylvania Home Lending Collaborative, Inc. and Neighborhood Housing Services of Greater Berks, Inc. have \$3,545,569 and \$3,053,334 of outstanding loans receivable from residents of the Greater Berks County area for the purchase of low to moderate income housing at December 31, 2017 and 2016, respectively. Interest rates range from 1.00% to 5.5% and maturity dates range from 2018 to 2045. The following tables provide information on the loan portfolio:

	Dollar Amount	%	Number Amount	%
December 31, 2017				
Total loans receivable	\$ 3,545,569	100.0 %	288	100.0 %
Current	3,185,597	89.9	253	87.9
30 to 90 days past due	263,507	7.4	24	8.3
Greater than 90 days past due	96,465	2.7	11	3.8
	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

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

	December 31	
	2017	2016
Total mortgages outstanding	\$ 3,545,569	\$ 3,053,334
Mortgage loss provision	(134,200)	(134,200)
	\$ 3,411,369	\$ 2,919,134

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. This amount is included in the total loan loss reserve for the years ended December 31, 2017 and 2016 (see Note 12).



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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2017 and 2016**

**NOTE 6 - RECEIVABLES AND CONTINGENT LIABILITY - CONTINUED**

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Bad debt expense (recoveries) consists of the following:

	December 31	
	2017	2016
Loan loss reserve increase	<u>\$ 7,290</u>	<u>\$ 82,007</u>

**NOTE 7 - PROPERTIES HELD FOR RESALE**

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

In 2017, Neighborhood Housing Services of Greater Berks, Inc. purchased three properties in the City of Reading for rehabilitation and resale. These properties held for resale total \$78,081 at December 31, 2017.

**NOTE 8 - NOTE PAYABLE**

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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% 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. In February 2018, a second modification was signed, extending the advance period through February 1, 2019. As of December 31, 2017 and 2016, the balance of the note was \$1,100,000.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2017 and 2016**

**NOTE 9 - LINE OF CREDIT**

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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% at December 31, 2017 and 2016, with a floor rate of 5.00% at December 31, 2017 and 2016 (5.85% and 5.1% at December 31, 2017 and 2016, respectively). There was no balance on this line of credit at December 31, 2017 and 2016.

**NOTE 10 - CONTRACTS WITH THE CITY OF READING**

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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, 2017 and 2016) 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**

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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 \$1,031,384 for operations. The remaining \$1,401,696, 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, 2017 and 2016**

**NOTE 11 - NEIGHBORHOOD REINVESTMENT CORPORATION DBA NEIGHBORWORKS AMERICA - CONTINUED**

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These grants have been used as follows as of December 31, 2017:

Loans	\$ 1,401,696
Adjustment for operations	46,000
Unrestricted release per NeighborWorks America	<u>985,384</u>
	<u><u>\$ 2,433,080</u></u>

During 2009, the Neighborhood Reinvestment Corporation dba NeighborWorks America released \$457,418 of capital grant funds from permanent restriction. During 2008, \$46,000 was released for general operations of the Organization. During 2015, \$177,966 of capital grant funds were released from permanent restriction. During 2017, \$350,000 of capital grant funds were released from permanent restriction. These funds were transferred from permanently to unrestricted funds by the Organization upon notification of this reduction. As of December 31, 2017, \$1,401,696 remains restricted for loans.

During the years ended December 31, 2017 and 2016, \$334,965 and \$191,808, respectively, in new expendable grant funds were received from the Neighborhood Reinvestment Corporation dba NeighborWorks America. The grants were available for fund general operations and capital until first used for Neighborhood Housing Services of Greater Berks, Inc.

**NOTE 12 - CDFI FUNDING**

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During 2016, NHS was awarded CDFI grant funds totaling \$800,000. In 2016, \$110,574 of these funds were spent for the development of the Home Improvement Program (HIP) and the required loan loss reserve totaling \$84,200. In 2017, NHS began using the CDFI funds for the Home Improvement Program. During the year ended December 31, 2017, NHS used \$174,706 of these funds for HIP loans and related administrative and development services costs. At December 31, 2017 and 2016 deferred CDFI funds related to this grant totaled \$514,720 and \$689,426, respectively.

In 2017, NHS received an additional \$112,300 of CDFI funds for the expansion of the Home Ownership Center. At December 31, 2017, \$95,318 of these funds were spent with the remaining \$16,982 deferred at year end.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2017 and 2016**

**NOTE 13 - RISK MANAGEMENT**

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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.

**NOTE 14 - CONCENTRATIONS OF CREDIT RISK**

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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, 2017, the Organizations recognized 62% (\$729,424) of its revenues from three sources: the City of Reading, Neighborhood Reinvestment Corporation dba NeighborWorks America, and the Community Development Financial Institutions Fund. Accounts receivable due from these grantors at December 31, 2017, is \$84,181.

During the year ended December 31, 2016, the Organizations recognized 39% (\$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.

**NOTE 15 - RETIREMENT PLAN**

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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, 2017 and 2016, were \$6,808 and \$8,918, respectively.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2017 and 2016**

**NOTE 16 - CONTINGENCIES**

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Neighborhood Housing Services of Greater Berks, Inc. has various delinquent mortgages receivable and negative escrow accounts at December 31, 2017. 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, NeighborWorks America, and the Community Development Financial Institution Fund. 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.

**NOTE 17 - NET ASSETS**

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Temporarily restricted net assets of \$24,437 as of December 31, 2017 are restricted for home repairs. There are no temporarily restricted net assets as of December 31, 2016.

Permanently restricted net assets of \$1,401,696 and \$1,751,696 as of December 31, 2017 and 2016, 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 18 - LEASES**

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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 Organization exercised the five year lease option through January 2023. 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:

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, 2017 and 2016**

**NOTE 18 - LEASES - CONTINUED**

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<u>December 31</u>	<u>Term</u>
2018	\$ 45,926
2019	51,350
2020	58,701
2021	60,462
2022	62,276
2023	<u>5,202</u>
	<u>\$ 283,917</u>

Lease expense for the years ended December 31, 2017 and 2016, was \$55,954 and \$44,769, respectively.

**NOTE 19 - NEW ACCOUNTING PRONOUNCEMENTS**

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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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2017 and 2016**

**NOTE 19 - NEW ACCOUNTING PRONOUNCEMENTS - CONTINUED**

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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.**

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

	December 31	
	2017	2016
<b>ASSETS</b>		
Mortgages receivable	<u>\$ 1,401,696</u>	<u>\$ 1,751,696</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,401,696</u></u>	<u><u>\$ 1,751,696</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>NET ASSETS</b>		
Permanently restricted: Qualified mortgage loans	<u>\$ 1,401,696</u>	<u>\$ 1,751,696</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 1,401,696</u></u>	<u><u>\$ 1,751,696</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	
	2017	2016
<b>REVENUE, GAINS, AND OTHER SUPPORT</b>		
Expendable grants	\$ 334,965	\$ 191,808
Capital grants (Revolving Loan Fund)	-	150,000
	334,965	341,808
<b>TOTAL REVENUE, GAINS, AND OTHER SUPPORT</b>	334,965	341,808
<b>EXPENSES AND LOSSES</b>		
General operations	150,336	176,516
Funds restricted for capital until first use	168,500	-
Housing counseling/home ownership center	16,129	15,292
	334,965	191,808
<b>TOTAL EXPENSES AND LOSSES</b>	334,965	191,808
<b>CHANGE IN NET ASSETS</b>	-	150,000
<b>NET ASSETS RELEASED FROM RESTRICTION</b>		
Released by Neighborhood Reinvestment Corporation	(350,000)	-
<b>NET ASSETS AT BEGINNING OF YEAR</b>	1,751,696	1,601,696
<b>NET ASSETS AT END OF YEAR</b>	\$ 1,401,696	\$ 1,751,696

**NEIGHBORHOOD HOUSING SERVICES OF GREATER BERKS, INC. AND RELATED ENTITY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Year Ended December 31, 2017**

<u>Federal Grantor/Pass-through Grantor/ Program Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Program Period</u>	<u>Federal Revenue/ Expenditures Recognized</u>
<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>				
Housing Counseling Assistance Program Passed through Neighborworks America:	I	14.169	1/1/17-12/31/17	\$ 16,129
Community Development Block Grants Passed through the City of Reading:	I	14.218	1/1/17-12/31/17	119,924
Home Investment Partnerships Program Passed through the City of Reading:	I	14.239	1/1/17-12/31/17	4,512
Passed through the County of Berks:	I	14.239	1/1/17-12/31/17	<u>44,136</u>
<b>SUBTOTAL</b>				<u>48,648</u>
<b>TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				184,701
<b><u>U.S. DEPARTMENT OF THE TREASURY</u></b>				
Community Development Financial Institutions	D	21.020	1/1/17-12/31/17	270,024
Passed through Neighborworks America: National Foreclosure Mitigation Program	I	21.000	1/1/17-12/31/17	<u>314,348</u>
<b>TOTAL U.S. DEPARTMENT OF THE TREASURY</b>				<u>584,372</u>
<b>TOTAL FEDERAL AWARDS</b>				<u>\$ 769,073</u>

I - Indirect Source of Funding D - Direct Source of Funding

Note: No funds were passed through to subrecipients in the year ended December 31, 2017.

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

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**December 31, 2017**

**NOTE 1 - BASIS OF PRESENTATION**

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The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal awards activity of 2017 Audit Pennsylvania Home Lending Collaborative, Inc. and Neighborhood Housing Services of Greater Berks, Inc. under programs of the federal government for the year ended December 31, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Pennsylvania Home Lending Collaborative, Inc. and Neighborhood Housing Services of Greater Berks, Inc., it is not intended to and does not present the financial position, changes in net position, or cash flows of Pennsylvania Home Lending Collaborative, Inc. and Neighborhood Housing Services of Greater Berks, Inc.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to the reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business for amounts reported as expenditures in prior years.

**NOTE 3 - DE MINIMIS RATE FOR INDIRECT COSTS**

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The Organizations did not elect to use the de minimis rate for indirect costs.



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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, 2017, 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 May 11, 2018.

**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 Organizations' 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.

## **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*.

## **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 Organizations' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organizations' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Herbein + Company, Inc.*

**Reading, Pennsylvania  
May 11, 2018**



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

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

**Report on Compliance for Each Major Federal Program**

We have audited the consolidated financial statements of Pennsylvania Home Lending Collaborative, Inc. and Neighborhood Housing Services of Greater Berks, Inc.'s compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of Pennsylvania Home Lending Collaborative, Inc. and Neighborhood Housing Services of Greater Berks, Inc.'s major federal programs for the year ended December 31, 2017. Pennsylvania Home Lending Collaborative, Inc. and Neighborhood Housing Services of Greater Berks, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and other terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Pennsylvania Home Lending Collaborative, Inc. and Neighborhood Housing Services of Greater Berks, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirement of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pennsylvania Home Lending Collaborative, Inc. and Neighborhood Housing Services of Greater Berks, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Pennsylvania Home Lending Collaborative, Inc. and Neighborhood Housing Services of Greater Berks, Inc.'s compliance.

## Opinion on Each Major Federal Program

In our opinion, Pennsylvania Home Lending Collaborative, Inc. and Neighborhood Housing Services of Greater Berks, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended December 31, 2017.

## Report on Internal Control Over Compliance

Management of Pennsylvania Home Lending Collaborative, Inc. and Neighborhood Housing Services of Greater Berks, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Pennsylvania Home Lending Collaborative, Inc. and Neighborhood Housing Services of Greater Berks, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Pennsylvania Home Lending Collaborative, Inc. and Neighborhood Housing Services of Greater Berks, Inc.'s internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that might be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Herbein + Company, Inc.*

**Reading, Pennsylvania  
May 11, 2018**



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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Year Ended December 31, 2017**

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**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	_____ yes <u>  X  </u> no
Significant deficiency(s) identified not considered to be material weaknesses?	_____ yes <u>  X  </u> no
Noncompliance material to financial statements noted?	_____ yes <u>  X  </u> no

**Federal Awards**

Internal Control over major programs:	
Material weakness(es) identified?	_____ yes <u>  X  </u> no
Significant deficiency(s) identified not considered to be material weaknesses?	_____ yes <u>  X  </u> no

Type of auditor's report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with 2CFR Section 200.516(a)	_____ yes <u>  X  </u> no

**Identification of major program(s):**

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.000	National Foreclosure Mitigation Program

Dollar threshold used to distinguish between Type A and Type B programs:	<u>  \$750,000  </u>
Auditee qualified as low-risk auditee?	_____ yes <u>  X  </u> no

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Year Ended December 31, 2017**

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**Section II - Financial Statement Findings**

There were no financial statement findings reported.

**Section III - Federal Awards Findings and Questioned Costs**

There were no federal awards findings reported.



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

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

**Year Ended December 31, 2017**

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**Section II - Financial Statement Findings**

There were no financial statement findings reported.

**Section III - Federal Awards Findings and Questioned Costs**

There were no federal awards findings reported.