Nonprofit Finance Fund

Financial Statements and Uniform Guidance Schedules
Together With Independent Auditors' Reports

December 31, 2019 and 2018

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PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

Independent Auditors' Report

The Board of Directors
Nonprofit Finance Fund

Report on the Financial Statements

We have audited the accompanying financial statements of Nonprofit Finance Fund (the "Fund"), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nonprofit Finance Fund as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2020, on our consideration of Nonprofit Finance Fund'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 solely 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 the effectiveness of the Fund's 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 the Fund's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

April 21, 2020

Nonprofit Finance Fund

Statements of Financial Position

	December 31	
	2019	2018
ASSETS		
Cash and cash equivalents	$ 20,671,335	$ 12,703,647
Investments (Note 5)	1,100,976	1,163,068
Accounts receivables and other assets	4,958,902	3,827,299
Grants receivable (Note 6)	4,516,903	3,238,612
Loans receivable (Note 7)	153,085,846	137,101,847
Allowance for loan losses (Note 7)	(3,505,926)	(3,957,142)
Loans Receivable, net	149,579,920	133,144,705
Restricted cash (Notes 2 and 7)	9,240,000	-
Property and equipment, net (Note 8)	2,192,495	2,486,362
	$ 192,260,531	$ 156,563,693
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and other liabilities (Note 12)	$ 4,336,380	$ 4,034,362
Deferred revenue	9,363,544	138,544
Program specific loans payable (Note 9)	4,247,750	922,750
Loans payable (Note 9)	129,700,000	105,500,000
Total Liabilities	147,647,674	110,595,656
Net Assets		
Without Donor Restrictions		
Undesignated	21,272,932	24,811,723
Board designated loan loss reserve (Note 7)	4,403,582	3,216,390
Total Without Donor Restrictions	25,676,514	28,028,113
With Donor Restrictions (Note 10)		
Program fund	6,200,375	8,172,524
Grant fund	794,793	513,625
Loan fund capital	11,941,175	9,253,775
Total With Donor Restrictions	18,936,343	17,939,924
Total Net Assets	44,612,857	45,968,037
	$ 192,260,531	$ 156,563,693

See notes to financial statements

Nonprofit Finance Fund

Statements of Activities

	Year Ended December 31, 2019			Year Ended December 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE						
Operating						
Grants (Note 2)	$ 47,793	$ 5,736,158	$ 5,783,951	$ 137,397	$ 9,027,208	$ 9,164,605
Investment income	19,967	-	19,967	13,636	32	13,668
Program fees (Note 2)	1,489,571	-	1,489,571	2,475,347	-	2,475,347
Donated services and other income (Note 2)	273,157	-	273,157	146,677	-	146,677
Net assets released from restrictions (Note 10)	7,698,807	(7,698,807)	-	7,038,210	(7,038,210)	-
Total Operating	9,529,295	(1,962,649)	7,566,646	9,811,267	1,989,030	11,800,297
Lending and Financing						
Loan and financing fees (Note 2)	2,292,409	-	2,292,409	4,453,322	-	4,453,322
Interest income, net of interest expense of $3,448,791 and $2,492,539	5,383,486	-	5,383,486	4,386,379	-	4,386,379
Total Lending and Financing	7,675,895	-	7,675,895	8,839,701	-	8,839,701
Total Revenue	17,205,190	(1,962,649)	15,242,541	18,650,968	1,989,030	20,639,998
EXPENSES						
Operating						
Salaries	9,373,296	-	9,373,296	9,859,156	-	9,859,156
Employee benefits and payroll taxes	2,374,147	-	2,374,147	2,314,044	-	2,314,044
Total Salaries and Related Expenses	11,747,443	-	11,747,443	12,173,200	-	12,173,200
Program consultants	395,647	-	395,647	345,145	-	345,145
Professional support	751,381	-	751,381	741,731	-	741,731
Occupancy	1,333,472	-	1,333,472	1,313,967	-	1,313,967
Travel, information technology and other	1,181,604	-	1,181,604	1,165,985	-	1,165,985
Depreciation and amortization	370,994	-	370,994	344,230	-	344,230
Total Operating Expenses before Lending and Financing	15,780,541	-	15,780,541	16,084,258	-	16,084,258
Lending and Financing						
Provision for loan losses (Note 7)	3,798,210	-	3,798,210	933,576	-	933,576
Total Operating Expenses	19,578,751	-	19,578,751	17,017,834	-	17,017,834
Operating Surplus (Deficit) before Allowance Adjustment	(2,373,561)	(1,962,649)	(4,336,210)	1,633,134	1,989,030	3,622,164
Adjustment in allowance for loan losses (Note 7)	-	-	-	3,870,525	-	3,870,525
Excess (Deficiency) of Revenue over Expenses before Other Capital Access and Related Activity	(2,373,561)	(1,962,649)	(4,336,210)	5,503,659	1,989,030	7,492,689
OTHER CAPITAL ACCESS AND RELATED ACTIVITY (Note 10)						
Contribution for Loan Fund	-	2,677,900	2,677,900	-	13,340	13,340
Contribution for Grant Fund	-	1,262,250	1,262,250	-	267,103	267,103
Net assets released from restrictions	981,082	(981,082)	-	4,252,398	(4,252,398)	-
Grants made	(981,082)	-	(981,082)	(3,779,322)	-	(3,779,322)
Investment gains (losses), non-operating	21,962	-	21,962	(162,080)	-	(162,080)
BFF contract disbursements	-	-	-	(472,964)	-	(472,964)
Change in Net Assets	(2,351,599)	996,419	(1,355,180)	5,341,691	(1,982,925)	3,358,766
NET ASSETS						
Beginning of year	28,028,113	17,939,924	45,968,037	22,686,422	19,922,849	42,609,271
End of year	$ 25,676,514	$ 18,936,343	$ 44,612,857	$ 28,028,113	$ 17,939,924	$ 45,968,037

See notes to financial statements

Nonprofit Finance Fund

Statement of Functional Expenses
Year Ended December 31, 2019

	Program Activities				Support Services		
	Advice and Training	Access to Capital	Knowledge Sharing	Total Program Activities	Management and General	Fundraising	Total
Salaries, payroll taxes and benefits	$ 3,684,590	$ 3,456,934	$ 754,462	$ 7,895,986	$ 2,658,089	$ 1,193,368	$ 11,747,443
Professional services	333,538	260,644	249,544	843,726	174,487	128,815	1,147,028
Occupancy	449,720	333,368	99,357	882,445	269,309	181,718	1,333,472
Travel, information technology and other	400,638	284,376	69,346	754,360	295,509	131,735	1,181,604
Depreciation and amortization	125,120	92,749	27,643	245,512	74,926	50,556	370,994
Allowance for loan losses	-	3,798,210	-	3,798,210	-	-	3,798,210
Total Operating Expenses	4,993,606	8,226,281	1,200,352	14,420,239	3,472,320	1,686,192	19,578,751
Grants made	981,082	-	-	981,082	-	-	981,082
Total Expenses	$ 5,974,688	$ 8,226,281	$ 1,200,352	$ 15,401,321	$ 3,472,320	$ 1,686,192	$ 20,559,833

See notes to financial statements

Nonprofit Finance Fund

Statement of Functional Expenses
Year Ended December 31, 2018

	Program Activities				Support Services		
	Advice and Training	Access to Capital	Knowledge Sharing	Total Program Activities	Management and General	Fundraising	Total
Salaries, payroll taxes and benefits	$ 4,173,785	$ 3,183,476	$ 800,247	$ 8,157,508	$ 2,885,421	$ 1,130,271	$ 12,173,200
Professional services	229,245	310,463	324,016	863,724	197,250	25,902	1,086,876
Occupancy	462,392	327,522	99,786	889,700	302,873	121,394	1,313,967
Travel, information technology and other	497,490	326,218	93,143	916,851	144,015	105,119	1,165,985
Depreciation and amortization	126,941	89,915	27,394	244,250	66,653	33,327	344,230
Allowance for loan losses	-	933,576	-	933,576	-	-	933,576
Total Operating Expenses	5,489,853	5,171,170	1,344,586	12,005,609	3,596,212	1,416,013	17,017,834
Grants made	3,779,322	472,964	-	4,252,286	-	-	4,252,286
Total Expenses	$ 9,269,175	$ 5,644,134	$ 1,344,586	$ 16,257,895	$ 3,596,212	$ 1,416,013	$ 21,270,120

See notes to financial statements

Nonprofit Finance Fund

Statements of Cash Flows

	Year Ended December 31	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (1,355,180)	$ 3,358,766
Adjustments to reconcile change in net assets to net cash from operating activities		
Unrealized (gain) loss on investments	(21,962)	162,080
Provision for loan losses	3,798,210	933,576
Adjustment in allowance for loan losses	-	(3,870,525)
Depreciation and amortization	370,994	344,230
Loss on retirement of property and equipment	-	12,431
Deferred rent	65,651	125,200
Changes in operating assets and liabilities		
Accounts receivables and other assets	70,078	(250,761)
Grants receivable	(1,278,291)	1,257,573
Accounts payable and other liabilities	236,367	60,490
Deferred revenue	9,225,000	-
Net Cash from Operating Activities	11,110,867	2,133,060
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(77,127)	-
Loans disbursed during the year	(48,667,926)	(53,104,537)
Collections of loans receivable	28,434,501	30,117,761
Change in amounts held by loan servicer	(1,201,681)	1,275,209
Proceeds from sale of investments	84,054	-
Purchase of investments	-	(727,271)
Net Cash from Investing Activities	(21,428,179)	(22,438,838)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans	57,475,000	55,250,000
Repayment of loans	(29,950,000)	(32,100,000)
Net Cash from Financing Activities	27,525,000	23,150,000
Net Change in Cash and Cash Equivalents	17,207,688	2,844,222
CASH AND CASH EQUIVALENTS (Including Restricted Cash)		
Beginning of year	12,703,647	9,859,425
End of year	$ 29,911,335	$ 12,703,647
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$ 3,388,051	$ 2,297,714

See notes to financial statements

1. Organization and Tax Status

The accompanying financial statements include the accounts of the Nonprofit Finance Fund ("NFF") and Building for the Future, Inc. ("BFF"). BFF is a supporting organization to NFF and is controlled by NFF because of its right to appoint the majority of the Board of Directors.

NFF was incorporated in 1984 in New York State and is certified by the U.S. Department of the Treasury as a Community Development Financial Institution ("CDFI"). BFF was established in 1999 to help build assets of nonprofits nationally. BFF was inactive during 2019.

Both entities (collectively referred to as the "Fund") have been granted tax exempt status under Section 501(c)(3) of the Internal Revenue Code.

NFF advances economic and social progress in communities through financing, consulting, partnerships, and knowledge-sharing that help mission-driven organizations adapt, thrive, and drive positive change. As a leading CDFI, NFF currently manages over $320 million of investments. Since 1980, NFF has provided over $920 million in financing and access to additional capital in support of over $2.4 billion in projects for thousands of organizations nationwide.

NFF works toward a more just and vibrant society through:

- ***Financing*** for nonprofits and social enterprises that are working hard to realize the highest aspirations of their communities.
- ***Consulting*** that helps nonprofit leaders and their funders make decisions that strengthen the connection between money and mission success.
- ***Partnering*** with service providers, funders and investors to identify and advocate for practices that ensure organizations are positioned to achieve their goals, whether that is shifting toward a system that ties funding to results or the importance of covering the full costs of delivering programs.
- ***Learning*** and sharing cutting-edge data, insights and resources to support social change and illuminate paths to solving complex social issues.

In 2019 NFF staff worked from offices in New York, Philadelphia, Boston, Los Angeles and Oakland. A selection of NFF's services include:

Access to Capital

Loans: NFF typically makes loans ranging from $500 thousand to $5 million, and provides financing independently and in partnership with other lenders, to nonprofits and social enterprises. The financing is used for a variety of purposes including facility-related needs such as property acquisition, new construction, renovation and leasehold improvements. NFF also provides loans for working capital and operating needs including equipment loans and lines of credit.

1. Organization and Tax Status *(continued)*

Access to Capital (continued)

New Markets Tax Credits ("NMTC"): Since 2006 NFF has been awarded a total of $401 million in NMTC from the U.S. Department of the Treasury, which NFF uses to attract private investment to support nonprofits operating in low-income communities. NFF is one of a few organizations using these credits exclusively to help finance projects benefiting small and mid-sized nonprofits.

Supporting Program Related Investments and Other Impact Investments: NFF supports efforts of foundations and others considering the addition of program-related and other impact investments to its philanthropic activity and those seeking assistance with an existing program.

Other Capital Access and Related Activities: NFF works in partnership with funders and other providers of capital to explore thoughtful, practical applications of cutting-edge ideas like outcomes-based funding and financing, covering full-costs, and change capital. NFF's loans and other financing products evolve with the changing needs of the sector and U.S. communities. In response to the need for more permanent supportive housing in Los Angeles, NFF launched a $10 million fund to provide flexible financing for permanent supportive housing developers. The fund will provide flexible loans that developers can use and reinvest in multiple projects over an extended period of time.

Advice and Training

Consultation and Analysis: NFF is a leading financial consulting practice providing solutions-based advice and partnership to help nonprofits and their funders address change, challenge, or opportunity. Whether through in-depth consulting services, group clinics, or long-term partnerships, NFF consultants work with nonprofits and funders to connect mission, program goals and results to financial strategy, and engage and facilitate funding that promotes equity. NFF's consulting practice leaves clients in a better position to budget and advocate for what it really costs to deliver on mission, fully understand their existing and potential business models, and plan for varied financial and operational scenarios. NFF also works with nonprofit management to help them better communicate their financial story to funders, lenders, and others.

Workshops: NFF's workshops and webinars offer nonprofit leaders insight, tools, and guidance to help their organizations adapt to an ever-changing environment. Content is designed to help managers and board members become more comfortable reading and interpreting financial statements, and thinking through how management decisions and capital structure affect an organization's mission and finances.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

2. Summary of Significant Accounting Policies *(continued)*

Use of Estimates

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

Adoption of New Accounting Policies

Revenue from Contracts with Customers

Effective January 1, 2019, the Fund adopted ASU 2014-09, *Revenue from Contracts with Customers*, as amended. The guidance provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. The new revenue recognition guidance does not apply to how contributions and pledges are recognized, as they are specifically scoped out of the new guidance. The core principle of the new guidance is that an entity should recognize revenue from the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to receive for those promised goods or services to customers. The guidance includes a five-step framework to determine the timing and amount of revenue to recognize related to contracts with customers. In addition, this guidance requires new or expanded disclosures related to judgments made by entities when following this framework.

Analysis of various provisions of this standard resulted in no significant changes in the way the Fund recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. When revenue is earned over a period that spans the year end, it is recognized in the applicable period in which it is earned. The new guidance requires the Fund to not recognize revenue until it is probable of collection. Based on the Fund’s strong collection experience, the Fund has concluded that all revenue recognized is probable of collection.

Recognition of Contributions

Effective January 1, 2019, the Fund adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (“ASU 2018-08”). This guidance provides a framework for evaluating whether grants and contributions should be accounted for as exchange transactions or as nonexchange transactions. Analysis of various provisions of this standard resulted in no significant changes in the way the Fund recognizes contributions, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

2. Summary of Significant Accounting Policies *(continued)*

Adoption of New Accounting Policies (continued)

Restricted Cash

Effective January 1, 2019, the Fund adopted accounting standard update ASU 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash for all periods presented. ASU 2016-18 requires inclusion of restricted cash with cash and cash equivalents when reconciling the beginning of period and end of period total amounts shown on the statements of cash flows. Previously, changes in restricted cash were reported on the statements of cash flows as operating, investing or financing activities based on the nature of the underlying activity.

Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents include all short-term highly-liquid investments with a maturity of three months or less at the time of purchase, which are not intended for investment. In 2019, the Fund received a credit enhancement grant from the U.S Department of Education. The grant agreement requires the Fund to deposit the proceeds to a reserve account and can only be used for specific purposes designated in the grant agreement (see Note 7). The following is a reconciliation of the cash, cash equivalents and restricted cash reported on the statements of financial position to the statements of cash flows:

	2019	2018
Cash and cash equivalents	$ 20,671,335	$ 12,703,647
Restricted cash	9,240,000	-
	$ 29,911,335	$ 12,703,647

Investments and Investment Income Recognition

Investments are stated at fair value. Purchases and sales are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend rate.

Fair Value Measurements

The Fund follows U.S. GAAP guidance which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

2. Summary of Significant Accounting Policies *(continued)*

Fair Value Measurements (continued)

The Fund follows U.S. GAAP guidance which removed the requirements to categorize within the fair value hierarchy alternative investments where fair value is measured using the Net Asset Value ("NAV") per share as a practical expedient.

Loans Receivable and Payable

The Fund both receives and makes loans with stated rates of interest that vary from the prevailing market rates for commercial loans. The Fund accounts for these loans at the stated rates. U.S. GAAP guidance generally requires that loans with below market interest rates be stated for financial reporting purposes at amounts that reflect the expected cash flows, discounted at market rates. The guidance includes several exceptions to this rule, including the customary lending activities of financial institutions whose primary business is lending money. Management of the Fund believes that this exception is applicable to the Fund. Accordingly, interest rates have not been restated. Interest income and expense are recorded on the accrual basis.

Allowance for Doubtful Accounts

The Fund determines whether an allowance for uncollectible balances should be provided for receivables. Such estimates are based on, but not limited to, historical collection experience, management's estimates of the credit-worthiness of its borrowers and current economic conditions.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and amortization. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation/amortization are removed from the accounts, with any net gain or loss reflected in the consolidated statements of activities for the period. Expenses for maintenance and repairs are charged to operations as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of their useful lives or the term of the lease. The Fund capitalizes the cost of individual property and equipment additions in excess of $1,000 and group purchases in excess of $3,000.

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is identified. If the carrying amount for the assets is not recoverable, the value is written down to the asset's fair value. There were no impairments for the years ended December 31, 2019 and 2018.

2. Summary of Significant Accounting Policies *(continued)*

Net Assets without Donor Restrictions

Net assets without donor restrictions are available for use at the discretion of the Board of Directors and/or management for general operating expenses.

Net Assets with Donor Restrictions

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed time and/or purpose restrictions.

The Fund reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends, or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported on the statements of activities as net assets released from restrictions.

Grants and Contributions

Unconditional grants and contributions, including promises to give cash and other assets, are reported at fair value at the date the grant or contribution is received. The gifts are reported as donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, donor restricted net assets are reclassified as net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using rates applicable to the years in which the promises are received and consider market and credit risk as applicable. Amortization of the present value discounts and changes in allowance for doubtful accounts are included in the change in net assets on the statements of activities.

Donated Services

Contributions of services are recognized when they are received if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated.

New Markets Tax Credit Program

These financial statements do not include the financial statements of NFF's NMTC related entities of which NFF holds .01% in such entities. NFF's investments in these entities total $17,945 and $18,622 at December 31, 2019 and 2018 and are included in accounts receivable and other assets in the statements of financial position.

2. Summary of Significant Accounting Policies *(continued)*

New Markets Tax Credit Program (continued)

The U.S. Department of the Treasury awarded allocation ranging from $20 million to $65 million and totaling $401 million to NFF in nine allocation rounds authorized in 2006, 2008, 2009, 2010, 2011, 2012, 2016, 2018 and 2019. NFF is using these $401 million of allocations to attract and provide investment capital in low-income communities. As a NMTC allocation recipient and a Community Development Entity ("CDE") certified by the U.S. Department of the Treasury, NFF may establish CDEs for the purpose of implementing its NMTC program. As of December 31, 2019, NFF has closed 41 transactions using $361 million of this allocation and established and served as managing member of 41 CDEs for the purpose of implementing its NMTC program, as permitted by the U.S. Department of the Treasury. As of December 31, 2019 and 2018, 21 and 22 of these entities remain active. The remaining subsidiary CDEs are no longer active as they have successfully reached the end of their 7-year compliance periods and the entities have been dissolved. As of December 31, 2018, NFF served as manager of two investment funds. These arrangements ended in 2019.

Program, Loan and Financing Fees

The Fund charges fees associated with program-related services and when entering into financing arrangements. These fees are recognized when services are performed or when the process of originating, refinancing, or restructuring of a loan is completed. Amounts received in advance are deferred and recognized when services are performed.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to one or more program or supporting services. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Salaries, payroll taxes and benefits, insurance and office expenses are allocated on the basis of estimates of time and effort. Occupancy, information technology and depreciation expenses are allocated on the basis of head count. Other expenses are based on actual costs directly related to program services and support services categories.

Accounting for Uncertainty in Income Taxes

The Fund's accounting policy is to disclose liabilities for uncertain tax positions when a liability is probable and estimable. Management is not aware of any violation of its tax status as an organization exempt from income taxes, nor of any exposure to unrelated business income tax. The Fund is no longer subject to examinations by the applicable taxing jurisdictions for the periods prior to 2016.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is April 21, 2020.

3. Concentrations of Credit Risk

The Fund makes loans to nonprofit organizations. Although the Fund is diversified as to the services provided by and location of its nonprofit borrowers, the ability of these organizations to repay their loans may be affected by adverse economic conditions or other financial constraints.

The Fund maintains cash, cash equivalents (including certificates of deposit) and restricted cash at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation. During the year, the Fund may have cash balances in these financial institutions in excess of their limits. The Fund has not experienced any losses on its cash and cash equivalents.

4. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, consist of the following:

Financial assets as of December 31, 2019:	
Cash and cash equivalents	$ 20,671,335
Investments	1,100,976
Accounts receivable and other assets	4,958,902
Grants receivable	4,516,903
Loans receivable, net	149,579,920
	180,828,036
Less amounts not available for general expenditure within one year:	
Prepaid expenses and security deposits included in accounts receivable and other assets	375,030
Loans receivable due for collection after 2020, net	119,954,064
Donor restricted grant fund net assets	794,793
Donor restricted loan fund net assets	11,941,175
Board designated net assets for loan loss reserve	4,403,582
	137,468,644
Financial Assets Available for General Expenditure Within One Year	$ 43,359,392

It is the Fund's policy to maintain adequate cash balance to: (1) meet 60 days of its operating needs, (2) meet estimated re-grant commitments for the next 60 days, and (3) fund $1 million for unplanned loans and lines of credit disbursements. The Fund deploys excess cash holdings in the loan fund to minimize interest expense incurred on borrowed capital.

5. Investments

Investments at December 31 are comprised of the following:

	2019	2018
Private equity, at fair value (NAV) (a)	$ -	$ 77,920
Certificates of deposit, at cost which approximates fair value	1,100,976	1,085,148
	$ 1,100,976	$ 1,163,068

(a) This category includes shares in the Urban Partnership Bank, a CDFI. The shares are restricted and not publicly-traded. In October 2018, the bank was acquired by Providence Bank and Trust and the fair value approximates the payout received by the Fund in 2019.

6. Grants Receivable

Grants receivable, for which the Fund determined that no allowance for uncollectable amounts is required, are as follows at December 31:

	2019	2018
Foundations	$ 2,412,117	$ 2,223,463
Government	991,549	1,013,769
Corporations and others	1,113,237	1,380
	$ 4,516,903	$ 3,238,612

Collections on the outstanding grants at December 31, 2019 are scheduled to be received during 2020.

7. Loans Receivable

Loans receivable at December 31, 2019 and 2018 include collateralized loans of approximately $153,086,000 and $137,102,000. Nearly all of these loans are collateralized by borrowers' assets such as real estate, assignments of leases and rents, equipment, receivables and bank accounts. Loans receivable also include Program Related Investment (PRI) loans of $719,330 and $782,680 at December 31, 2019 and 2018 made under a customized program with a foundation. There were no past due accruing loans at December 31, 2019 and 2018.

Interest on the outstanding loans is calculated using the simple interest method. Interest rates vary between 2.00% and 7.50% per annum. In addition, a small amount of these loans contain lower interest rates and provide for flexible terms made available under special programs.

7. Loans Receivable *(continued)*

Management regularly evaluates all outstanding loans individually for impairment on an ongoing basis. Loans are moved to nonaccrual status when there is deterioration in the financial condition of the borrower, payment in full is not expected, or payment is in default for a period of 90 days or more unless the loan is well secured and in the process of collection. Such nonaccrual loans amounted to $1,599,198 and $2,801,113 as of December 31, 2019 and 2018.

Credit Enhancement

In 2019, NFF received a $12 million conditional grant from the U.S. Department of Education ("DOE"). NFF has partnered with another CDFI, BlueHub Loan Fund, to utilize the grant proceeds, plus interest earned to provide credit enhancement on loans made to charter schools to finance the development of charter school facilities. In case of a loan default, the grant funds may be utilized to cover loan losses not exceeding the designated credit enhancement reserves.

Grant funds must be segregated from other funds held by NFF in one or more reserve accounts and invested in accordance with the terms of the grant agreement. Grant funds of $9,240,000 as of December 31, 2019 are reported as restricted cash in the 2019 statement of financial position. Grant funds are treated as federal awards expended based on the amounts in the reserve accounts at the beginning of the fiscal year; plus any new funds received; plus investment earnings during the fiscal year; less any application of funds to cover loan losses. As of December 31, 2019, $2.7 million has been released from the conditional grant to credit enhance outstanding loans to charter schools. The DOE grant expires in September 2043.

Allowance for Loan Losses

In 2018, NFF updated its allowance for loan loss methodology to more accurately reflect NFF's historic loan loss experience. NFF loans are categorized into like pools based on risk rating, with "Strong" representing the highest quality/lowest credit risk and "Doubtful" representing the lowest quality/highest credit risk. Under the methodology, the allowance for loan loss on each loan rated Strong through Marginal is calculated as a percentage of the outstanding loan balance, with the percentage based on a loan's rating, and, for loans classified as Acceptable, Close Follow and Marginal, also on whether a loan is secured by collateral or is unsecured. In some cases, a higher allowance for loan losses on individual loans rated Strong through Marginal is appraised where the estimated credit loss based on specific information on those loans is greater than the percentage allowance for the like pool. The allowance for loan losses on Doubtful-rated loans is calculated individually based on the estimated credit losses for each loan.

7. Loans Receivable *(continued)*

Allowance for Loan Losses (continued)

The following table presents the Fund's loans receivable balances and related allowance for loan loss by risk rating as of December 31, 2019:

Risk Rating Pool	Loan Balance	Allowance for Loan Loss
Strong	$ -	$ -
Good	70,137,343	701,373
Acceptable	64,104,577	1,696,110
Close Follow	17,840,973	1,249,548
Marginal	283,623	56,997
Doubtful	-	-
	152,366,516	3,704,028
Allowance for loan loss covered by DOE grant	-	(198,102)
Program Related Investment (PRI) loans	719,330	-
	$ 153,085,846	$ 3,505,926

In addition to the allowance for loan losses stated above, the NFF Board of Directors has designated a portion of NFF's net assets without donor restrictions as supplemental loan loss reserves. As of December 31, 2019 and 2018, the amount of net assets without donor restrictions designated as loan loss reserves was $4,403,582 and $3,216,390. These additional reserves do not reflect estimates of any particular or additional loan portfolio risks, but rather have been designated to satisfy loan covenants imposed by certain investors that NFF maintain reserves equal to at least 5% of loans receivable balances.

There was no allowance for loan losses on the PRI loans receivable balance of $719,330 as of December 31, 2019, which is entirely funded by a PRI from a private foundation.

Changes in the allowance for loan losses are summarized below:

	2019	2018
Balance, beginning of year	$ 3,957,142	$ 7,467,001
Less loans written off	(4,249,426)	(572,910)
Add provision for loan losses	3,798,210	933,576
	3,505,926	7,827,667
Less adjustment in allowance for loan losses	-	(3,870,525)
Balance, end of year	$ 3,505,926	$ 3,957,142

Due to the reduction in the allowance for loan losses resulting from the updated methodology, $3,870,525 was reported as an adjustment in the 2018 statement of activities.

7. Loans Receivable *(continued)*

Allowance for Loan Losses (continued)

As of December 31, 2019, loans committed for future disbursement totaled $19,560,820. This is comprised of closed and undrawn loans of $9,923,320 and approved and committed loans of $9,637,500.

Scheduled collections on the outstanding loans (before any application of loan allowances) are to be received as follows:

2020	$ 30,320,241
2021	22,246,732
2022	15,524,024
2023	15,925,631
2024	30,034,934
Thereafter	39,034,284
	$ 153,085,846

8. Property and Equipment

Property and equipment consist of the following at December 31:

	2019	2018	Estimated Useful Lives
Leasehold improvements	$ 2,185,283	$ 2,185,283	3-15 years
Computer equipment	1,210,368	1,133,241	3 years
Furniture and fixtures	666,889	666,889	3-10 years
	4,062,540	3,985,413	
Accumulated depreciation and amortization	(1,870,045)	(1,499,051)	
	$ 2,192,495	$ 2,486,362	

9. Loans Payable and Program Specific Loans Payable

Loans payable consist of the following as of December 31:

	2019	2018	Amortization
Bank Hapoalim, B.M.	$ 2,500,000	$ 2,500,000	Principal payable on 06/20/2020
Bank of America, N.A. (1 of 2)	2,000,000	2,000,000	Subordinated debt with principal payable on 03/19/2028
Bank of America, N.A. (2 of 2)	15,000,000	15,000,000	Principal payable in seven annual installments beginning 12/31/2022 through 11/09/2028
BBVA USA	3,500,000	-	Subordinated debt with principal payable on 09/27/2029
California Community Foundation	-	1,000,000	Principal paid in 2019
California Endowment, The (1 of 2)	800,000	1,200,000	Principal payable in five annual installments beginning 03/31/2017 through 03/31/2021
California Endowment, The (2 of 2)	2,500,000	-	Principal payable in three annual installments beginning 12/15/2025 through 12/15/2027
Charles Schwab Bank	16,950,000	11,000,000	Principal payable on 08/18/2020; can be converted to a term loan. If converted, payable in 16 quarterly installment beginning 10/01/2020 and maturing on 08/19/2024
Citizens Bank N.A.	500,000	-	Subordinated debt with principal payable in three annual installments beginning 12/23/2025 through 12/23/2027
Dignity Health	4,000,000	4,000,000	$1,000,000 of principal payable on 01/31/2020; $3,000,000 of principal payable on 12/01/2024
HSBC Bank USA, N.A.	15,000,000	15,000,000	Principal payable on 08/31/2020; can be converted to a term loan. If converted, payable on 08/31/2023
Mizuho Corporate Bank (USA)	13,000,000	13,050,000	Principal payable on 09/05/2021
Northern Trust Company, The	2,000,000	2,000,000	Principal payable on 02/08/2023
PNC Bank N.A. (1 of 2)	5,000,000	5,000,000	Principal payable on 12/18/2022
PNC Bank, N.A. (2 of 2)	5,000,000	5,000,000	Principal payable on 12/18/2022
Prudential Insurance Company of America (1 of 2)	2,000,000	3,000,000	Principal payable in five semiannual installments beginning 06/30/2018 through 06/30/2020
Prudential Insurance Company of America (2 of 2)	7,000,000	5,000,000	Loan amortization beginning 07/01/2020 through 06/06/2028

9. Loans Payable and Program Specific Loans Payable *(continued)*

	2019	2018	Amortization
Stranahan Foundation	$ 1,500,000	$ 2,000,000	Principal payable in four annual installments beginning 10/31/2019 through 10/31/2022
TD Bank USA, N.A.	6,800,000	6,500,000	Principal payable on 08/31/2021
Trinity Health Corporation	1,000,000	1,000,000	Principal payable on 03/01/2023
US Bank (1 of 2)	14,750,000	6,500,000	Principal payable in 24 equal monthly installments beginning 10/01/2021 through 09/24/2023
US Bank (2 of 2)	2,000,000	-	Subordinated debt with principal payable on 03/26/2022
Webster Bank, N.A.	4,650,000	2,500,000	Principal payable on 08/23/2024
Wells Fargo Community Development Corporation	2,250,000	2,250,000	Subordinated debt with principal payable in eight quarterly installments beginning 01/01/2029 through 10/01/2030
Total	**$ 129,700,000**	**$ 105,500,000**	

Minimum future principal payments are to be paid as follows:

2020	$ 7,839,646
2021	27,562,899
2022	26,923,162
2023	30,609,501
2024	13,700,082
Thereafter	23,064,710
	$ 129,700,000

Interest rates (fixed and variable) on loans payable had a weighted average of 2.99% and 3.07% in 2019 and 2018.

9. Loans Payable and Program Specific Loans Payable *(continued)*

At December 31, 2019, the Fund had the following available loan commitments from lenders:

California Community Foundation	$ 900,000
California Endowment, The	2,500,000
Charles Schwab Bank	8,050,000
Citizens Bank N.A.	5,000,000
Mizuho Bank (USA)	2,000,000
TD Bank USA, N.A.	3,200,000
UniHealth Foundation	225,000
US Bank	250,000
Webster Bank, N.A.	5,350,000
Weingart Foundation	300,000
	$ 27,775,000

The Fund has certain loan covenants that require among other things, maintenance of certain financial ratios and limits on the amount of debt that the Fund can incur. The Fund was in compliance with all covenants at December 31, 2019 and 2018.

Program specific loans payable, as distinct from loans payable, totaled $4,247,750 and $922,750 at December 31, 2019 and 2018, and includes loans to the Fund that incorporate subsidized interest rates, higher risk tolerance for program-related organizations and are non-recourse.

10. Net Assets With Donor Restrictions

The Fund categorizes its donor restricted net assets as follows: The Program fund includes funds available to support expenses incurred in conjunction with the delivery of services (primarily consulting services) to clients. These funds are also available to support the administration of several grant-funded initiatives. Related to these initiatives, the Grant fund includes funds available to make re-grant awards to qualified grantees. Loan fund capital includes funds assigned to support financing programs.

Net assets with donor restrictions consist of the following at December 31

	2019	2018
Time restricted for operating support	$ 127,519	$ 647,500
Purpose restricted	18,808,824	17,292,424
	$ 18,936,343	$ 17,939,924

10. Net Assets With Donor Restrictions *(continued)*

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the passage of time as follows:

	2019	2018
Time restricted for operating support	$ 739,781	$ 277,504
Purpose restricted	7,940,108	11,013,104
	$ 8,679,889	$ 11,290,608

11. Retirement Plan

The Fund sponsors a qualified defined contribution pension plan covering all eligible employees. The Fund contributes an amount equal to 4% of all eligible employees' salaries. Additionally, the Fund matches staff members' voluntary contributions up to a maximum of 2% of their salaries. Pension expense for 2019 and 2018 was $529,416 and $557,792. The Fund deposits these pension costs after each payroll period.

12. Accounts Payable and Other Liabilities

Accounts payable and other liabilities consist of the following at December 31:

	2019	2018
Accounts payable and accrued expenses	$ 2,166,250	$ 1,942,383
Office leasehold commitments	1,657,771	1,640,360
Other liabilities	512,359	451,619
	$ 4,336,380	$ 4,034,362

13. Commitments and Contingencies

In June 2015, NFF entered into a new lease agreement for its New York office space located in downtown Manhattan for fifteen years ending in April 2031. Fixed monthly rent payments range from $49,411 in 2016 to $75,960 in 2031. In 2016, NFF entered into new lease agreements for it Los Angeles and Philadelphia offices and in 2017 for its Boston and Oakland, California offices for lease periods ranging from five to seven years. In 2019, fixed monthly rent payments ranged from $5,771 to $16,508. NFF records the lease expense on a straight-line basis. At December 31, 2019 and 2018, accounts payable and other liabilities include $1,099,076 and $1,033,425 of deferred rent.

13. Commitments and Contingencies *(continued)*

The Fund's approximate obligation for minimum annual rentals for all of its offices, pursuant to various operating lease arrangements for real property, is as follows:

2020	$ 1,061,406
2021	1,111,522
2022	1,017,209
2023	901,056
2024	771,860
Thereafter	5,569,224
	$ 10,432,277

Rent expense amounted to approximately $1,057,000 and $1,093,000 in 2019 and 2018.

14. Subsequent Events

Subsequent to year end, the coronavirus outbreak has had or will have an adverse effect on many of the organizations that receive loans from the Fund. This could result in defaults on loans receivable. Given the uncertainty around the extent and timing of the potential future spread or mitigation of the coronavirus and around the imposition or relaxation of protective measures, management cannot reasonably estimate the impact to future collectability on loans receivable.

The Fund's operations and financial performance may be affected by the recent coronavirus outbreak which has spread globally and is expected to adversely affect economic conditions throughout the world. If the outbreak continues and conditions worsen, the Fund may experience a disruption in operations as well as decline in revenue. The effects of the outbreak on the Fund's business, financial condition and results of operations cannot be determined at this time.

* * * * *

Nonprofit Finance Fund

Uniform Guidance Schedules and Reports

December 31, 2019

Nonprofit Finance Fund

Schedule of Expenditures of Federal Awards
and Accompanying Notes
Year Ended December 31, 2019

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of the Treasury				
Community Development Financial Institutions Program	21.020	N/A	$ -	$ 882,500
U.S. Department of Education				
Credit Enhancement for Charter School Facilities	84.354A	N/A	-	11,769,500
Total Expenditures of Federal Awards			$ -	$ 12,652,000

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of Nonprofit Finance Fund (the “Fund”) under programs of the federal government for the year ended December 31, 2019. 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 the Fund, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Fund.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Nonmonetary Assistance

Nonmonetary assistance is reported in the Schedule based on the amount disbursed or received. The Fund received no nonmonetary assistance for the year ended December 31, 2019.

4. Indirect Cost Rate

The Fund has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

See independent auditors’ report

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*

Independent Auditors' Report

Board of Directors
Nonprofit Finance Fund

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 financial statements of Nonprofit Finance Fund (the "Fund"), which comprise the statement of financial position as of December 31, 2019 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 21, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fund'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund'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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free from material misstatement, we performed tests of its 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKF O'Connor Davies, LLP

April 21, 2020

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditors' Report

Board of Directors
Nonprofit Finance Fund

Report on Compliance for Each Major Federal Program

We have audited Nonprofit Finance Fund's (the "Fund") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Fund's major federal programs for the year ended December 31, 2019. The Fund's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Fund'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 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"). 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 the Fund'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 the Fund's compliance.

Opinion on Each Major Federal Program

In our opinion, Nonprofit Finance Fund 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 programs for the year ended December 31, 2019.

Report on Internal Control over Compliance

Management of the Fund 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 the Fund'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 the Fund'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 we consider to 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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Fund as of and for the year ended December 31, 2019, and have issued our report thereon dated April 21, 2020, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

PKF O'Connor Davies, LLP

April 21, 2020

Nonprofit Finance Fund

Schedule of Findings and Questioned Costs
Year Ended December 31, 2019

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	_____ yes __X__ no
Significant deficiency(ies) identified?	_____ yes __X__ none reported
Noncompliance material to financial statements noted?	_____ yes __X__ no

Federal Awards

Internal control over major federal programs:	
Material weakness(es) identified?	____ yes __X__ no
Significant deficiency(ies) identified?	____ yes __X__ none reported
Type of auditors' report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	____ yes __X__ no

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
21.020	Community Development Financial Institutions Program
84.354A	Credit Enhancement for Charter School Facilities

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	__X__ yes ____ no

Section II – Financial Statement Findings

During our audit, we noted no material findings for the year ended December 31, 2019.

Section III – Federal Award Findings and Questioned Costs

During our audit, we noted no material instances of noncompliance and none of the costs reported in the federal financially assisted programs are questioned or recommended to be disallowed.

Section IV – Prior year findings

There were no prior year findings.