

# **Nonprofit Finance Fund and Affiliate**

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

December 31, 2020

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Uniform Guidance Schedules  
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## Independent Auditors' Report

### The Board of Directors Nonprofit Finance Fund and Affiliate

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Nonprofit Finance Fund and Affiliate (the "Fund"), which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities, functional expenses and cash flows for the year 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement. Only the financial statements of Nonprofit Finance Fund ("NFF") were audited in accordance with *Government Auditing Standards*.

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 auditors' 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, consolidated the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nonprofit Finance Fund and Affiliate as of December 31, 2020 and the consolidated changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Report on Summarized Comparative Information***

We have previously audited the Fund's December 31, 2019 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated April 21, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating schedules of financial position and activities on pages 24 – 25 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, on page 26 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 not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects in relation to the consolidated financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2021, on our consideration of NFF'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 NFF'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 NFF's internal control over financial reporting and compliance.

*PKF O'Connor Davies, LLP*

April 28, 2021

## Nonprofit Finance Fund and Affiliate

### Consolidated Statement of Financial Position December 31, 2020 (with comparative amounts at December 31, 2019)

	2020	2019
<b>ASSETS</b>		
Cash and cash equivalents (Note 2)	\$ 62,425,053	\$ 20,671,335
Investments (Note 5)	1,114,939	1,100,976
Accounts receivables and other assets	5,218,284	4,958,902
Grants receivable (Note 6)	8,198,864	4,516,903
Loans receivable (Note 7)	159,307,167	152,366,516
Allowance for loan losses (Note 7)	<u>(4,334,674)</u>	<u>(3,505,926)</u>
Loans Receivable, net	154,972,493	148,860,590
Program related concessionary loans receivable (Note 7)	71,285,397	719,330
Restricted cash (Notes 2 and 7)	5,992,371	9,240,000
Property and equipment, net (Note 8)	<u>1,876,672</u>	<u>2,192,495</u>
	<u>\$ 311,084,073</u>	<u>\$ 192,260,531</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and other liabilities (Note 14)	\$ 3,365,173	\$ 4,260,380
Deferred revenue	6,116,134	9,439,544
Paycheck Protection Program loan (Note 10)	2,082,400	-
Program related concessionary loans payable (Note 9)	109,340,472	4,247,750
Loans payable (Note 9)	<u>111,756,556</u>	<u>129,700,000</u>
Total Liabilities	<u>232,660,735</u>	<u>147,647,674</u>
 Net Assets		
Without Donor Restrictions		
Undesignated	24,524,689	21,272,932
Board designated (Note 11)	<u>24,031,941</u>	<u>4,403,582</u>
Total Without Donor Restrictions	<u>48,556,630</u>	<u>25,676,514</u>
With Donor Restrictions (Note 12)		
Program fund	8,994,326	6,200,375
Grant fund	1,558,460	794,793
Loan fund capital	<u>19,313,922</u>	<u>11,941,175</u>
Total With Donor Restrictions	<u>29,866,708</u>	<u>18,936,343</u>
Total Net Assets	<u>78,423,338</u>	<u>44,612,857</u>
	<u>\$ 311,084,073</u>	<u>\$ 192,260,531</u>

See notes to consolidated financial statements

## Nonprofit Finance Fund and Affiliate

### Consolidated Statement of Activities Year Ended December 31, 2020 (with summarized totals for the year ended December 31, 2019)

	2020			2019 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>REVENUE</b>				
Operating				
Grants (Note 2)	\$ 20,281,353	\$ 10,757,262	\$ 31,038,615	\$ 5,783,951
Investment income	19,999	-	19,999	19,967
Program fees (Note 2)	2,426,742	-	2,426,742	1,489,571
Donated services and other income (Note 2)	555,307	-	555,307	273,157
Net assets released from restrictions (Note 12)	7,963,311	(7,963,311)	-	-
Total Operating	<u>31,246,712</u>	<u>2,793,951</u>	<u>34,040,663</u>	<u>7,566,646</u>
Lending and Financing				
Loan fees (Note 2)	273,866	-	273,866	497,492
Interest income (Note 7)	9,317,332	-	9,317,332	8,832,277
NMTC fees (Note 2)	1,623,117	-	1,623,117	1,794,917
Total Lending and Financing	<u>11,214,315</u>	<u>-</u>	<u>11,214,315</u>	<u>11,124,686</u>
Total Revenue	<u>42,461,027</u>	<u>2,793,951</u>	<u>45,254,978</u>	<u>18,691,332</u>
<b>EXPENSES</b>				
Operating				
Salaries, payroll taxes and benefits	12,111,916	-	12,111,916	11,747,443
Program consultants	312,158	-	312,158	395,647
Professional support	1,205,743	-	1,205,743	751,381
Occupancy	1,295,202	-	1,295,202	1,333,472
Travel, information technology and other	688,704	-	688,704	1,181,604
Depreciation and amortization	359,264	-	359,264	370,994
Total Operating Expenses before Lending and Financing Expenses	<u>15,972,987</u>	<u>-</u>	<u>15,972,987</u>	<u>15,780,541</u>
Lending and Financing				
Provision for loan losses (Note 7)	780,686	-	780,686	3,798,210
Interest expense (Note 9)	2,827,238	-	2,827,238	3,448,791
Total Lending and Financing Expenses	<u>3,607,924</u>	<u>-</u>	<u>3,607,924</u>	<u>7,247,001</u>
Total Operating Expenses	<u>19,580,911</u>	<u>-</u>	<u>19,580,911</u>	<u>23,027,542</u>
Excess (Deficiency) of Revenue over Expenses before Other Capital Access and Related Activity	22,880,116	2,793,951	25,674,067	(4,336,210)
<b>OTHER CAPITAL ACCESS AND RELATED ACTIVITY (Note 12)</b>				
Contribution for Loan Fund	-	7,489,747	7,489,747	2,677,900
Contribution for Grant Fund	-	1,804,481	1,804,481	1,262,250
Net assets released from restrictions	1,157,814	(1,157,814)	-	-
Investment gains, non-operating	-	-	-	21,962
Grants made	(1,157,814)	-	(1,157,814)	(981,082)
Change in Net Assets	<u>22,880,116</u>	<u>10,930,365</u>	<u>33,810,481</u>	<u>(1,355,180)</u>
<b>NET ASSETS</b>				
Beginning of year	<u>25,676,514</u>	<u>18,936,343</u>	<u>44,612,857</u>	<u>45,968,037</u>
End of year	<u>\$ 48,556,630</u>	<u>\$ 29,866,708</u>	<u>\$ 78,423,338</u>	<u>\$ 44,612,857</u>

See notes to consolidated financial statements

## Nonprofit Finance Fund and Affiliate

Consolidated Statement of Functional Expenses  
Year Ended December 31, 2020  
(with summarized totals for the year ended December 31, 2019)

	Program Activities			Total Program Activities	Support Services		2020 Total	2019 Total
	Advice and Training	Access to Capital	Knowledge Sharing		Management and General	Fundraising		
Salaries, payroll taxes and benefits	\$ 3,865,593	\$ 3,479,880	\$ 697,229	\$ 8,042,702	\$ 2,835,144	\$ 1,234,070	\$ 12,111,916	\$ 11,747,443
Program consultants	164,666	46,302	-	210,968	-	101,190	312,158	395,647
Professional support	184,558	490,012	294,604	969,174	226,626	9,943	1,205,743	751,381
Occupancy	436,004	311,773	70,007	817,784	313,398	164,020	1,295,202	1,333,472
Travel, information technology and other	212,162	149,020	41,407	402,589	222,072	64,043	688,704	1,181,604
Depreciation and amortization	118,557	87,491	24,092	230,140	89,605	39,519	359,264	370,994
Provision for loan losses	-	780,686	-	780,686	-	-	780,686	3,798,210
Interest expense	-	2,827,238	-	2,827,238	-	-	2,827,238	3,448,791
	4,981,540	8,172,402	1,127,339	14,281,281	3,686,845	1,612,785	19,580,911	23,027,542
Total Operating Expenses								
Grants made	-	1,157,814	-	1,157,814	-	-	1,157,814	981,082
	4,981,540	9,330,216	1,127,339	15,439,095	3,686,845	1,612,785	20,738,725	24,008,624
Total Expenses	\$ 4,981,540	\$ 9,330,216	\$ 1,127,339	\$ 15,439,095	\$ 3,686,845	\$ 1,612,785	\$ 20,738,725	\$ 24,008,624

See notes to consolidated financial statements

## Nonprofit Finance Fund and Affilite

### Consolidated Statement of Cash Flows

Year Ended December 31, 2020

(with comparative amounts for the year ended December 31, 2019)

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 33,810,481	\$ (1,355,180)
Adjustments to reconcile change in net assets to net cash from operating activities		
Unrealized gain on investments	-	(21,962)
Provision for loan losses	780,686	3,798,210
Depreciation and amortization	359,264	370,994
Deferred rent	(7,155)	65,651
Changes in operating assets and liabilities		
Accounts receivables and other assets	(751,262)	70,078
Grants receivable	(3,681,961)	(1,278,291)
Accounts payable and other liabilities	(888,052)	236,367
Deferred revenue	(3,323,410)	9,225,000
Net Cash from Operating Activities	26,298,591	11,110,867
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(43,441)	(77,127)
Loans disbursed during the year	(107,276,335)	(48,667,926)
Collections of loans receivable	29,817,679	28,434,501
Change in amounts held by loan servicer	491,880	(1,201,681)
Reinvested interest income	(13,963)	-
Proceeds from sale of investments	-	84,054
Net Cash from Investing Activities	(77,024,180)	(21,428,179)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from loans	125,514,740	57,475,000
Proceeds from Paycheck Protection Program loan	2,082,400	-
Repayment of loans	(38,365,462)	(29,950,000)
Net Cash from Financing Activities	89,231,678	27,525,000
Net Change in Cash, Cash Equivalents and Restricted Cash	38,506,089	17,207,688
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>		
Beginning of year	29,911,335	12,703,647
End of year	\$ 68,417,424	\$ 29,911,335
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash paid for interest	\$ 3,045,184	\$ 3,388,051

See notes to consolidated financial statements

## Nonprofit Finance Fund and Affiliate

Notes to Consolidated Financial Statements  
December 31, 2020

### 1. Organization and Tax Status

The accompanying consolidated financial statements include the accounts of the Nonprofit Finance Fund (“NFF”) and JCRIF, LLC. (“JCRIF”).

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”). JCRIF was incorporated on April 29, 2020 in the State of Delaware, as a limited liability company, whose primary purpose is to advance NFF’s mission by supporting expanded lending to nonprofits across the United States.

NFF has been granted tax exempt status under Section 501(c)(3) of the Internal Revenue Code. JCRIF, whose sole member is NFF, is considered a disregarded entity and is not subject to income taxes.

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 \$371 million of investments. Since 1980, NFF has provided over \$988 million in financing and access to additional capital in support of over \$3 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 2020, NFF staff initially worked from offices in New York, Philadelphia, Boston, Los Angeles and Oakland. In March of 2020, staff transitioned to working remotely for the remainder of the year due to the COVID-19 pandemic. 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.

## Nonprofit Finance Fund and Affiliate

Notes to Consolidated Financial Statements  
December 31, 2020

### 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 nonprofits’ need for flexible capital to cope with programmatic, operational and financial changes and revenue loss resulting from the COVID-19 pandemic, NFF raised \$118 million of program related concessionary loans from a range of philanthropic investors. NFF used these funds to provide no-interest loan funds to community organizations across the country. NFF also provided \$367,000 in unrestricted grant funds to community organizations with limited access to other recovery funds. The funds were provided by the Fidelity Charitable Trustee’s initiatives and an anonymous donor and were granted using trust-based philanthropy principles, such as simplified application processes and open communication, and focused on supporting nonprofits led by people of color.

#### ***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. In 2020, NFF’s consulting team pivoted to work with clients on new concerns and challenges posed by the COVID-19 pandemic.

## Nonprofit Finance Fund and Affiliate

Notes to Consolidated Financial Statements  
December 31, 2020

### 1. Organization and Tax Status *(continued)*

#### ***Advice and Training (continued)***

*Workshops:* NFF’s remote 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. In 2020, consultants offered free webinars on issues like accessing federal funding through the Paycheck Protection Program and shared practical tools online with the goal of providing accessible answers to the financial questions nonprofits and funders were asking about how to navigate the current and future crises.

### 2. Summary of Significant Accounting Policies

#### ***Basis of Consolidation***

The accompanying consolidated financial statements include the accounts of NFF and JCRIF (collectively, the “Fund”). All significant intercompany balances and transactions are eliminated.

#### ***Basis of Presentation and Use of Estimates***

The accompanying consolidated financial statements have been prepared in accordance with the accounting principles generally accepted in the United States of America (“U.S. GAAP”). The preparation of the consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### ***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 which 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 consolidated statement of financial position to the consolidated statement of cash flows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 62,425,053	\$ 20,671,335
Restricted cash	<u>5,992,371</u>	<u>9,240,000</u>
	<u>\$ 68,417,424</u>	<u>\$ 29,911,335</u>

## **Nonprofit Finance Fund and Affiliate**

Notes to Consolidated Financial Statements  
December 31, 2020

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

#### ***Cash, Cash Equivalents and Restricted Cash (continued)***

Cash and cash equivalents as of December 31, 2020 include \$24,655,705 held by JCRIF and \$20,000,000 of board designated net assets.

#### ***Investments***

Investments consist of certificates of deposit and are carried at cost plus accrued interest, which approximates fair value.

#### ***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 statement 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 of the asset is not recoverable, the value is written down to the asset's fair value. There were no impairments for the years ended December 31, 2020 and 2019.

## **Nonprofit Finance Fund and Affiliate**

Notes to Consolidated Financial Statements  
December 31, 2020

### **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 consolidated statement 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 consolidated statement 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 consolidated statement 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.

#### ***Reclassifications***

Certain accounts in the 2019 financial statements have been reclassified to conform to the 2020 presentation.

## **Nonprofit Finance Fund and Affiliate**

Notes to Consolidated Financial Statements  
December 31, 2020

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

#### ***New Markets Tax Credit Program***

These consolidated 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 \$15,584 and \$17,945 at December 31, 2020 and 2019 and are included in accounts receivable and other assets in the consolidated statement of financial position.

The U.S. Department of the Treasury awarded allocations 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 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, 2020, NFF has closed 41 transactions using \$383 million of these allocations and established and served as managing member of 44 CDEs for the purpose of implementing its NMTC program, as permitted by the U.S. Department of the Treasury. As of December 31, 2020 and 2019, 18 and 21 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.

#### ***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 consolidated 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 2017.

## Nonprofit Finance Fund and Affiliate

Notes to Consolidated Financial Statements  
December 31, 2020

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

#### *Subsequent Events Evaluation by Management*

Management has evaluated subsequent events for disclosure and/or recognition in the consolidated financial statements through the date that the consolidated financial statements were available to be issued, which date is April 28, 2021.

### 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:

	<u>2020</u>	<u>2019</u>
Financial assets as of December 31:		
Cash and cash equivalents	\$ 62,425,053	\$ 20,671,335
Investments	1,114,939	1,100,976
Accounts receivable and other assets	5,218,284	4,958,902
Grants receivable	8,198,864	4,516,903
Loans receivable, net	<u>226,257,890</u>	<u>149,579,920</u>
	<u>303,215,030</u>	<u>180,828,036</u>
Less amounts not available for general expenditure within one year:		
Prepaid expenses and security deposits included in accounts receivable and other assets	297,437	375,030
Loans receivable due for collection after one year	184,198,776	119,954,064
Donor restricted grant fund net assets	1,558,460	794,793
Donor restricted loan fund net assets	19,313,922	11,941,175
Board designated net assets Fund	20,000,000	-
Board designated net assets for loan loss reserve	<u>4,031,941</u>	<u>4,403,582</u>
	<u>229,400,536</u>	<u>137,468,644</u>
Financial Assets Available for General Expenditure Within One Year	<u>\$ 73,814,494</u>	<u>\$ 43,359,392</u>

## Nonprofit Finance Fund and Affiliate

Notes to Consolidated Financial Statements  
December 31, 2020

### 4. Liquidity and Availability of Financial Assets *(continued)*

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 of \$1,114,939 and \$1,100,976 at December 31, 2020 and 2019 consist of certificates of deposit and are carried at cost plus accrued interest, which approximates fair value.

### 6. Grants Receivable

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

	<u>2020</u>	<u>2019</u>
Foundations	\$ 7,621,670	\$ 2,412,117
Government	267,519	991,549
Corporations and other	<u>309,675</u>	<u>1,113,237</u>
	<u>\$ 8,198,864</u>	<u>\$ 4,516,903</u>

Collections on the outstanding grants at December 31, 2020 are scheduled to be received during 2021.

### 7. Loans Receivable

Loans receivable in the NFF loan fund at December 31, 2020 and 2019 were \$159,307,167 and \$152,366,516. Nearly all of these loans are collateralized by borrowers' assets such as real estate, assignment of leases and rents, equipment, receivables and bank accounts. Additional loans receivable consisted of Program Related Concessionary ("PRC") loans of \$71,285,397 and \$719,330 at December 31, 2020 and 2019 made under customized programs with foundations that provided financing for these programs with concessionary terms. There was one past due accruing loan at December 31, 2020 with unpaid interest of \$74,436, and no past due accruing loans at December 31, 2019. The unpaid interest on the past due accruing loan was satisfied on April 1, 2021.

Interest on the outstanding loans is calculated using the simple interest method. Interest rates on loans in the NFF loan fund vary between 2.00% and 7.25% per annum. PRC loans generally do not require interest payments.

## Nonprofit Finance Fund and Affiliate

Notes to Consolidated Financial Statements  
December 31, 2020

### 7. Loans Receivable (continued)

PRC loans consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Mellon Loan Fund	\$ 2,016,830	\$ 719,330
NYC COVID-19 Response and Impact Funds (NYCRIF)	36,938,567	-
Jewish Community Recovery and Investment Fund (JCRIF)	32,330,000	-
	<u>\$ 71,285,397</u>	<u>\$ 719,330</u>

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 \$1,901,754 and \$1,599,198 as of December 31, 2020 and 2019.

#### **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 \$5,992,371 and \$9,240,000 as of December 31, 2020 and 2019 are reported as restricted cash in the consolidated 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, 2020 and 2019, approximately \$5.9 million and \$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.

## Nonprofit Finance Fund and Affiliate

Notes to Consolidated Financial Statements  
December 31, 2020

### 7. Loans Receivable *(continued)*

#### ***Allowance for Loan Losses***

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.

The following table presents the Fund’s loans receivable balances and related allowance for loan loss by risk rating as of December 31, 2020:

<u>Risk Rating Pool</u>	<u>Loan Balance</u>	<u>Allowance for Loan Loss</u>
Strong	\$ -	\$ -
Good	44,995,905	459,959
Acceptable	84,170,349	1,964,839
Close Follow	27,499,211	1,807,530
Marginal	2,641,702	528,129
Doubtful	-	-
	<u>159,307,167</u>	<u>4,760,457</u>
Allowance for loan loss covered by DOE grant	-	(425,783)
Program Related Concessionary (PRC) loans	<u>71,285,397</u>	<u>-</u>
	<u>\$ 230,592,564</u>	<u>\$ 4,334,674</u>

Because of the availability of credit enhancement, the calculated allowance for loan loss expense of \$425,783 on certain charter school loans has not been reported on the consolidated statement of activities, but has instead been covered by the allocation of credit enhancement to these loans.

## Nonprofit Finance Fund and Affiliate

Notes to Consolidated Financial Statements  
December 31, 2020

### 7. Loans Receivable *(continued)*

#### ***Allowance for Loan Losses (continued)***

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, 2020 and 2019, the amount of net assets without donor restrictions designated as loan loss reserves was \$4,031,941 and \$4,403,582. 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 PRC loans receivable balance of \$71,285,397 as of December 31, 2020, because the PRC loans are funded with loans made to NFF on a limited recourse terms by foundations and other investors that have assumed the credit risk associated with such loans. In case of any loss suffered on the PRC loans, the lenders have agreed to forgive the loans made to NFF in an amount equal to losses suffered on such loans.

Changes in the allowance for loan losses are summarized below:

	2020	2019
Balance, beginning of year	\$ 3,505,926	\$ 3,957,142
Less loans written off	-	(4,249,426)
Add bad debt recovery credited to provision for loan losses	48,062	-
Add provision for loan losses	780,686	3,798,210
Balance, end of year	\$ 4,334,674	\$ 3,505,926

As of December 31, 2020, loans committed for future disbursement totaled \$19,084,545. This is comprised of closed and undrawn loans of \$12,234,545 and approved and committed loans of \$6,850,000.

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

	NFF Loan Fund	JCRIF	NYCRIF	Mellon Loan Fund	Total
2021	\$ 26,742,469	\$ 2,739,584	\$ 12,137,829	\$ 1,245,005	\$ 42,864,887
2022	14,787,384	10,776,667	16,014,536	771,825	42,350,412
2023	19,106,491	10,776,667	8,786,202	-	38,669,360
2024	36,154,150	8,037,082	-	-	44,191,232
2025	27,684,101	-	-	-	27,684,101
Thereafter	34,832,572	-	-	-	34,832,572
	\$ 159,307,167	\$ 32,330,000	\$ 36,938,567	\$ 2,016,830	\$ 230,592,564

## Nonprofit Finance Fund and Affiliate

### Notes to Consolidated Financial Statements December 31, 2020

#### 8. Property and Equipment

Property and equipment consist of the following at December 31:

	2020	2019	Estimated Useful Lives
Leasehold improvements	\$ 2,185,283	\$ 2,185,283	3-15 years
Computer equipment	1,253,810	1,210,369	3 years
Furniture and fixtures	666,889	666,889	3-10 years
	4,105,982	4,062,541	
Accumulated depreciation and amortization	(2,229,310)	(1,870,046)	
	\$ 1,876,672	\$ 2,192,495	

#### 9. Loans Payable and PRC Loans Payable

Loans payable consist of the following as of December 31:

	2020	2019	Amortization
Bank Hapoalim, B.M.	\$ 2,500,000	\$ 2,500,000	Principal payable on 08/15/2022
Bank of America, N.A. (1 of 2)	2,000,000	2,000,000	Subordinated debt with principal payable on 03/19/2029
Bank of America, N.A. (1 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	3,500,000	Subordinated debt with principal payable on 09/27/2029
California Endowment, The (1 of 2)	400,000	800,000	Principal balance of \$400,000 at 12/31/2020 was paid on 03/18/2021
California Endowment, The (2 of 2)	5,025,566	2,500,000	Principal payable in three annual installments beginning 12/15/2025 through 12/15/2027
Charles Schwab Bank	200,000	16,950,000	Principal balance of \$200,000 at 12/31/2020 payable on 10/18/2025
Citizens Bank N.A.	500,000	500,000	Subordinated debt with principal payable in three annual installments beginning 12/23/2025 through 12/23/2027
Dignity Health	3,000,000	4,000,000	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

## Nonprofit Finance Fund and Affiliate

Notes to Consolidated Financial Statements  
December 31, 2020

### 9. Loans Payable and PRC Loans Payable (continued)

	2020	2019	Amortization
Mizuho Corporate Bank (USA)	\$ 13,000,000	\$ 13,000,000	Principal payable on 09/05/2021
Northern Trust	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)	3,500,000	5,000,000	Principal payable on 12/18/2022
Prudential Insurance Company of America (1 of 2)	-	2,000,000	Principal paid in 2020
Prudential Insurance Company of America (2 of 2)	6,861,000	7,000,000	Loan amortization began 07/01/2020; remaining principal payable through 06/06/2028
Stranahan Foundation	1,000,000	1,500,000	Loan amortization began 10/31/2019; remaining principal payable through 10/31/2022
TD Bank USA, N.A.	7,000,000	6,800,000	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	14,750,000	Principal payable in 24 equal monthly installments beginning 10/01/2021 through 09/24/2023
US Bank (2 of 2)	2,000,000	2,000,000	Subordinated debt with principal payable on 03/26/2022
Webster Bank, N.A.	6,270,000	4,650,000	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
<b>Total</b>	<b>\$ 111,756,566</b>	<b>\$ 129,700,000</b>	

Minimum future principal payments are to be paid as follows:

2021	\$ 24,102,501
2022	40,172,966
2023	8,841,279
2024	11,591,501
2025	14,000,064
Thereafter	13,048,245
	<u>\$ 111,756,556</u>

Interest rates (fixed and variable) on loans payable had a weighted average of 2.06% and 2.99% in 2020 and 2019.

## Nonprofit Finance Fund and Affiliate

Notes to Consolidated Financial Statements  
December 31, 2020

### 9. Loans Payable and PRC Loans Payable (continued)

At December 31, 2020, the Fund had the following available loan commitments from lenders:

Charles Schwab Bank	\$	24,800,000
Citizens Bank N.A.		5,000,000
Mizuho Bank (USA)		2,000,000
TD Bank, N.A.		3,000,000
US Bank		250,000
Webster Bank, N.A.		3,730,000
		\$ 38,780,000

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, 2020 and 2019.

PRC loans payable, as distinct from loans payable, totaled \$109,340,472 and \$4,247,750 at December 31, 2020 and 2019, and includes loans to the Fund that incorporate subsidized interest rates, higher risk tolerance for program-related organizations and are non-recourse, which means that any bad debts incurred on these loans are absorbed by the lender. Payments are only required for interest, if any, until the maturity date of the principal as indicated below.

PRC loans payable consist of the following at December 31, 2020:

<u>Lender</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>
California Community Foundation	\$ 3,000,000	2%	December 10, 2026
UniHealth Foundation	750,000	2%	December 10, 2026
Weingart Foundation	1,000,000	2%	December 10, 2026
Mellon Foundation	3,422,750	0%	June 30, 2023
Ford Foundation	28,704,765	0%	March 31, 2025
SeaChange	6,483,318	0%	March 31, 2025
Trinity Wall Street	1,979,639	0%	March 31, 2025
Trinity Church Grantee Loan Fund	8,000,000	0%	December 31, 2025
JCRIF, LLC Funders	56,000,000	0%	June 1, 2025
	\$ 109,340,472		

## **Nonprofit Finance Fund and Affiliate**

Notes to Consolidated Financial Statements  
December 31, 2020

### **10. Paycheck Protection Program Loan**

On April 30, 2020, the Fund received loan proceeds in the amount of \$2,082,400 under the Paycheck Protection Program (the “PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”), provides for loans to qualifying entities for amounts up to 2.5 times their 2019 average monthly payroll expenses of the qualifying entity. The PPP loan bears an interest rate of 1% per annum. All or a portion of the PPP loan principal and accrued interest is forgivable as long as the borrower uses the loan proceeds for eligible purposes, as described in the CARES Act as amended, over a period between eight to twenty-four weeks (the “Covered Period”). The amount of loan forgiveness could be reduced if the borrower terminates employees or reduces salaries below a certain threshold during the Covered Period and does not qualify for certain safe harbors. The unforgiven portion of the PPP loan, if any, is payable within two years from the date of the PPP loan with a deferral of payments of principal or interest until the amount of loan forgiveness is approved by the United States Small Business Administration (“SBA”). If the Fund does not apply for forgiveness, payments begin approximately 16 months after the loan date.

As of December 31, 2020, the PPP loan is recognized as a debt on the consolidated statement of financial position. The Fund will recognize the income from the forgiveness of the PPP loan when it receives the notification of forgiveness from SBA in accordance with Accounting Standards Codification (“ASC”) 470 Debt. Although the Fund believes this loan will be substantially or fully forgiven, there can be no guarantee that the SBA will approve the loan forgiveness.

The SBA has stated it will review the needs certification on all loans over \$2,000,000. After the review, the SBA may determine that the Fund did not meet the need criteria to apply for the PPP loan. In such a circumstance, The Fund may be forced to return all or part of the PPP loan proceeds plus pay the accrued and unpaid interest. The Fund believes it was eligible to receive the PPP loan proceeds.

### **11. Board Designated Net Assets**

During 2020, NFF’s Board of Directors designated \$20 million of net assets without donor restrictions towards dedicating a pool of resources to accelerate NFF’s strategic direction addressing racial equity and social justice in meaningful and intentional ways. NFF is planning to use these funds over multiple years and aims to replenish it for continued support of the mission critical strategic work. In addition, the Board of Directors has also designated a portion of NFF’s net assets without donor restrictions as supplemental loan loss reserves (see Note 7). As of December 31, 2020 and 2019, the amount of net assets without donor restrictions designated as loan loss reserves was \$4,031,941 and \$4,403,582.

## Nonprofit Finance Fund and Affiliate

Notes to Consolidated Financial Statements  
December 31, 2020

### 12. 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:

	<u>2020</u>	<u>2019</u>
Time restricted for operating support	\$ 365,000	\$ 127,519
Purpose restricted	<u>29,501,708</u>	<u>18,808,824</u>
	<u>\$ 29,866,708</u>	<u>\$ 18,936,343</u>

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

	<u>2020</u>	<u>2019</u>
Time restricted for operating support	\$ 1,157,814	\$ 739,781
Purpose restricted	<u>7,963,311</u>	<u>7,940,108</u>
	<u>\$ 9,121,125</u>	<u>\$ 8,679,889</u>

### 13. 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 2020 and 2019 was \$530,204 and \$529,416. The Fund deposits these pension costs after each payroll period.

### 14. Accounts Payable and Other Liabilities

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

	<u>2020</u>	<u>2019</u>
Accounts payable and accrued expenses	\$ 1,473,763	\$ 2,090,250
Office leasehold commitments	1,650,616	1,657,771
Other liabilities	<u>240,794</u>	<u>512,359</u>
	<u>\$ 3,365,173</u>	<u>\$ 4,260,380</u>

## Nonprofit Finance Fund and Affiliate

Notes to Consolidated Financial Statements  
December 31, 2020

### 15. 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 its Los Angeles and Philadelphia offices and in 2017 for its Boston and Oakland offices for lease periods ranging from five to seven years. In 2020, fixed monthly rent payments ranged from \$5,771 to \$16,508. NFF records the lease expense on a straight-line basis. At December 31, 2020 and 2019, accounts payable and other liabilities include \$1,650,616 and \$1,657,771 of deferred rent.

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

2021	\$ 1,111,522
2022	1,017,209
2023	901,056
2024	771,860
2025	766,425
Thereafter	<u>4,802,798</u>
	<u>\$ 9,370,870</u>

Rent expense amounted to approximately \$1,057,000 in 2020 and 2019.

### 16. Risks and Uncertainties

The ongoing COVID-19 pandemic has resulted in substantial volatility in the global economy. The pandemic may potentially have an adverse effect on the results of operations. While management has implemented measures to mitigate the impact of the pandemic, including obtaining a PPP loan under the CARES Act as detailed in Note 10, the extent to which the Fund's operations are impacted will depend on future developments, which are highly uncertain and cannot be predicted. As a result, management cannot reasonably estimate the overall impact of the COVID-19 pandemic to the Fund's future results of operations, cash flows, and financial condition.

\* \* \* \* \*

# **Nonprofit Finance Fund and Affiliate**

Supplementary Information

December 31, 2020

## Nonprofit Finance Fund and Affiliate

### Consolidating Schedule of Financial Position

December 31, 2020

	NFF	JCRIF	Total	Eliminations	Consolidated
<b>ASSETS</b>					
Cash and cash equivalents	\$ 37,769,348	\$ 24,655,705	\$ 62,425,053	\$ -	\$ 62,425,053
Investments	2,155,944	-	2,155,944	(1,041,005)	1,114,939
Accounts receivables and other assets	5,350,484	187,500	5,537,984	(319,700)	5,218,284
Grants receivable	8,198,864	-	8,198,864	-	8,198,864
Loans receivable	159,307,167	-	159,307,167	-	159,307,167
Allowance for loan losses	(4,334,674)	-	(4,334,674)	-	(4,334,674)
Loans Receivable, net	154,972,493	-	154,972,493	-	154,972,493
Program related concessionary loans receivable	38,955,397	32,330,000	71,285,397	-	71,285,397
Restricted cash	5,992,371	-	5,992,371	-	5,992,371
Property and equipment, net	1,876,672	-	1,876,672	-	1,876,672
	<u>\$ 255,271,573</u>	<u>\$ 57,173,205</u>	<u>\$ 312,444,778</u>	<u>\$ (1,360,705)</u>	<u>\$ 311,084,073</u>
<b>LIABILITIES AND NET ASSETS</b>					
Liabilities					
Accounts payable and other liabilities	\$ 3,552,673	\$ 132,200	\$ 3,684,873	\$ (319,700)	\$ 3,365,173
Deferred revenue	6,116,134	-	6,116,134	-	6,116,134
Paycheck Protection Program loan	2,082,400	-	2,082,400	-	2,082,400
Program related concessionary loans payable	53,340,472	56,000,000	109,340,472	-	109,340,472
Loans payable	111,756,556	-	111,756,556	-	111,756,556
Total Liabilities	<u>176,848,235</u>	<u>56,132,200</u>	<u>232,980,435</u>	<u>(319,700)</u>	<u>232,660,735</u>
Net Assets					
Without Donor Restrictions					
Undesignated	24,524,689	1,041,005	25,565,694	(1,041,005)	24,524,689
Board designated	24,031,941	-	24,031,941	-	24,031,941
Total Without Donor Restrictions	<u>48,556,630</u>	<u>1,041,005</u>	<u>49,597,635</u>	<u>(1,041,005)</u>	<u>48,556,630</u>
With Donor Restrictions					
Program fund	8,994,326	-	8,994,326	-	8,994,326
Grant fund	1,558,460	-	1,558,460	-	1,558,460
Loan fund capital	19,313,922	-	19,313,922	-	19,313,922
Total With Donor Restrictions	<u>29,866,708</u>	<u>-</u>	<u>29,866,708</u>	<u>-</u>	<u>29,866,708</u>
Total Net Assets	<u>78,423,338</u>	<u>1,041,005</u>	<u>79,464,343</u>	<u>(1,041,005)</u>	<u>78,423,338</u>
	<u>\$ 255,271,573</u>	<u>\$ 57,173,205</u>	<u>\$ 312,444,778</u>	<u>\$ (1,360,705)</u>	<u>\$ 311,084,073</u>

See independent auditors' report

## Nonprofit Finance Fund and Affiliate

### Consolidating Schedule of Activities Year Ended December 31, 2020

	Without Donor Restrictions					With Donor Restrictions		
	NFF		Total	JCRIF	Eliminations	Total	NFF	Total
	Undesignated	Board Designated						
<b>REVENUE</b>								
Operating								
Grants	\$ 281,353	\$ 20,000,000	\$ 20,281,353	\$ -	\$ -	\$ 20,281,353	\$ 10,757,262	\$ 31,038,615
Investment income	19,999	-	19,999	-	-	19,999	-	19,999
Program fees	3,075,737	-	3,075,737	-	(648,995)	2,426,742	-	2,426,742
Donated services and other income	555,307	-	555,307	-	-	555,307	-	555,307
Net assets released from restrictions	7,963,311	-	7,963,311	-	-	7,963,311	(7,963,311)	-
Total Operating	<u>11,895,707</u>	<u>20,000,000</u>	<u>31,895,707</u>	<u>-</u>	<u>(648,995)</u>	<u>31,246,712</u>	<u>2,793,951</u>	<u>34,040,663</u>
Lending and Financing								
Loan fees	273,866	-	273,866	-	-	273,866	-	273,866
Interest income	9,317,332	-	9,317,332	-	-	9,317,332	-	9,317,332
NMTC fees	1,623,117	-	1,623,117	-	-	1,623,117	-	1,623,117
Total Lending and Financing	<u>11,214,315</u>	<u>-</u>	<u>11,214,315</u>	<u>-</u>	<u>-</u>	<u>11,214,315</u>	<u>-</u>	<u>11,214,315</u>
Total Revenue	<u>23,110,022</u>	<u>20,000,000</u>	<u>43,110,022</u>	<u>-</u>	<u>(648,995)</u>	<u>42,461,027</u>	<u>2,793,951</u>	<u>45,254,978</u>
<b>EXPENSES</b>								
Operating								
Salaries, payroll taxes and benefits	12,111,916	-	12,111,916	-	-	12,111,916	-	12,111,916
Program consultants	312,158	-	312,158	-	-	312,158	-	312,158
Professional support	1,205,743	-	1,205,743	-	-	1,205,743	-	1,205,743
Occupancy	1,295,202	-	1,295,202	-	-	1,295,202	-	1,295,202
Travel, information technology and other	688,704	-	688,704	648,995	(648,995)	688,704	-	688,704
Depreciation and amortization	359,264	-	359,264	-	-	359,264	-	359,264
Total Operating Expenses before Lending and Financing Expenses	<u>15,972,987</u>	<u>-</u>	<u>15,972,987</u>	<u>648,995</u>	<u>(648,995)</u>	<u>15,972,987</u>	<u>-</u>	<u>15,972,987</u>
Lending and Financing								
Provision for loan losses	780,686	-	780,686	-	-	780,686	-	780,686
Interest expense	2,827,238	-	2,827,238	-	-	2,827,238	-	2,827,238
Total Lending and Financing Expenses	<u>3,607,924</u>	<u>-</u>	<u>3,607,924</u>	<u>-</u>	<u>-</u>	<u>3,607,924</u>	<u>-</u>	<u>3,607,924</u>
Total Operating Expenses	<u>19,580,911</u>	<u>-</u>	<u>19,580,911</u>	<u>648,995</u>	<u>(648,995)</u>	<u>19,580,911</u>	<u>-</u>	<u>19,580,911</u>
Excess (Deficiency) of Revenue over Expenses before Other Capital Access and Related Activity	3,529,111	20,000,000	23,529,111	(648,995)	-	22,880,116	2,793,951	25,674,067
<b>OTHER CAPITAL ACCESS AND RELATED ACTIVITY</b>								
Contribution for Loan Fund	-	-	-	-	-	-	7,489,747	7,489,747
Contribution for Grant Fund	-	-	-	-	-	-	1,804,481	1,804,481
Investment loss in JCRIF	(648,995)	-	(648,995)	-	648,995	-	-	-
Net assets released from restrictions	1,157,814	-	1,157,814	-	-	1,157,814	(1,157,814)	-
Grants made	(1,157,814)	-	(1,157,814)	-	-	(1,157,814)	-	(1,157,814)
Change in Net Assets	<u>2,880,116</u>	<u>20,000,000</u>	<u>22,880,116</u>	<u>(648,995)</u>	<u>648,995</u>	<u>22,880,116</u>	<u>10,930,365</u>	<u>33,810,481</u>
<b>NET ASSETS</b>								
Beginning of year	21,272,932	4,403,582	25,676,514	-	-	25,676,514	18,936,343	44,612,857
Capital contribution of NFF to JCRIF	-	-	-	1,690,000	(1,690,000)	-	-	-
Change in Board designated loan loss reserve	371,641	(371,641)	-	-	-	-	-	-
End of year	<u>\$ 24,524,689</u>	<u>\$ 24,031,941</u>	<u>\$ 48,556,630</u>	<u>\$ 1,041,005</u>	<u>\$ (1,041,005)</u>	<u>\$ 48,556,630</u>	<u>\$ 29,866,708</u>	<u>\$ 78,423,338</u>

See independent auditors' report

# **Nonprofit Finance Fund and Affiliate**

Uniform Guidance Schedules and Reports

December 31, 2020

## Nonprofit Finance Fund and Affiliate

### Schedule of Expenditures of Federal Awards and Accompanying Notes Year Ended December 31, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Passed Through to Subrecipients	Total Federal Expenditures
<u>U.S. Department of the Treasury</u>			
Community Development Financial Institutions Program	21.020	\$ -	\$ 855,915
<u>U.S. Department of Education</u>			
Credit Enhancement for Charter School Facilities	84.354A	-	57,737
Total Expenditures of Federal Awards		\$ -	\$ 913,652

#### 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Nonprofit Finance Fund ("NFF") under programs of the federal government for the year ended December 31, 2020. 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 NFF, it is not intended to and does not present the financial position, changes in net assets or cash flows of NFF.

#### 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. Pass-through entity identifying numbers are presented where available.

#### 3. Nonmonetary Assistance

Nonmonetary assistance is reported in the Schedule based on the amount disbursed or received. NFF received no nonmonetary assistance for the year ended December 31, 2020.

#### 4. Indirect Cost Rate

NFF 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 consolidated financial statements of Nonprofit Finance Fund and Affiliate (the "Fund"), which comprise the consolidated statement of financial position as of December 31, 2020 and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated April 28, 2021. Only the financial statements of Nonprofit Finance Fund (parent entity) were audited in accordance with *Government Auditing Standards*, and accordingly this report does not include reporting on internal control over financial reporting or instances of noncompliance associated with any other entity.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the Fund's internal control over financial reporting (internal control) as a basis for designing 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 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.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Fund's consolidated 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 consolidated financial statements. 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 28, 2021

**Report on Compliance for Each Major Federal Program and Report on  
Internal Control Over Compliance 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 program for the year ended December 31, 2020. 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 its major federal programs for the year ended December 31, 2020.

**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.

*PKF O'Connor Davies, LLP*

April 28, 2021

## Nonprofit Finance Fund and Affiliate

### Schedule of Findings and Questioned Costs Year Ended December 31, 2020

#### 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  no  
Significant deficiency(ies) identified?  yes  none reported  
Noncompliance material to financial statements noted?  yes  no

##### Federal Awards

Internal control over major federal programs:  
Material weakness(es) identified?  yes  no  
Significant deficiency(ies) identified?  yes  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  no

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.020	Community Development Financial Institutions Program

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?  yes  no

#### Section II – Financial Statement Findings

During our audit, we noted no material findings for the year ended December 31, 2020.

#### 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 Audit Findings

There were no prior year findings.