Nonprofit Finance Fund and Affiliate

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

December 31, 2022

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Uniform Guidance Schedules
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Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Nonprofit Finance Fund and Affiliate (the "Fund"), which comprise the consolidating statement of financial position as of December 31, 2022, and the related consolidating statement of activities, and consolidated statements of functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Fund as of December 31, 2022, and the consolidated changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. Only the financial statements of Nonprofit Finance Fund were audited in accordance with *Government Auditing Standards.*

Emphasis of Matter

As described in Note 2 to the consolidated financial statements, the Fund adopted the Financial Accounting Standards Board ("FASB") Topic 842, *Leases*, using the effective date method with January 1, 2022, as the date of initial adoption, with certain practical expedients available. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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Responsibilities of Management for the Consolidated Financial Statements (continued)

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Report of Summarized Comparative Information

We have previously audited the Fund's December 31, 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated April 21, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited consolidated 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 schedule of expenditures of federal awards, on page 29, 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 to the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2023, on our consideration of Nonprofit Finance Fund's ("NFF") 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

May 2, 2023

Nonprofit Finance Fund and Affiliate

Consolidating Statement of Financial Position
December 31, 2022
(with summarized totals at December 31, 2021)

	2022					
	Nonprofit Finance Fund	JCRIF, LLC	Total	Eliminations	Consolidated	2021 Consolidated
ASSETS						
Cash and cash equivalents (Note 2)	$ 47,867,146	$ 1,875,953	$ 49,743,099	$ -	$ 49,743,099	$ 64,865,045
Investments	1,449,984	-	1,449,984	(561,005)	888,979	626,669
Accounts receivables and other assets	2,049,670	108,333	2,158,003	(108,333)	2,049,670	1,864,020
Grants receivable (Note 5)	1,472,122	-	1,472,122	-	1,472,122	4,382,356
Loans receivable (Note 6)	157,724,284	-	157,724,284	-	157,724,284	172,090,850
Allowance for loan losses (Note 6)	(6,323,620)	-	(6,323,620)	-	(6,323,620)	(5,325,634)
Loans Receivable, net	151,400,664	-	151,400,664	-	151,400,664	166,765,216
Program related concessionary loans receivable (Note 6)	28,460,358	23,220,219	51,680,577	-	51,680,577	77,905,621
Restricted cash (Notes 2 and 6)	624,536	-	624,536	-	624,536	1,604,536
Right of use asset - operating lease, net (Notes 2 and 15)	5,153,486	-	5,153,486	-	5,153,486	-
Property and equipment, net (Note 7)	1,422,701	-	1,422,701	-	1,422,701	1,600,661
	$ 239,900,667	$ 25,204,505	$ 265,105,172	$ (669,338)	$ 264,435,834	$ 319,614,124
LIABILITIES AND NET ASSETS						
Liabilities						
Accounts payable and other liabilities (Note 14)	$ 2,232,126	$ 52,500	$ 2,284,626	$ (108,333)	$ 2,176,293	$ 4,544,483
Deferred revenue	739,749	-	739,749	-	739,749	1,856,728
Paycheck Protection Program loan (Note 9)	-	-	-	-	-	281,595
Lease payable (Note 2)	6,632,227	-	6,632,227	-	6,632,227	-
Program related concessionary loans payable (Note 8)	51,386,788	24,591,000	75,977,788	-	75,977,788	111,239,178
Loans payable (Note 8)	97,169,513	-	97,169,513	-	97,169,513	112,034,007
Total Liabilities	158,160,403	24,643,500	182,803,903	(108,333)	182,695,570	229,955,991
Net Assets						
Without Donor Restrictions						
Undesignated	33,361,350	561,005	33,922,355	(561,005)	33,361,350	31,342,042
Board designated (Note 10)	17,990,729	-	17,990,729	-	17,990,729	21,957,805
Total Without Donor Restrictions	51,352,079	561,005	51,913,084	(561,005)	51,352,079	53,299,847
With Donor Restrictions (Note 11)						
Program fund	7,262,214	-	7,262,214	-	7,262,214	10,445,043
Grant fund	1,854,096	-	1,854,096	-	1,854,096	2,325,026
Loan fund capital	21,271,875	-	21,271,875	-	21,271,875	23,588,217
Total With Donor Restrictions	30,388,185	-	30,388,185	-	30,388,185	36,358,286
Total Net Assets	81,740,264	561,005	82,301,269	(561,005)	81,740,264	89,658,133
	$ 239,900,667	$ 25,204,505	$ 265,105,172	$ (669,338)	$ 264,435,834	$ 319,614,124

See notes to consolidated financial statements

Nonprofit Finance Fund and Affiliate

Consolidating Statement of Activities
Year Ended December 31, 2022
(with summarized totals for the year ended December 31, 2021)

	Without Donor Restrictions						With Donor Restrictions		
	Nonprofit Finance Fund								
	Undesignated	Board Designated	Total	JCRIF, LLC	Eliminations	Total	Nonprofit Finance Fund	2022 Total	2021 Total
REVENUE									
Operating									
Grants (Note 2)	$ 36,648	$ -	$ 36,648	$ -	$ -	$ 36,648	$ 6,104,369	$ 6,141,017	$ 12,462,287
Investment income	67,887	-	67,887	-	-	67,887	-	67,887	17,085
Program fees (Note 2)	2,233,349	-	2,233,349	-	(210,000)	2,023,349	-	2,023,349	2,481,051
Donated services (Notes 2 and 12)	239,343	-	239,343	-	-	239,343	-	239,343	15,350
Other income	37,294	-	37,294	-	-	37,294	-	37,294	25,440
Forgiveness of Paycheck Protection Program loan (Note 9)	146,279	-	146,279	-	-	146,279	-	146,279	1,800,805
Net assets released from restrictions (Note 11)	11,461,289	(2,174,091)	9,287,198	-	-	9,287,198	(9,287,198)	-	-
Total Operating	14,222,089	(2,174,091)	12,047,998	-	(210,000)	11,837,998	(3,182,829)	8,655,169	16,802,018
Lending and Financing									
Loan fees (Note 2)	332,263	-	332,263	-	-	332,263	-	332,263	622,246
Interest income (Note 6)	9,523,472	-	9,523,472	-	-	9,523,472	-	9,523,472	10,069,032
NMTC fees (Note 2)	952,049	-	952,049	-	-	952,049	-	952,049	1,155,017
Total Lending and Financing	10,807,784	-	10,807,784	-	-	10,807,784	-	10,807,784	11,846,295
Total Revenue	25,029,873	(2,174,091)	22,855,782	-	(210,000)	22,645,782	(3,182,829)	19,462,953	28,648,313
EXPENSES									
Operating Expenses									
Salaries, payroll taxes and benefits	16,077,798	-	16,077,798	-	-	16,077,798	-	16,077,798	14,744,492
Program consultants	875,890	-	875,890	-	-	875,890	-	875,890	929,125
Professional support	1,389,004	-	1,389,004	-	-	1,389,004	-	1,389,004	1,092,022
Occupancy	1,319,491	-	1,319,491	-	-	1,319,491	-	1,319,491	1,322,747
Travel, information technology and other	1,138,496	-	1,138,496	210,000	(210,000)	1,138,496	-	1,138,496	631,109
Depreciation and amortization	310,151	-	310,151	-	-	310,151	-	310,151	361,399
Total Operating Expenses before Lending and Financing Expenses	21,110,830	-	21,110,830	210,000	(210,000)	21,110,830	-	21,110,830	19,080,894
Lending and Financing Expenses									
Provision for loan losses (Note 6)	997,376	-	997,376	-	-	997,376	-	997,376	941,187
Interest expense (Note 8)	2,485,344	-	2,485,344	-	-	2,485,344	-	2,485,344	2,432,298
Total Lending and Financing Expenses	3,482,720	-	3,482,720	-	-	3,482,720	-	3,482,720	3,373,485
Total Expenses	24,593,550	-	24,593,550	210,000	(210,000)	24,593,550	-	24,593,550	22,454,379
Excess (Deficiency) of Revenue over Expenses before Other Capital Access and Related Activity	436,323	(2,174,091)	(1,737,768)	(210,000)	-	(1,947,768)	(3,182,829)	(5,130,597)	6,193,934
OTHER CAPITAL ACCESS AND RELATED ACTIVITY (Note 11)									
Contribution for Loan fund	-	-	-	-	-	-	(2,316,342)	(2,316,342)	4,838,961
Contribution for Grant fund	-	-	-	-	-	-	(31,500)	(31,500)	2,044,780
Investment loss in JCRIF	(210,000)	-	(210,000)	-	210,000	-	-	-	-
Net assets released from restrictions	439,430	-	439,430	-	-	439,430	(439,430)	-	-
Grants made	(439,430)	-	(439,430)	-	-	(439,430)	-	(439,430)	(1,842,880)
Change in Net Assets	226,323	(2,174,091)	(1,947,768)	(210,000) -	210,000	(1,947,768)	(5,970,101)	(7,917,869)	11,234,795
NET ASSETS									
Beginning of year	31,342,042	21,957,805	53,299,847	771,005	(771,005)	53,299,847	36,358,286	89,658,133	78,423,338
Change in Board designated loan loss reserve	1,792,985	(1,792,985)	-	-	-	-	-	-	-
End of year	$ 33,361,350	$ 17,990,729	$ 51,352,079	$ 561,005	$ (561,005)	$ 51,352,079	$ 30,388,185	$ 81,740,264	$ 89,658,133

See notes to consolidated financial statements

Nonprofit Finance Fund and Affiliate

Consolidated Statement of Functional Expenses
Year Ended December 31, 2022
(with summarized totals for the year ended December 31, 2021)

	Program Activities				Support Services			
	Consulting	Financing	Knowledge and Impact	Total Program Activities	Management and General	Fundraising	2022 Total	2021 Total
Salaries, payroll taxes and benefits	$ 4,499,011	$ 4,957,866	$ 1,487,843	$ 10,944,720	$ 4,609,434	$ 523,644	$ 16,077,798	$ 14,744,492
Program consultants	416,322	323,777	109,381	849,480	6,410	20,000	875,890	929,125
Professional support	28,924	345,600	374,392	748,916	625,918	14,170	1,389,004	1,092,022
Occupancy	340,919	337,557	131,112	809,588	488,519	21,384	1,319,491	1,322,747
Travel, information technology and other	204,093	294,384	115,184	613,661	453,293	71,542	1,138,496	631,109
Depreciation and amortization	64,433	76,227	28,394	169,054	135,418	5,679	310,151	361,399
Provision for loan losses	-	997,376	-	997,376	-	-	997,376	941,187
Interest expense	-	2,487,746	-	2,487,746	(2,402)	-	2,485,344	2,432,298
Total Operating Expenses	5,553,702	9,820,533	2,246,306	17,620,541	6,316,590	656,419	24,593,550	22,454,379
Grants made	439,430	-	-	439,430	-	-	439,430	1,842,880
Total Expenses	$ 5,993,132	$ 9,820,533	$ 2,246,306	$ 18,059,971	$ 6,316,590	$ 656,419	$ 25,032,980	$ 24,297,259

See notes to consolidated financial statements

Nonprofit Finance Fund and Affiliate

Consolidated Statement of Cash Flows
Year Ended December 31, 2022
(with comparative amounts for the year ended December 31, 2021)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (7,917,869)	$ 11,234,795
Adjustments to reconcile change in net assets		
to net cash from operating activities		
Forgiveness of Paycheck Protection Program loan	(146,279)	(1,800,805)
Provision for loan losses	997,376	941,187
Depreciation and amortization	310,151	361,399
Deferred rent	-	(63,483)
Amortization of right of use asset - operating lease	545,263	-
Changes in operating assets and liabilities		
Accounts receivables and other assets	(185,650)	575,309
Grants receivable	2,910,234	3,816,508
Accounts payable and other liabilities	(2,368,190)	1,242,793
Lease payable	933,478	-
Deferred revenue	(1,116,979)	(4,259,406)
Net Cash from Operating Activities	(6,038,465)	12,048,297
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(132,191)	(85,388)
Loans disbursed during the year	(31,416,504)	(67,765,346)
Collections of loans receivable	72,008,724	48,411,212
Change in amounts held by loan servicer	-	2,778,955
Purchase of investments	(262,310)	-
Proceeds from sale of investments	-	488,270
Net Cash from Investing Activities	40,197,719	(16,172,297)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans	39,526,500	39,741,883
Payment of Paycheck Protection Program loan	(135,316)	-
Repayment of loans	(89,652,384)	(37,565,726)
Net Cash from Financing Activities	(50,261,200)	2,176,157
Net Change in Cash, Cash Equivalents and Restricted Cash	(16,101,946)	(1,947,843)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH		
Beginning of year	66,469,581	68,417,424
End of year	$ 50,367,635	$ 66,469,581
SUPPLEMENTAL DISCLOSUE OF CASH FLOW INFORMATION		
Cash paid for interest	$ 2,582,476	$ 2,368,003
NON-CASH FINANCING ACTIVITY		
Forgiveness of Paycheck Protection Program loan	146,279	1,800,805

See notes to consolidated financial statements

1. Organization and Tax Status

The accompanying consolidated financial statements include the accounts of 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 is a nonprofit lender, consultant, and advocate. For more than 40 years, NFF worked to strengthen nonprofit organizations and improve the way money flows to social good. NFF believes that alongside others, NFF must build a more equitable and just social sector, and is committed to helping community-centered organizations led by and serving people of color access the money and resources they need to realize their communities' aspirations. As a CDFI, NFF manages a portfolio of over $393 million. Since 1980, NFF has provided over $1.1 billion in financing and access to additional capital in support of over $3.5 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 advance community-led solutions and 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 encourage more equitable funding practices.

In 2022, NFF staff primarily worked remotely in the geographic regions of New York, Philadelphia, Boston, Los Angeles, and Oakland. Offices in these regions gradually reopened for staff access following the implementation of specific COVID safety protocols and according to state requirements.

1. Organization and Tax Status *(continued)*

A selection of NFF's services include:

Access to Capital

Loans: NFF typically makes loans up 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.

New Markets Tax Credits ("NMTC"): Since 2007 NFF has been awarded a total of $401 million in NMTC from the US Department of the Treasury, which NFF uses to provide flexible financing to organizations and projects that increase access to human services, healthcare, education, arts and culture, youth and workforce development, and much more in communities across the US. NFF is one of a few organizations using these credits exclusively to help finance projects benefiting small and mid-sized nonprofits. NFF's three tax credit investments in 2022 were made through its NMTC Small Loan Fund, which offers low interest rates to borrowers with financing needs too small to qualify for traditional NMTC leverage structures.

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 and more equitable funding practices such as covering full-costs, offering change capital, and providing the flexible operating dollars that nonprofits need to sustain and adapt their community work.

NFF's loans and other financing products evolve with the changing needs of the sector and US communities. Starting in 2020, NFF has raised special loan funds to meet nonprofits' real-time needs with flexible financing and tailored approaches like zero-interest loans, consulting services, and key partnerships. NFF originated $8.7 million in special loan funds in 2022. As part of a strategic commitment to advance racial equity, more than two-thirds of NFF's loans closed supported organizations led by people of color in 2022.

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 community-centered nonprofit organizations, networks, organizers, funders, and financing partners to support community-led solutions, and engage and facilitate funding that promotes equity.

1. Organization and Tax Status *(continued)*

Advice and Training (continued)

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 managers to help them better communicate their financial story to funders, lenders, and others. In 2022, NFF provided direct, tailored financial management and financial consulting to over 250 nonprofit organizations. NFF also reached nearly 1,800 nonprofit leaders through short engagements, events, and consulting webinars. Across NFF's practice, this totaled 15,174 hours of service provided to nonprofits.

Workshops and online resources: NFF's remote workshops, webinars, and online resources 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 2022, consultants prepared companion workbooks for a full curriculum of nonprofit financial management webinars in English and Spanish to share practical tools and helpful insights for nonprofit leaders. They also created a resource page for fundraising and a three-part video series specifically for nonprofit leaders who are in the early stages of nonprofit financial management and creating their first organizational budget.

Social Sector Knowledge: To advance a more equitably resourced nonprofit sector, NFF researches, amplifies, gathers, and shares the insights and experiences of on-the-ground partners with government officials, decision-makers, influencers, and funders. NFF's 2022 State of the Nonprofit Sector Survey gathered input from over 1,100 respondents across the US and shared data and insights to build a more resilient social sector.

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.

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

Adoption of New Accounting Policies

Contributed Nonfinancial Assets

As of January 1, 2022, the Fund adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958). ASU 2020-07 brings more transparency and consistency to the presentation and disclosure of gifts-in-kind. The standard does not change the accounting for gifts-in-kind, however it does provide matters related to presentation and disclosure.

Leases

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-02, *Leases* (Topic 842) which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset.

NFF adopted the requirements of the new standard effective January 1, 2022, using the modified retrospective transition method, which applies the provisions of the standard at the effective date without any adjustment to the comparative periods presented. NFF adopted the following practical expedients and elected the following accounting policies related to this standard: Carry forward of historical lease classifications and accounting treatment. Accordingly, NFF will recognize lease payments on a straight-line basis over the lease term and variable payments in the period when the corresponding obligation is incurred. Adoption of this standard resulted in the recognition of an initial operating lease right-of-use ("ROU") asset and corresponding liability of $7,240,932. As part of the adoption of Topic 842, the prior year deferred rent balance of $1,542,183 was captured within the new right-of-use asset balance at the adoption date. The standard did not materially impact operating results or liquidity.

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).

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

Cash, Cash Equivalents and Restricted Cash (continued)

The following is a reconciliation of the cash, cash equivalents and restricted cash reported on the consolidating statement of financial position to the consolidated statement of cash flows:

	2022	2021
Cash and cash equivalents	$ 49,743,099	$ 64,865,045
Restricted cash	624,536	1,604,536
	$ 50,367,635	$ 66,469,581

Cash and cash equivalents as of December 31, 2022 and 2021 include $1,875,953 and $9,058,030 held by JCRIF.

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.

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

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 consolidating 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, 2022 and 2021.

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 consolidating 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.

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

Grants and Contributions (continued)

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 consolidating 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.

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 $17,345 and $16,838 at December 31, 2022 and 2021 and are included in accounts receivable and other assets in the consolidating 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, 2022, NFF has closed 50 transactions using $401 million of these allocations and established and served as managing member of 50 CDEs for the purpose of implementing its NMTC program, as permitted by the U.S. Department of the Treasury. As of December 31, 2022 and 2021, 24 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

Revenue from program, loan and financing fees are recognized on the accrual basis and at the net realizable amount when earned. The Fund determined that its contracts include a single performance obligation that is satisfied either at a point in time or over time. These fees are considered to be earned 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.

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

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.

Leases

The Fund determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of ROU assets and lease liabilities on the consolidating statement of financial position. ROU assets represent the right to an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Fund determines lease classification as operating or finance at the lease commencement date.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Fund has made a policy election to use a risk-free rate for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

The lease term may include options to extend or to terminate the lease that the Fund is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the term of the lease.

The Fund has elected not to record leases with an initial term of 12 months or less on the consolidating statement of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

For the year ended December 31, 2021, leases are classified in accordance with the terms of the underlying agreements. Lease payments are charged to rent expense. Deferred rent is recorded when there are material differences between the fixed payment and the rent expense as reported on the straight-line method.

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

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 2019.

Prior Year Summarized Information

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Fund's consolidated financial statements for 2021.

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 May 2, 2023.

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, restricted cash and certificates of deposit at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. As of December 31, 2022 and 2021, approximately $49,597,000 and $65,375,000 were maintained with these institutions in excess of the FDIC insured limit.

The Fund is aware of multiple banks being transferred into government receivership and the appointment of FDIC as receiver. The Fund neither holds any cash or cash equivalents nor does it have any banking relationship with the affected banks.

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 consolidating statement of financial position date, consist of the following:

	2022	2021
Financial assets as of December 31:		
Cash and cash equivalents	$ 49,992,806	$ 64,865,045
Investments	639,272	626,669
Accounts receivable and other assets	1,992,142	1,864,020
Grants receivable	1,472,122	4,382,356
Loans receivable, net	203,081,241	244,670,837
	257,177,583	316,408,927
Less amounts not available for general expenditure within one year:		
Prepaid expenses and security deposits included in accounts receivable and other assets	436,867	439,018
Loans receivable due for collection after one year	141,270,814	182,773,382
Donor restricted grant fund net assets	1,854,096	2,325,026
Donor restricted loan fund net assets	21,271,875	23,588,217
Board designated net assets fund (net of $2,813,500 and $2,658,000 expected to be released in 2022 and 2021)	13,683,535	16,013,226
Board designated net assets for loan loss reserve	1,493,694	3,286,579
	180,010,881	228,425,448
Financial Assets Available for General Expenditure Within One Year	$ 77,166,702	$ 87,983,479

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. Grants Receivable

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

	2022	2021
Foundations	$ 1,359,622	$ 4,314,606
Government	62,500	62,500
Corporations and other	50,000	5,250
	$ 1,472,122	$ 4,382,356

Collections on the outstanding grants at December 31, 2022 are scheduled to be received during 2022.

6. Loans Receivable

Loans receivable in the NFF loan fund at December 31, 2022 and 2021 were $157,724,284 and $172,090,850. 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 $51,680,577 and $77,905,621 at December 31, 2022 and 2021 made under customized programs with foundations that provided financing for these programs with concessionary terms. There was one accruing loan at December 31, 2022 with unpaid interest of $29,358, and three past due accruing loans at December 31, 2021 with unpaid interest of $39,933. The unpaid interest on the past due accruing loan was satisfied in January 2023 and January 2022.

Interest on the outstanding loans is calculated using the simple interest method. Interest rates on loans in the NFF loan fund vary between 0.00% and 6.8% per annum. PRC loans generally do not require interest payments.

PRC loans consist of the following at December 31:

	2022	2021
Mellon Loan Fund	$ 325,180	$ 1,730,831
NYC COVID-19 Response and Impact Funds (NYCRIF)	17,431,197	30,504,315
Jewish Community Recovery and Investment Fund (JCRIF)	23,220,219	38,365,475
Conrad N. Hilton Foundation Loan Fund	1,500,000	-
Trinity Loan Fund	6,615,500	5,050,000
Metro Denver Loan Fund	2,588,481	2,255,000
	$ 51,680,577	$ 77,905,621

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 $1,334,926 and $1,789,309 as of December 31, 2022 and 2021.

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.

6. Loans Receivable *(continued)*

Credit Enhancement (continued)

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 $624,536 and $1,604,536 as of December 31, 2022 and 2021 are reported as restricted cash in the consolidating 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, 2022 and 2021, approximately $11.1 million and $10.2 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

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, 2022:

Risk Rating Pool	Loan Balance	Allowance for Loan Loss
Strong	$ -	$ -
Good	40,611,734	491,610
Acceptable	77,132,112	2,576,431
Close Follow	38,645,512	3,368,796
Marginal	19,353	5,419
Doubtful	1,315,573	342,049
	157,724,284	6,784,305
Allowance for loan loss covered by DOE grant	-	(460,685)
Program Related Concessionary (PRC) loans	51,680,577	-
	$ 209,404,861	$ 6,323,620

6. Loans Receivable *(continued)*

Allowance for Loan Losses (continued)

Because of the availability of credit enhancement, the calculated allowance for loan loss expense of $460,685 on certain charter school loans has not been reported on the consolidating statement of activities, but has instead been covered by the allocation of credit enhancement to these loans.

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, 2022 and 2021, the amount of net assets without donor restrictions designated as loan loss reserves was $1,493,694 and $3,286,579. 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 $51,680,577 as of December 31, 2022, 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:

	2022	2021
Balance, beginning of year	$ 5,325,634	$ 4,334,674
Add bad debt recovery credited to provision for loan losses	525	49,773
Add adjustments to loan loss for zero balance loans	85	-
Add provision for loan losses	997,376	941,187
Balance, end of year	$ 6,323,620	$ 5,325,634

As of December 31, 2022, loans committed for future disbursement totaled $34,104,318. This is comprised of closed and undrawn loans of $28,425,985 and approved and committed loans of $5,678,333.

6. Loans Receivable *(continued)*

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	Trinity Loan Fund	Metro Denver Loan Fund	Hilton Loan Fund	Mellon Loan Fund	Total
2023	$ 36,311,240	$ 12,112,414	$ 10,275,069	$ 1,737,500	$ 1,004,846	$ 1,500,000	$ 325,180	$ 63,266,249
2024	44,723,369	10,169,415	6,853,750	4,203,875	1,013,872	-	-	66,964,281
2025	25,888,908	938,390	302,378	674,125	525,147	-	-	28,328,948
2026	18,671,366	-	-	-	44,616	-	-	18,715,982
2027	4,931,284	-	-	-	-	-	-	4,931,284
Thereafter	27,198,117	-	-	-	-	-	-	27,198,117
	$ 157,724,284	$ 23,220,219	$ 17,431,197	$ 6,615,500	$ 2,588,481	$ 1,500,000	$ 325,180	$ 209,404,861

7. Property and Equipment

Property and equipment consist of the following at December 31:

	2022	2021	Estimated Useful Lives
Leasehold improvements	$ 2,185,283	$ 2,185,283	3-15 years
Computer equipment	1,469,792	1,339,197	3 years
Furniture and fixtures	668,485	666,889	3-10 years
	4,323,560	4,191,369	
Accumulated depreciation and amortization	(2,900,859)	(2,590,708)	
	$ 1,422,701	$ 1,600,661	

8. Loans Payable and PRC Loans Payable

Loans payable consist of the following as of December 31:

	2022	2021	Amortization
Senior Lending Capital			
Bank Hapoalim, B.M.	$ -	$ 2,500,000	Line of credit facility. Principal payable on 08/15/2024.
Bank of America Community Development Corporation	13,000,000	15,000,000	Principal payable in seven annual installments beginning 12/31/2022 through 11/09/2028
California Endowment, The	5,000,000	5,000,000	Principal payable in three annual installments beginning 12/15/2025 through 12/15/2027.
Charles Schwab Bank	18,532,000	500,000	Line of credit facility. Avaliablity until 11/13/2023, after which the maturity date is 11/13/2027.
Citizens Bank N.A.	-	1,500,000	Line of credit facility. Principal payable on 12/23/2025.
CNote	2,000,000	-	Principal payable on 12/15/2025.
Dignity Health	3,000,000	3,000,000	Principal payable on 12/01/2024.
HSBC Bank USA, N.A.	15,000,000	14,000,000	Principal payable on 08/31/2024; can be converted to a term loan. If converted, payable on 08/31/2026.
Jewish Communiy Federation of San Francisco	250,000	250,000	Principal payable on 05/21/2026.
Jewish Communiy Federation of San Francisco	939,250	939,250	Principal payable on 02/28/2026.
Mizuho Bank (USA)	-	15,000,000	Line of credit facility. Principal payable on 09/05/2023.
Northern Trust	2,000,000	2,000,000	Principal payable on 02/08/2023.

8. Loans Payable and PRC Loans Payable *(continued)*

	2022	2021	Amortization
Opportunity Finance Network	$ 2,000,000	$ 2,000,000	Principal payable on 09/30/2026.
Opportunity Finance Network	5,000,000	5,000,000	Principal payable on 08/10/2026.
PNC Bank, N.A.	4,994,981	5,000,000	Monthly amortizing loan with final payment on 12/18/2027.
Prudential Insurance Company of America	6,203,282	6,575,308	Loan amortization beginning 07/01/2020. Remaining prinipal payable through 06/06/2028.
Starbucks Corporation	3,000,000	-	Principal payable on 10/31/2032.
Stranahan Foundation	-	500,000	Loan paid off in 2022.
TD Bank USA, N.A.	-	999,449	Loan paid off in 2022.
Trinity Health Corporation	1,000,000	1,000,000	Principal payable on 03/01/2023.
US Bank, N.A.	-	14,750,000	Line of Credit. Principal balance as of 09/30/2024 converts into term loan payable in 24 monthly installments through 09/30/2026.
Webster Bank, N.A.	5,000,000	6,270,000	Availablity until 08/23/2024, after which the maturity date is 8/23/2027.
Subordinated Lending Capital			
Bank of America, N.A.	2,000,000	2,000,000	Subordinated debt with principal payable on 03/19/2029.
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.
PNC Bank, N.A.	3,500,000	3,500,000	Subordinated debt with principal payable on 09/27/2029.
U.S. Bancorp Community Development Corporation	2,000,000	2,000,000	Subordinated debt with principal payable on 03/26/2022.
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 11/05/2030
Total	**$ 97,169,513**	**$ 112,034,007**	

8. Loans Payable and PRC Loans Payable *(continued)*

Minimum future principal payments are to be paid as follows:

2023	$ 7,685,252
2024	26,185,252
2025	8,435,252
2026	27,156,502
2027	9,800,306
Thereafter	17,906,949
	$ 97,169,513

Interest rates (fixed and variable) on loans payable had a weighted average of 2.94% and 1.99% in 2022 and 2021.

At December 31, 2022, the Fund had the following available loan commitments from lenders:

Bank Hapoalim	$ 2,500,000
Charles Schwab Bank	6,468,000
Citizens Bank	5,000,000
Mizuho Bank (USA)	15,000,000
US Bank, N.A.	15,000,000
Webster Bank, N.A.	7,500,000
	$ 51,468,000

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, 2022 and 2021.

PRC loans payable, distinct from loans payable, totaled $75,977,788 and $111,239,178 at December 31, 2022 and 2021, 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.

8. Loans Payable and PRC Loans Payable *(continued)*

PRC loans payable consist of the following at December 31, 2021:

Lender	Amount	Interest Rate	Maturity
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
The Ford Foundation	15,703,088	0%	March 31, 2025
SeaChange	3,546,954	0%	March 31, 2025
Trinity Wall Street	1,082,718	0%	March 31, 2025
Trinity Church Grantee Loan Fund	7,745,675	0%	December 31, 2025
The Denver Loan Fund	3,035,603	0%	December 31, 2023
Conrad N. Hilton Foundation	9,000,000	0%	January 31, 2028
Hilton APSH Loan Fund	3,000,000	2%	December 10, 2026
Silicon Valley Community Foundation	100,000	0%	April 15,2026
JCRIF, LLC Funders	24,591,000	0%	January 1, 2025
	$ 75,977,788		

9. 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 bore an interest rate of 1% per annum. On December 23, 2021, a portion of the PPP loan amounting to $1,800,805 was forgiven by the United States Small Business Administration (“SBA”) and is included in the 2021 consolidating statement of activities as forgiveness of Paycheck Protection Program loan. The remaining unforgiven portion of $281,595 is included in the 2021 consolidating statement of financial position. In June 2022, a portion of the remaining PPP loan amounting to $146,279 was forgiven by the SBA. The remaining unforgiven balance of $135,316 was paid back by the Fund in August 2022.

10. 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. 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).

10. Board Designated Net Assets *(continued)*

Board designated net assets consist of the following at December 31:

	2022	2021
Strategic Innovation Fund	$ 16,497,035	$ 18,671,226
Supplemental Loan Loss Reserve	1,493,694	3,286,579
	$ 17,990,729	$ 21,957,805

11. 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:

	2022	2021
Time restricted for operating support	$ 150,000	$ 140,000
Purpose restricted	30,238,185	36,218,286
	$ 30,388,185	$ 36,358,286

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

	2022	2021
Time restricted for operating support	$ 137,500	$ 1,842,880
Purpose restricted	9,589,128	10,940,356
	$ 9,726,628	$ 12,783,236

12. Donated Services

Donated services consist of the following for the years ended December 31, 2022 and 2021:

	2022	2021	Usage	Donor Restriction
Legal services	$ 239,343	$ 15,350	Financing	None

Donated legal services are estimated based on current rates of legal services provided by the law firms.

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 2022 and 2021 was $607,827 and $555,775. 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:

	2022	2021
Accounts payable and accrued expenses	$ 1,958,011	$ 2,657,403
Deferred rent	-	1,587,133
Other liabilities	218,282	299,947
	$ 2,176,293	$ 4,544,483

15. Commitments and Contingencies

In June 2015, NFF entered into a noncancellable operating lease for its New York office space located in downtown Manhattan for fifteen years ending in April 2031. NFF also rents office space in Oakland and Boston the leases of which expire in June 2023 and April 2024, respectively. In addition, NFF lease office space in Philadelphia, Los Angeles and New Jersey on a month-to-month basis.

NFF amortizes the operating lease right-of-use assets over the remaining life of the lease agreement. The right-of-use asset consisted of the following at December 31, 2022:

Right of use asset - operating lease	$ 5,698,749
Less: accumulated amortization	(545,263)
	$ 5,153,486

15. Commitments and Contingencies *(continued)*

Future minimum lease payments for the right of use asset are as follows:

2023	$ 736,664
2024	751,397
2025	766,425
2026	824,132
2027	854,740
Thereafter	3,199,887
Total undiscounted operating lease payments	7,133,245
Less: imputed interest	(501,018)
Present value of operating lease liability	$ 6,632,227

Future minimum lease payments for the short-term leases are as follows:

2023	$ 188,052
2024	20,463
	$ 208,515

Rent expense amounted to $1,020,920 for the year ended December 31, 2022 consisting of $658,777 for the right of use asset and $362,143 for the short-term leases.

The weighted average discount rate used for the operating lease is 1.63%.

On September 27, 2022, the U.S. Department of Education ("DOE") awarded a $12 million grant to NFF under the Charter School Equitable Access Fund program. The budget and performance period of the program runs from August 1, 2022 to September 30, 2048. As of the date the consolidated financial statements were available to be issued, the program has not yet started as NFF is still in the process of finalizing the performance agreement with DOE.

* * * * *

Nonprofit Finance Fund

Uniform Guidance Schedules and Reports

December 31, 2022

Nonprofit Finance Fund

Schedule of Expenditures of Federal Awards
and Accompanying Notes
Year Ended December 31, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Provided to Sunrecipients	Total Federal Expenditures
U.S. Department of the Treasury			
Community Development Financial Institutions Program	21.020	$ -	$ 3,289,966
U.S. Department of Education			
Credit Enhancement for Charter School Facilities	84.354A	-	60,000
Total Expenditures of Federal Awards		$ -	$ 3,349,966

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, 2022. 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.

3. Nonmonetary Assistance

During the year ended December 31, 2022, NFF received no non-monetary assistance.

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

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

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 consolidating statement of financial position as of December 31, 2022, and the related consolidating statement of activities, and consolidated statements of 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 May 2, 2023. 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.

Report on 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.

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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 or significant deficiencies may exist that have not been identified.

Report on 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

May 2, 2023

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

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

Opinion on Each Major Federal Program

We have audited Nonprofit Finance Fund's ("NFF") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of NFF's major federal programs for the year ended December 31, 2022. NFF's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, NFF 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, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of NFF and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of NFF's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to NFF's federal programs.

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Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on NFF's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about NFF's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding NFF's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of NFF's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 NFF's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

May 2, 2023

Nonprofit Finance Fund

Schedule of Findings and Questioned Costs
Year Ended December 31, 2022

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:

Federal Assistance Listing Number	Name of Federal Program or Cluster
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 __X__ no

Section II – Financial Statement Findings

During our audit, we noted no material findings for the year ended December 31, 2022.

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.

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