



NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

**FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Contents
June 30, 2021 and 2020

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Independent Auditor's Report

To the Board of Directors of
New Hampshire Community Loan Fund, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of New Hampshire Community Loan Fund, Inc. (a New Hampshire corporation, not for profit) (the Community Loan Fund) which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Hampshire Community Loan Fund, Inc. as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 33 through 36 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to 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 financial statements as a whole.

AAFCPA, Inc.

Westborough, Massachusetts
September 30, 2021

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Statements of Financial Position
June 30, 2021 and 2020

Assets	2021	2020
Current Assets:		
Cash and cash equivalents	\$ 25,543,520	\$ 13,276,519
Cash and cash equivalents - pass-through	238,229	249,539
Marketable securities	155,167	8,087,585
Grants, contracts and other receivables	606,424	498,423
Pledges receivable	50,000	50,000
Current portion of loans receivable	4,516,013	2,457,878
Accrued interest receivable, net of allowance for losses of \$133,956 at June 30, 2020	599,499	586,523
Property held for sale	-	115,606
Prepaid expenses and other	162,604	128,694
Total current assets	<u>31,871,456</u>	<u>25,450,767</u>
Loans Receivable, net of current portion and allowance for loan losses of \$2,942,073 and \$2,933,443 at June 30, 2021 and 2020, respectively	137,458,486	138,263,544
Program-Related Development Investments, net	3,278,843	3,084,460
Equity Investments	571,151	1,098,816
Property and Equipment, net	<u>3,809,322</u>	<u>3,986,263</u>
Total assets	<u><u>\$ 176,989,258</u></u>	<u><u>\$ 171,883,850</u></u>
Liabilities and Net Assets		
Current Liabilities:		
Current portion of loans payable	\$ 15,354,501	\$ 12,230,974
Accounts payable and accrued expenses	2,005,506	435,868
Accrued interest payable	1,416,179	1,502,709
Conditional advances	424,155	306,481
Total current liabilities	<u>19,200,341</u>	<u>14,476,032</u>
Long-Term Liabilities:		
Loans payable, net of current portion	114,928,930	116,851,148
Non-recourse participation in loans receivable	601,791	636,002
Subordinated loans payable - equity equivalent investments	<u>8,600,000</u>	<u>8,600,000</u>
Total liabilities	<u>143,331,062</u>	<u>140,563,182</u>
Net Assets:		
Without donor restrictions:		
Program	3,202,366	3,148,560
Financing	20,985,671	18,692,891
Total without donor restrictions	<u>24,188,037</u>	<u>21,841,451</u>
With donor restrictions:		
Program	152,444	114,077
Financing	9,317,715	9,349,888
Pass-through	-	15,252
Total with donor restrictions	<u>9,470,159</u>	<u>9,479,217</u>
Total net assets	<u>33,658,196</u>	<u>31,320,668</u>
Total liabilities and net assets	<u><u>\$ 176,989,258</u></u>	<u><u>\$ 171,883,850</u></u>

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2021

(With Summarized Comparative Totals for the Year Ended June 30, 2020)

	2021		2020	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating Revenues:				
Public support:				
Grants and contributions	\$ 2,741,035	\$ 88,357	\$ 2,829,392	\$ 2,568,892
Grants - pass-through	28,313	-	28,313	61,597
Net assets released from restrictions	174,636	(174,636)	-	-
Less - grants passed through to others	(28,314)	-	(28,314)	(73,597)
Net public support	2,915,670	(86,279)	2,829,391	2,556,892
Earned revenue:				
Financial revenue:				
Interest on loans	9,981,118	-	9,981,118	9,498,564
Loan related fees	460,584	-	460,584	467,997
Investment income	200,388	-	200,388	325,648
Net loan loss recovery (provision)	-	77,221	77,221	(809,141)
Less - interest expense	(4,763,741)	-	(4,763,741)	(4,890,891)
Net financial revenue	5,878,349	77,221	5,955,570	4,592,177
Training and other fees	10,909	-	10,909	21,977
Other net losses	(17,244)	-	(17,244)	(66,359)
Total earned revenue	5,872,014	77,221	5,949,235	4,547,795
Total operating revenues	8,787,684	(9,058)	8,778,626	7,104,687
Operating Expenses:				
Program services	4,970,677	-	4,970,677	5,053,746
Management and administrative	773,962	-	773,962	798,019
Fundraising	357,677	-	357,677	383,086
Total operating expenses	6,102,316	-	6,102,316	6,234,851
Changes in net assets from operations	2,685,368	(9,058)	2,676,310	869,836
Non-Operating Revenue (Expense):				
Share of income from program-related development investment	256,883	-	256,883	204,920
Net unrealized loss on investments	(595,665)	-	(595,665)	(68,286)
Total non-operating revenue (expense)	(338,782)	-	(338,782)	136,634
Total changes in net assets	2,346,586	(9,058)	2,337,528	1,006,470
Net Assets:				
Beginning of year	21,841,451	9,479,217	31,320,668	30,314,198
End of year	\$ 24,188,037	\$ 9,470,159	\$ 33,658,196	\$ 31,320,668

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Revenues:			
Public support:			
Grants and contributions	\$ 2,433,006	\$ 135,886	\$ 2,568,892
Grants - pass-through	61,597	-	61,597
Net assets released from restrictions	923,674	(923,674)	-
Net assets released from restrictions - pass-through	12,000	(12,000)	-
Less - grants passed through to others	(73,597)	-	(73,597)
Net public support	<u>3,356,680</u>	<u>(799,788)</u>	<u>2,556,892</u>
Earned revenue:			
Financial revenue:			
Interest on loans	9,498,564	-	9,498,564
Loan related fees	467,997	-	467,997
Investment income	325,648	-	325,648
Net loan loss provision	(809,141)	-	(809,141)
Less - interest expense	(4,890,891)	-	(4,890,891)
Net financial revenue	<u>4,592,177</u>	<u>-</u>	<u>4,592,177</u>
Training and other fees	21,977	-	21,977
Other net losses	(66,359)	-	(66,359)
Total earned revenue	<u>4,547,795</u>	<u>-</u>	<u>4,547,795</u>
Total operating revenues	<u>7,904,475</u>	<u>(799,788)</u>	<u>7,104,687</u>
Operating Expenses:			
Program services	5,053,746	-	5,053,746
Management and administrative	798,019	-	798,019
Fundraising	383,086	-	383,086
Total operating expenses	<u>6,234,851</u>	<u>-</u>	<u>6,234,851</u>
Changes in net assets from operations	<u>1,669,624</u>	<u>(799,788)</u>	<u>869,836</u>
Non-Operating Revenue (Expense):			
Share of income from program-related development investment	204,920	-	204,920
Net unrealized loss on investments	(68,286)	-	(68,286)
Total non-operating revenue (expense)	<u>136,634</u>	<u>-</u>	<u>136,634</u>
Total changes in net assets	1,806,258	(799,788)	1,006,470
Net Assets:			
Beginning of year	<u>20,035,193</u>	<u>10,279,005</u>	<u>30,314,198</u>
End of year	<u>\$ 21,841,451</u>	<u>\$ 9,479,217</u>	<u>\$ 31,320,668</u>

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Statements of Cash Flows

For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 2,337,528	\$ 1,006,470
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	237,895	222,638
Loans payable converted to contributions	(1,100,829)	(95,841)
Net loan loss (recovery) provision	(77,221)	809,141
Net loss on equity investments and marketable securities	595,665	68,286
Amortization of premiums/discounts on investments	(2,957)	55,263
Share of income from program-related development investment	(256,883)	(204,920)
Other net losses	17,244	66,359
Changes in operating assets and liabilities:		
Grants, contracts and other receivables	(108,001)	178,151
Pledges receivable	-	162,000
Accrued interest receivable	(12,976)	120,390
Prepaid expenses and other	(33,910)	15,628
Deferred loan fees	414,659	466,492
Accounts payable and accrued expenses	1,569,638	10,497
Accrued interest payable	(86,530)	199,377
Conditional advances	117,675	61,356
Net cash provided by operating activities	<u>3,610,997</u>	<u>3,141,287</u>
Cash Flows from Investing Activities:		
Issuance of loans receivable	(24,998,755)	(38,427,801)
Principal payments of loans receivable	23,374,028	18,446,481
Purchase of property and equipment	(60,954)	(248,100)
Property held for sale	98,362	157,110
Purchases of marketable securities and investments	(65,594)	(7,982,593)
Proceeds from sale of marketable securities	7,995,469	12,419,100
Net cash provided by (used in) investing activities	<u>6,342,556</u>	<u>(15,635,803)</u>
Cash Flows from Financing Activities:		
Proceeds from loans payable	14,177,390	19,180,027
Principal payments on loans payable	(11,875,252)	(11,645,005)
Net cash provided by financing activities	<u>2,302,138</u>	<u>7,535,022</u>
Net Change in Cash and Cash Equivalents	12,255,691	(4,959,494)
Cash and Cash Equivalents:		
Beginning of year	<u>13,526,058</u>	<u>18,485,552</u>
End of year	<u>\$ 25,781,749</u>	<u>\$ 13,526,058</u>
Reconciliation of Cash and Cash Equivalents Reported Within the Statements of Financial Position:		
Cash and cash equivalents	\$ 25,543,520	\$ 13,276,519
Cash and cash equivalents - pass-through	<u>238,229</u>	<u>249,539</u>
Total cash and cash equivalents shown in the statements of cash flows	<u>\$ 25,781,749</u>	<u>\$ 13,526,058</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	<u>\$ 4,850,272</u>	<u>\$ 4,691,514</u>

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Statement of Functional Expenses
 For the Year Ended June 30, 2021
 (With Comparative Totals for the Year Ended June 30, 2020)

	2021					2020	
	Program Services			Support Services		Total	Total
	Community Services	Affordable Housing	Business & Community	Capitalization and Philanthropy	Total Program Services		
Personnel costs:							
Salaries	\$ 156,462	\$ 1,773,893	\$ 582,690	\$ 549,264	\$ 3,062,309	\$ 318,234	\$ 3,595,673
Benefits	26,034	290,028	97,257	89,648	502,967	51,922	589,634
Payroll taxes	12,009	136,080	44,189	42,005	234,283	24,241	275,224
Total personnel costs	194,505	2,200,001	724,136	680,917	3,799,559	394,397	4,460,531
Professional services	13,378	181,680	106,863	35,362	337,283	96,555	452,750
Administrative services	2,378	292,031	9,094	9,821	313,324	20,301	348,533
Depreciation	1,956	68,184	34,239	17,998	122,377	112,012	237,895
Office expense	5,223	70,735	25,527	31,276	132,761	40,424	184,469
Occupancy	1,452	45,884	20,324	13,356	81,016	83,124	166,743
Communications	867	32,126	1,737	30,677	65,407	2,271	104,143
Training and travel	1,153	39,357	9,591	4,388	54,489	10,506	66,459
Equipment expense	1,640	33,279	5,257	8,122	48,298	14,144	64,372
Public education	824	5,373	6,520	3,410	16,127	228	16,385
Property expenses	-	36	-	-	36	-	36
Total expenses	\$ 223,376	\$ 2,968,686	\$ 943,288	\$ 835,327	\$ 4,970,677	\$ 773,962	\$ 6,102,316
							\$ 6,234,851

The accompanying notes are an integral part of these statements.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Statement of Functional Expenses
For the Year Ended June 30, 2020

	Program Services				Support Services			Total
	Community Services	Affordable Housing	Business Finance	Capitalization and Philanthropy	Total Program Services	Management and Administrative	Fundraising	
Personnel costs:								
Salaries	\$ 147,617	\$ 1,744,359	\$ 763,140	\$ 534,325	\$ 3,189,441	\$ 355,143	\$ 237,146	\$ 3,781,730
Benefits	21,193	263,862	115,179	78,599	478,833	57,096	32,497	568,426
Payroll taxes	10,492	126,017	55,325	38,774	230,608	25,964	16,924	273,496
Total personnel costs	179,302	2,134,238	933,644	651,698	3,898,882	438,203	286,567	4,623,652
Professional services	11,133	167,838	70,865	68,304	318,140	81,993	12,652	412,785
Administrative services	1,650	221,508	7,830	6,951	237,939	14,922	13,165	266,026
Depreciation	3,732	59,612	37,804	17,130	118,278	101,026	3,334	222,638
Office expense	4,698	58,030	25,215	20,698	108,641	34,752	5,500	148,893
Occupancy	3,690	58,168	25,214	16,474	103,546	94,889	3,409	201,844
Communications	1,538	33,341	2,282	15,729	52,890	1,685	54,466	109,041
Training and travel	2,266	73,866	22,059	12,895	111,086	9,820	1,269	122,175
Equipment expense	2,558	34,023	12,172	8,225	56,978	19,456	2,556	78,990
Public education	1,763	10,067	22,172	1,563	35,565	1,273	168	37,006
Property expenses	-	11,801	-	-	11,801	-	-	11,801
Total expenses	\$ 212,330	\$ 2,862,492	\$ 1,159,257	\$ 819,667	\$ 5,053,746	\$ 798,019	\$ 383,086	\$ 6,234,851

The accompanying notes are an integral part of these statements.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2021 and 2020

1. OPERATIONS AND NONPROFIT STATUS

New Hampshire Community Loan Fund, Inc. (the Community Loan Fund) was organized in 1983 under the laws of New Hampshire as a charitable corporation qualifying for Federal income tax exemption under Section 501(c)(3) of the Internal Revenue Code (IRC). The Community Loan Fund is also exempt from state income taxes. Donors may deduct contributions made to the Community Loan Fund within the IRC requirements.

The mission of the Community Loan Fund is to serve as a catalyst, leveraging financial, human and civic resources to enable traditionally underserved people to participate more fully in New Hampshire's economy. This is done by:

- Providing loans, capital and technical assistance;
- Complementing and extending the reach of conventional lenders and public institutions; and
- Bringing people and institutions together to solve problems.

The nine programs in service of the Community Loan Fund's mission provide economic opportunity, technical assistance and loans in the areas of Affordable Housing, Community Services, and Business Finance. Program areas also include Capitalization and Philanthropy and Public Policy.

Affordable Housing

ROC-NH - Since 1984, building long-term value for owners of manufactured homes in New Hampshire's resident-owned communities by helping them purchase and manage their communities.

Welcome Home Loans - Since 2002, providing mortgage loans for manufactured homes in resident-owned communities. Starting in 2012, also providing mortgage loans to owners and buyers of manufactured homes on their own land.

Multi-Family Housing - Since 1984, providing loans and technical assistance to nonprofit housing organizations to acquire, develop and manage affordable rental housing.

Community Services

Since 1984, providing loans to nonprofit organizations to buy, renovate, or build facilities that support essential community services.

Child Care Initiative - Since 1995, providing loans, training and assistance to childcare centers to preserve and create facilities.

Business Finance

Business Builder - Since 1996, providing loans and business education to support the growth and resilience of small businesses and their ability to provide quality jobs.

Farm Food Initiative - Since 1984, delivering flexible financing and customized training to grow and strengthen local food systems.

Vested for Growth - Since 2002, providing investments and business education to help owners grow their businesses by engaging their people and adding value for their customers.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2021 and 2020

1. OPERATIONS AND NONPROFIT STATUS (Continued)

Capitalization and Philanthropy and Public Policy

Capitalization and Philanthropy - Since 1984, enabling people and institutions to invest and donate capital for basic human needs.

Public Policy - Since 2009, working to shape public policy in credit- and program-related matters that affect people and families with low incomes, or that affect the Community Loan Fund's ability to serve them.

Community Development Financial Institution

The Community Loan Fund has been granted status as a Community Development Financial Institution (CDFI) by the U.S. Department of the Treasury (the Treasury), qualifying it for certain awards and support from the Treasury. During fiscal years 2021 and 2020, the Community Loan Fund recognized awards of \$557,000 and \$525,000, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

The Community Loan Fund prepares its financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Estimates

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

Fair Value Measurements

The Community Loan Fund follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Community Loan Fund would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Community Loan Fund uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Community Loan Fund. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

- Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.
- Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 - Inputs that are unobservable, and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

Revenue Recognition

Grants and contributions may be conditional or unconditional in accordance with Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. A grant or contribution is considered conditional when the donor imposes both a barrier and a right of return. Conditional grants and contributions are recognized as revenue on the date all donor-imposed barriers are overcome or explicitly waived by the donor. Barriers may include specific and measurable outcomes, limitations on the performance of an activity, and other stipulations related to the grant or contribution. A donor has a right of return of any assets transferred or a right of release of its obligation to transfer any assets in the event the Community Loan Fund fails to overcome one or more barriers. Assets received before the barrier is overcome are accounted for as refundable or conditional advances.

Grants and contributions are recorded as revenue when unconditionally received or pledged. Grants and contributions with donor restrictions are transferred to net assets without donor restrictions as costs related to purpose restrictions are incurred or time restrictions have lapsed. Loans payable and EQ2s (see Notes 11 and 12) on occasion are converted to contributions by the investors. During fiscal years 2021 and 2020, there were eleven contributed loans payable and related interest totaling \$1,100,829 and \$95,841, respectively, which are included in grants and contributions in the accompanying statements of activities and changes in net assets. The fiscal year 2021 amount of \$1,100,829 includes \$822,075 of the first-round Paycheck Protection Program Loan (PPP) that was fully forgiven (see Note 11).

Interest revenues from loans, investments and other financial instruments are recognized as revenues without donor restrictions as earned on an accrual basis except where restricted by donors.

When significant, the Community Loan Fund amortizes net loan commitment and origination fees over the terms of the related loans receivable. Unamortized deferred loan fees are included as an adjustment to the carrying value of loans receivable (see Note 5).

Training and other fees are recognized on the accrual basis as services or goods are delivered or according to relevant benchmarks or criteria of the underlying agreements. All other revenue is recognized as earned.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents and Concentration of Credit Risk

The Community Loan Fund considers all depository accounts and other highly liquid investments originated with a maturity of three months or less to be cash for purposes of the statements of cash flows. Cash and cash equivalents - pass-through consist of funds to be utilized for the IDA program.

Cash deposits are guaranteed up to certain amounts by the Federal Deposit Insurance Corporation (FDIC) for bank accounts, and by the Securities Investor Protection Corporation for brokerage accounts. At times, cash balances may exceed insured amounts. Other deposits exceeding insurance limits at June 30, 2021 and 2020, are separately collateralized by securities held by the financial institutions.

Marketable Securities

Marketable securities are carried at fair value (see pages 9 and 10 and Note 3) and consist of U.S. government agency securities, U.S. Treasury securities, and equity mutual funds held for charitable gift annuities (see Note 13). Equity mutual funds have readily determinable fair values and are valued using Level 1 inputs. All investments in debt securities are reported at fair value using Level 2 inputs. Realized losses arising from sales of marketable securities are reported as other net losses, a component of changes in net assets from operations in the accompanying statements of activities and changes in net assets. Unrealized gains and losses are reported as a separate component of non-operating revenue (expense). Changes in fair value are unrealized, but can result in significant volatility in investment income reported each year. It is the Community Loan Fund's general intent to hold securities with fixed maturities until maturity. Marketable securities are classified as current assets because there are no restrictions on their use, and they are readily marketable.

Grants, Contracts, Pledges, Other Receivables and Allowance for Doubtful Accounts

The Community Loan Fund receives grants and pledges from donors. Grants, contracts and other receivables are stated at unpaid balances. The Community Loan Fund establishes allowances for uncollectible receivables. The allowances are based on management's judgment on the collectability of outstanding receivables.

Loans Receivable and Allowance for Loan Losses

Loans receivable are stated net of deferred loan fees, third-party participations qualifying as loan sales, and an allowance for loan losses (see Notes 5 and 6). Interest on loans is calculated by using the simple interest method on monthly balances of the principal amount outstanding.

Provisions are made for estimated loan losses based on management's evaluation of each loan. Loss recoveries are recorded in the year the recovery is known. The allowance for loan losses (see Note 6) is established through the net loan loss provision and is charged to operations. The allowance is an amount that management believes will be adequate to absorb expected losses on existing loans that may become uncollectible. Management evaluates loan collectability through consideration of factors such as previous loss experience, performance of individual loans in accordance with contract terms, financial strength and cash flows of the borrower, realizable values of collateral, and current economic conditions that may affect the borrower's ability to repay.

The Community Loan Fund established an allowance for uncollectible accrued interest in fiscal year 2020 which was based upon a review of outstanding receivables, historical collection information, and the economic conditions at the time. There was no allowance as of June 30, 2021.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans Receivable and Allowance for Loan Losses (Continued)

As of June 30, 2021 and 2020, accrued interest receivables, net were as follows:

	<u>2021</u>	<u>2020</u>
Accrued interest receivable - borrowers	\$ 599,428	\$ 696,203
Accrued interest receivable - marketable securities	71	24,276
Allowance for losses - borrowers	<u>-</u>	<u>(133,956)</u>
Accrued interest receivable, net	<u>\$ 599,499</u>	<u>\$ 586,523</u>

U.S. GAAP requires not-for-profit organizations to record interest expense and contribution revenue in connection with loans payable that are interest free or that have below-market interest rates. Likewise, funds loaned to borrowers at below-market interest rates should also result in imputed revenue and contribution expense. Interest rates on loans payable are disclosed in Notes 11 and 12. Interest rates on loans receivable are disclosed in Note 5. The Community Loan Fund believes that the benefits derived from below-market rate loans received are passed through to the borrowers via below-market rate loans made, and that there is no material difference between community development finance market rates and the stated rates of loans in their portfolios. Consequently, no adjustments have been made to the accompanying financial statements to reflect contribution income or expense associated with below-market interest rates.

Program-Related Development Investment

The Community Loan Fund maintains an equity investment in an uncombined affiliate where the Community Loan Fund exercises significant influence over the affiliate's operations (see Note 7). The Community Loan Fund accounts for this investment using the equity method. Whether or not the Community Loan Fund exercises significant influence with respect to an affiliate depends on an evaluation of several factors including, among others, representation on the affiliate's Board of Directors, significance of ownership in the voting securities of the affiliate, and participation in management activities significant to the investee. Under the equity method, the investment is initially recorded at cost and then increased or decreased by the share of income or loss of the affiliate. Distributions of cash reduce the carrying value of the investment. The Community Loan Fund also regularly evaluates the carrying value of the investment for potential impairment.

Equity Investments

Equity investments are generally interests in closely-held businesses and are acquired in connection with certain Business Finance loan agreements (see Note 5). Equity investments are carried at fair value (see Note 8 and pages 9 and 10) as estimated in good faith under a Board-approved Valuation Policy. Management uses all information available, including third-party valuation reports, to determine an appropriate valuation for each investment. The inputs used, including those used in third-party valuations, include valuation techniques based on multiples of earnings or revenues and hypothetical sale or liquidation scenarios. As in many sale or liquidation scenarios, there are key inputs, such as multiples of revenue, which are often important in early-stage companies that have not established profitability that if the multiple was to increase or decrease, could result in a material change in the value realized upon sale. Warrants to obtain common stock are considered to be derivative instruments. As such, warrants are carried at fair value with changes in fair value recorded in the statements of activities and changes in net assets. Warrants, all of which are detachable, have been obtained in conjunction with issuing loans or investments to certain portfolio companies.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Held for Sale

Property held for sale consists of real estate that is acquired through loan foreclosure or conveyance in lieu of foreclosure, as well as homes that are being built for homeownership under the Veterans First Project (VFP). During fiscal years 2021 and 2020, two and eight VFP homes were sold of the ten that were completed.

Property and Equipment and Depreciation

Property and equipment (see Note 9) are recorded at cost. The Community Loan Fund capitalizes purchases of \$5,000 or more. Maintenance, repairs and minor renewals are expensed as incurred and renewals and betterments are capitalized. Depreciation of property and equipment is calculated using the straight-line method over the following estimated useful lives:

Buildings and improvements	10 - 40 years
Office furniture and equipment	3 - 5 years

The Community Loan Fund accounts for the carrying value of its long-lived assets in accordance with ASC Topic, *Property, Plant and Equipment*. As of June 30, 2021 and 2020, the Community Loan Fund has not recognized any reduction in the carrying value of its property and equipment when considering these requirements.

Conditional Advances

The Community Loan Fund records certain contracts and grant funds not currently deployed as conditional advances in the accompanying statements of financial position. Conditional advances are made up of grant funds for the following as of June 30:

	<u>2021</u>	<u>2020</u>
IDA Program Matched Savings Grants for Individuals	\$ 151,817	\$ 206,481
Federal Home Loan Bank AHP Subsidy for Veterans First Project	152,247	100,000
USDOT Coronavirus Relief Fund Subsidy for Veterans Housing	117,500	-
Other	<u>2,591</u>	<u>-</u>
	<u>\$ 424,155</u>	<u>\$ 306,481</u>

Net Asset Classifications

Net Assets Without Donor Restrictions - Include those net resources that bear no external restrictions and are generally available for use by the Community Loan Fund. These include certain funds set aside by the Board of Directors for loan loss reserves.

Net Assets With Donor Restrictions - Include net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events, or programs run by the Community Loan Fund. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained for particular use in perpetuity. Net assets with donor-imposed restrictions are released when the restriction expires; that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Asset Classifications (Continued)

Electively, the Community Loan Fund reports each class of net assets within the following sub-categories:

Program Activities - Include net assets that are restricted to cover program delivery expenses and general operating functions of the Community Loan Fund, which could include salary, program costs, overhead, and other expenses. These net assets may be restricted for the program delivery expenses of a particular program or may be general operating support which carries a time restriction.

Financing Activities - Net assets that are restricted or internally designated for mission-related lending and investing. Where restricted by donors, these include net assets which will be re-deployed as lending capital (and remain as with donor restrictions) unless the grant is released due to a restriction being met. Because donors generally allow contributions to this category of net assets to be used to offset lending losses, the Community Loan Fund releases from restriction an amount equivalent to annual net loan loss provision (see Note 6). To the extent the Community Loan Fund has net recoveries above and beyond any loan loss provision, the amount is restored to this category. The Community Loan Fund recovered \$77,221 and released \$809,141 related to net loan loss provision for the years ended June 30, 2021 and 2020, respectively. All but \$275,000 of these net assets may be used as reserves for uncollectible financing activities.

Pass-Through Activities - Net assets that are restricted amounts to be passed through (re-granted) to other organizations or individuals for mission-related purposes. These net assets are not available to be used for financing activities or program activities.

The Community Loan Fund also classifies these subcategories of net assets with donor restrictions into three groups:

- *Purpose restricted* net assets include amounts restricted for program activities or mission-related financing activities of the Community Loan Fund.
- *Time restricted for future periods* represent restricted grant funds with donor-imposed time restrictions.
- *Perpetual in nature* net assets include grant funds that are to be held in perpetuity.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Asset Classifications (Continued)

Net assets with donor restrictions are restricted as follows as of June 30:

<u>Program Initiative</u>	2021			<u>Total</u>
	<u>Purpose Restricted</u>	<u>Time Restricted for Future Periods</u>	<u>Perpetual in Nature</u>	
Program Activities:				
ROC-NH Program Delivery	\$ 52,797	\$ -	\$ -	\$ 52,797
General Program Delivery	-	50,000	-	50,000
Child Care Program Delivery	39,647	-	-	39,647
Single-Family Housing Program Delivery	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
Total Program Activities	<u>102,444</u>	<u>50,000</u>	<u>-</u>	<u>152,444</u>
Financing Activities:				
General	6,136,360	54,300	275,000	6,465,660
Affordable Housing - Capital Magnet Fund	<u>2,852,055</u>	<u>-</u>	<u>-</u>	<u>2,852,055</u>
Total Financing Activities	<u>8,988,415</u>	<u>54,300</u>	<u>275,000</u>	<u>9,317,715</u>
Total net assets with donor restrictions	<u>\$ 9,090,859</u>	<u>\$ 104,300</u>	<u>\$ 275,000</u>	<u>\$ 9,470,159</u>
<u>Program Initiative</u>	2020			<u>Total</u>
	<u>Purpose Restricted</u>	<u>Time Restricted for Future Periods</u>	<u>Perpetual in Nature</u>	
Program Activities:				
ROC-NH Program Delivery	\$ 53,158	\$ -	\$ -	\$ 53,158
Single-Family Housing Program Delivery	10,000	-	-	10,000
Business Finance - Farm Food Initiative	-	35,000	-	35,000
IDA Program Delivery	<u>15,919</u>	<u>-</u>	<u>-</u>	<u>15,919</u>
Total Program Activities	<u>79,077</u>	<u>35,000</u>	<u>-</u>	<u>114,077</u>
Financing Activities:				
General	6,112,358	50,000	275,000	6,437,358
Affordable Housing - Capital Magnet Fund	2,852,055	-	-	2,852,055
Affordable Housing - Veterans First Project	10,475	-	-	10,475
Affordable Housing - Energy Efficiency	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>50,000</u>
Total Financing Activities	<u>9,024,888</u>	<u>50,000</u>	<u>275,000</u>	<u>9,349,888</u>
Pass-Through:				
IDA Match Funds for Individuals	<u>15,252</u>	<u>-</u>	<u>-</u>	<u>15,252</u>
Total net assets with donor restrictions	<u>\$ 9,119,217</u>	<u>\$ 85,000</u>	<u>\$ 275,000</u>	<u>\$ 9,479,217</u>

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Asset Classifications (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Satisfaction of purpose restrictions:		
Welcome Home Loans – Energy Efficiency	\$ 50,000	\$ -
IDA Initiative	19,569	22,583
Affordable Housing - Veterans First Project	10,475	24,011
Child Care Initiative	9,103	-
ROC-NH	361	1,889
Single-Family Housing Program	<u>-</u>	<u>2,500</u>
Total releases from purpose restrictions	89,508	50,983
Loan loss provision	-	809,141
Expiration of time restrictions	<u>85,128</u>	<u>75,550</u>
Total releases	<u>\$ 174,636</u>	<u>\$ 935,674</u>

Statements of Activities and Changes in Net Assets

Transactions deemed by management to be ongoing, major or central to the provision of program services are reported as operating revenues and operating expenses in the accompanying statements of activities and changes in net assets. Non-operating revenue consists of investment gains and losses.

In-Kind Contributions

The Community Loan Fund receives and recognizes contributed use of meeting space, services and gifts in-kind from various sources. The in-kind contributions are included under public support in the accompanying statements of activities and changes in net assets. The corresponding program expense is included in operating expenses. The Community Loan Fund did not receive in-kind professional services in either of the years ended June 30, 2021 and 2020.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the accompanying statements of activities and changes in net assets. The statements of functional expenses present the natural classification detail of expenses by function, including supporting services. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that cannot be directly attributed to a specific program area are charged to individual program areas based on the most appropriate allocation base. The expenses that are allocated include occupancy, which is allocated on a square footage basis; personnel costs, which are allocated based on estimated employee time dedicated to each program (for non-administrative) and wages as a percentage of total wages (for administrative); and direct administrative expenses.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Community Loan Fund accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. The Community Loan Fund has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the accompanying financial statements at June 30, 2021 and 2020. The Community Loan Fund's information returns are subject to examination by the Federal and state jurisdictions.

Subsequent Events

Subsequent events have been evaluated through September 30, 2021, which is the date the financial statements were available to be issued. See Note 10 for events that met the criteria for disclosure in the financial statements.

3. MARKETABLE SECURITIES

Marketable securities carried at fair value on a recurring basis consist of the following at June 30:

<u>Marketable Securities</u>	<u>2021</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. Government agency and U.S. Treasury securities	\$ -	\$ 99,866	\$ -	\$ 99,866
Equity mutual funds	<u>55,301</u>	<u>-</u>	<u>-</u>	<u>55,301</u>
	<u>\$ 55,301</u>	<u>\$ 99,866</u>	<u>\$ -</u>	<u>\$ 155,167</u>
<u>Marketable Securities</u>	<u>2020</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. Government agency and U.S. Treasury securities	\$ -	\$ 8,035,877	\$ -	\$ 8,035,877
Equity mutual funds	<u>51,708</u>	<u>-</u>	<u>-</u>	<u>51,708</u>
	<u>\$ 51,708</u>	<u>\$ 8,035,877</u>	<u>\$ -</u>	<u>\$ 8,087,585</u>

The Community Loan Fund's U.S. Government agency and U.S. Treasury securities are valued using Level 2 inputs, which are determined using relevant information generated by transactions that have occurred in the marketplace that involve similar assets. The U.S. Government agency and U.S. Treasury securities are used as collateral for a line of credit (see Note 10).

The fair value of investments in equity mutual funds are based upon quoted prices in active markets for identical assets which are Level 1 inputs.

Marketable securities are not insured and are subject to market volatility.

The accompanying financial statements include unrealized gains (losses) on debt security investments of (\$43,000) and \$5,820 for the years ended June 30, 2021 and 2020, respectively.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2021 and 2020

4. PLEDGES RECEIVABLE

Unconditional pledges from donors are included in the accompanying financial statements as pledges receivable and revenue in the net assets with donor restrictions category. All unconditional pledges are expected to be realized within one year of June 30, 2021 and 2020.

A discount of pledges receivable has not been recorded as it is not material to the financial statements.

5. LOANS RECEIVABLE AND OTHER FINANCING ACTIVITIES

Loans Receivable

At June 30, 2021 and 2020, there were 1,107 and 1,047, respectively, of loans receivable from the Community Loan Fund's borrowers. As of June 30, 2021, the balances due on these loans varied in amounts from \$575 to \$6,002,535, and in terms from seven months to forty years. The Community Loan Fund lends primarily in New Hampshire, and loan products vary by type and presence of collateral, risk level, loan size, degree of mission match, and presence of designated subsidized funding sources. As a result, interest rates on loans receivable at June 30, 2021 and 2020, ranged from 0% to 12% (one business loan). The overall weighted average interest rate on the portfolio of loans receivable was 6.60% and 6.58% as of June 30, 2021 and 2020, respectively. Loans are primarily secured by first or second mortgage liens on real estate for affordable housing and community services loans, and business assets for business finance loans. These notes are issued in connection with the programs described in Note 1.

Loans receivable in each lending area are as follows as of June 30:

	2021			2020		
Affordable Housing:						
ROC-NH	133	\$ 89,395,422	61.5%	110	\$ 89,779,492	62.3%
Welcome Home Loans	725	37,711,549	26.0	719	35,674,446	24.8
Multi-Family Housing	13	6,877,392	4.7	13	6,822,790	4.7
Other Single-Family Housing	<u>185</u>	<u>1,195,150</u>	<u>0.8</u>	<u>148</u>	<u>623,496</u>	<u>0.4</u>
Sub-total	<u>1,056</u>	<u>135,179,513</u>	<u>93.0</u>	<u>990</u>	<u>132,900,224</u>	<u>92.2</u>
Community Services:						
Nonprofits	8	2,979,908	2.1	8	3,126,015	2.1
Child Care Initiative	<u>8</u>	<u>1,429,518</u>	<u>1.0</u>	<u>10</u>	<u>1,544,596</u>	<u>1.1</u>
Sub-total	<u>16</u>	<u>4,409,426</u>	<u>3.1</u>	<u>18</u>	<u>4,670,611</u>	<u>3.2</u>
Business Finance:						
Vested for Growth	5	941,516	0.6	7	1,485,830	1.0
Business Builder	<u>30</u>	<u>4,800,776</u>	<u>3.3</u>	<u>32</u>	<u>5,064,692</u>	<u>3.6</u>
Sub-total	<u>35</u>	<u>5,742,292</u>	<u>3.9</u>	<u>39</u>	<u>6,550,522</u>	<u>4.6</u>
Total	<u>1,107</u>	<u>\$ 145,331,231</u>	<u>100.0%</u>	<u>1,047</u>	<u>\$ 144,121,357</u>	<u>100.0%</u>

Loans receivable are presented net of qualifying third-party loan participations of \$6,630,372 and \$7,896,393 as of June 30, 2021 and 2020, respectively, in accordance with ASC Topic, *Transfers and Servicing*. Loan participations that do not qualify for loan sale treatment are shown as non-recourse participations in loans receivable (see Note 11).

The ability of borrowers to repay the loans could be adversely affected by extensive job losses, dramatic increases in rental vacancies within the borrowers' geographic areas, or other adverse economic conditions.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2021 and 2020

5. LOANS RECEIVABLE AND OTHER FINANCING ACTIVITIES (Continued)

Loans Receivable (Continued)

The Community Loan Fund's financing policy requires that no single loan exceed 7% of total financing capital. As of June 30, 2021 and 2020, there were no loans that exceeded this threshold.

Principal payments of the loans scheduled for receipt are as follows as of June 30:

	<u>2021</u>	<u>2020</u>
Amounts due in:		
Within one year	\$ 4,567,845	\$ 2,509,710
One to five years	24,342,954	18,948,576
More than five years	<u>115,818,641</u>	<u>122,027,069</u>
Loan Portfolio - excluding non-recourse participation loans	144,729,440	143,485,355
Less - deferred loan fees	(414,659)	(466,492)
Less - allowance for loan losses (see Note 6)	(2,942,073)	(2,933,443)
Plus - non-recourse participation loans	<u>601,791</u>	<u>636,002</u>
Net loans receivable	141,974,499	140,721,422
Less - current portion	<u>(4,516,013)</u>	<u>(2,457,878)</u>
Long-term portion	<u>\$ 137,458,486</u>	<u>\$ 138,263,544</u>

Commitments to Lend

In addition to funded loans receivable, the Community Loan Fund had loan commitments to borrowers totaling \$4,810,419 and \$8,939,401 at June 30, 2021 and 2020, respectively. Loan commitments represent arrangements to lend funds at specified terms and interest rates and contain fixed expiration dates or other termination clauses.

6. ALLOWANCE FOR LOAN LOSSES

The Community Loan Fund follows the *Disclosure About the Credit Quality of Financing Receivables and the Allowance for Credit Losses* standard under U.S. GAAP. This standard requires disclosure on the accounting policies and methodology used to estimate the allowance for loan losses. The total allowance for loan losses (ALL) at June 30, 2021 and 2020, was \$2,942,073 and \$2,933,443, respectively, representing 2.0% of loans receivable at the end of each year.

The ALL is estimated based on a system adopted by the Board of Directors, and the amount is determined by an individually assigned risk rating for each loan. The balance in the ALL is determined based on management's judgment and evaluation of the loan portfolio in relation to past loss experience, the size and composition of the portfolio, current economic events and conditions, and other pertinent factors, including management's assumptions as to future delinquencies, recoveries and losses. All of these factors are susceptible to significant change. During fiscal years 2021 and 2020, the Community Loan Fund adjusted its assessment of these factors due to uncertainty from the ongoing COVID-19 pandemic (see Note 14) which resulted in an additional \$6,054 and \$342,311 of provision for loan losses, respectively. To the extent actual outcomes differ from management's estimates, additional provisions for loan losses may be required that would adversely impact earnings in future periods.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2021 and 2020

6. ALLOWANCE FOR LOAN LOSSES (Continued)

The balance in the ALL, which has been allocated to the long-term portion of the loan portfolio in the accompanying financial statements, consists of the following at June 30:

<u>Loan Category</u>	<u>ALL June 30, 2020</u>	<u>Net Charge-offs of Loans in ALL at June 30, 2020</u>	<u>Net Provision (Recovery)</u>	<u>ALL June 30, 2021</u>
Affordable Housing:				
ROC-NH	\$ 1,012,761	\$ -	\$ (226,608)	\$ 786,153
Welcome Home Loans	561,331	-	227,547	788,878
Other Single-Family Housing	26,898	-	(18,368)	8,530
Multi-Family Housing	<u>92,820</u>	<u>-</u>	<u>6,902</u>	<u>99,722</u>
Sub-total, Affordable Housing Loans	<u>1,693,810</u>	<u>-</u>	<u>(10,527)</u>	<u>1,683,283</u>
Community Services:				
Nonprofits	247,590	(23,760)	203,031	426,861
Child Care Initiative	<u>59,738</u>	<u>-</u>	<u>(36,151)</u>	<u>23,587</u>
Sub-total, Community Services Loans	<u>307,328</u>	<u>(23,760)</u>	<u>166,880</u>	<u>450,448</u>
Business Finance:				
Vested for Growth	244,387	-	(62,648)	181,739
Business Builder	<u>687,918</u>	<u>-</u>	<u>(61,315)</u>	<u>626,603</u>
Sub-total, Business Finance Loans	<u>932,305</u>	<u>-</u>	<u>(123,963)</u>	<u>808,342</u>
Grand total	<u>\$ 2,933,443</u>	<u>\$ (23,760)</u>	<u>\$ 32,390</u>	<u>\$ 2,942,073</u>

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2021 and 2020

6. ALLOWANCE FOR LOAN LOSSES (Continued)

<u>Loan Category</u>	<u>ALL June 30, 2019</u>	<u>Net Charge-offs of Loans in ALL at June 30, 2020</u>	<u>Net Provision (Recovery)</u>	<u>ALL June 30, 2020</u>
Affordable Housing:				
ROC-NH	\$ 852,053	\$ (489)	\$ 161,197	\$ 1,012,761
Welcome Home Loans	534,215	(24,912)	52,028	561,331
Other Single-Family Housing	15,113	-	11,785	26,898
Multi-Family Housing	<u>33,834</u>	<u>-</u>	<u>58,986</u>	<u>92,820</u>
Sub-total, Affordable Housing Loans	<u>1,435,215</u>	<u>(25,401)</u>	<u>283,996</u>	<u>1,693,810</u>
Community Services:				
Nonprofits	38,096	(11,410)	220,904	247,590
Child Care Initiative	<u>52,105</u>	<u>-</u>	<u>7,633</u>	<u>59,738</u>
Sub-total, Community Services Loans	<u>90,201</u>	<u>(11,410)</u>	<u>228,537</u>	<u>307,328</u>
Business Finance:				
Vested for Growth	358,291	-	(113,904)	244,387
Business Builder	519,565	-	168,353	687,918
MicroCredit-NH	<u>173</u>	<u>-</u>	<u>(173)</u>	<u>-</u>
Sub-total, Business Finance Loans	<u>878,029</u>	<u>-</u>	<u>54,276</u>	<u>932,305</u>
Grand total	<u>\$ 2,403,445</u>	<u>\$ (36,811)</u>	<u>\$ 566,809</u>	<u>\$ 2,933,443</u>

Net loan loss provision/(recovery), as reported in the accompanying statements of activities and changes in net assets, is as follows for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Allowance for loan losses:		
Provisions	\$ 437,480	\$ 680,886
Direct charge-offs not previously reserved	-	256,820
Actual recoveries from loans previously charged-off	(109,611)	(14,488)
Valuation recovery from loans previously reserved	<u>(405,090)</u>	<u>(114,077)</u>
Net loan loss provision/(recovery)	<u>\$ (77,221)</u>	<u>\$ 809,141</u>

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2021 and 2020

6. ALLOWANCE FOR LOAN LOSSES (Continued)

Direct loan charge-offs, net of recoveries, are as follows for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Direct charge-offs	\$ 23,760	\$ 293,631
Recoveries	<u>(109,611)</u>	<u>(14,488)</u>
Net direct loan charge-offs	<u>\$ (85,851)</u>	<u>\$ 279,143</u>

Delinquencies and Non-Accrual Loans

Delinquencies are as follows as of June 30:

	<u>2021</u>	<u>2020</u>
61 - 90 days	\$ 154,654	\$ 97,696
Greater than 90 days	<u>761,340</u>	<u>802,428</u>
Total past due, 61+ days	915,994	900,124
Current	<u>144,415,237</u>	<u>143,221,233</u>
	<u>\$ 145,331,231</u>	<u>\$ 144,121,357</u>

At June 30, 2021, the above delinquencies excluded approximately \$1,250,000 of loans that requested and received a short-term pandemic related moratorium.

As of June 30, 2021 and 2020, the Community Loan Fund had 44 and 30 loans on non-accrual status with outstanding principal of \$3,186,580 and \$2,746,673, respectively.

Impaired Loans

The Community Loan Fund identifies a loan as impaired when it is probable that interest and/or principal will not be collected according to the contractual terms of the loan agreement. In accordance with guidance provided by the criteria under ASC Topic, *Impairment (Recoverability)*, management employs one of three methods to determine and measure impairment: the Present Value of Future Cash Flow Method; the Fair Value of Collateral Method; and the Observable Market Price of a Loan Method. To perform an impairment analysis, the Community Loan Fund reviews a loan's internally assigned risk rating, its outstanding balance, value of the collateral, guarantors, and a current report of the action being implemented. Based on the nature of the specific loan, one of the impairment methods is chosen or any impairment is determined, based on criteria established for impaired loans.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2021 and 2020

6. ALLOWANCE FOR LOAN LOSSES (Continued)

Impaired Loans (Continued)

Impaired loans as of June 30, 2021 and 2020, are set forth in the tables below.

<u>Loan Category</u>	<u>Number of Impaired Loans</u>	<u>2021</u>	
		<u>Amount of Impaired Loans</u>	<u>Allowance for Loan Losses</u>
Affordable Housing:			
Welcome Home Loans	41	\$ 2,226,777	\$ 334,017
Other Single-Family Housing	5	60,403	9,060
Sub-total	<u>46</u>	<u>2,287,180</u>	<u>343,077</u>
Business Finance:			
Business Builder	2	469,897	206,700
Vested for Growth	2	265,123	106,998
Sub-total	<u>4</u>	<u>735,020</u>	<u>313,698</u>
Community Services:			
Nonprofits	<u>1</u>	<u>516,240</u>	<u>387,180</u>
Total impaired loans	<u>51</u>	<u>\$ 3,538,440</u>	<u>\$ 1,043,955</u>

<u>Loan Category</u>	<u>Number of Impaired Loans</u>	<u>2020</u>	
		<u>Amount of Impaired Loans</u>	<u>Allowance for Loan Losses</u>
Affordable Housing:			
Welcome Home Loans	30	\$ 1,487,344	\$ 223,102
Other Single-Family Housing	4	10,353	1,553
Sub-total	<u>34</u>	<u>1,497,697</u>	<u>224,655</u>
Business Finance:			
Business Builder	2	498,249	249,124
Vested for Growth	1	217,310	108,655
Sub-total	<u>3</u>	<u>715,559</u>	<u>357,779</u>
Community Services:			
Nonprofits	1	540,000	186,964
Child Care	1	251,726	37,759
Sub-total	<u>2</u>	<u>791,726</u>	<u>224,723</u>
Total impaired loans	<u>39</u>	<u>\$ 3,004,982</u>	<u>\$ 807,157</u>

Troubled Debt Restructurings

A troubled debt restructuring (TDR) occurs when a creditor, for economic or legal reasons related to a borrower's financial condition, grants a concession to the borrower that it would not otherwise consider, such as below-market interest rates, principal reductions extending the maturity of a loan, or a combination of these. As is common in the CDFI industry, the Community Loan Fund makes loan amendments in the normal course of business to extend the loan term when the take-out financing is delayed or under other similar circumstances. If the Community Loan Fund determines that the amendment is not due to the financial difficulties of the borrower and continues to expect full repayment of the loan, the amendment is not classified as a TDR.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2021 and 2020

6. ALLOWANCE FOR LOAN LOSSES (Continued)

Troubled Debt Restructurings (Continued)

At the time a loan is modified in a TDR, the Community Loan Fund considers several factors in determining whether the loan should accrue interest, including:

- Cash flow necessary to pay the interest.
- Whether the customer is current on their interest payments.
- Whether the Community Loan Fund expects the borrower to perform under the revised terms of the restructuring.

Loans that were impaired and classified as TDRs are set forth in the tables below as of June 30:

<u>2021 Troubled Debt Restructurings</u>	<u>Number of Loans Restructured</u>	<u>Amount of Restructured Loans</u>	<u>Allowance for Loan Losses</u>
Extension resulting from financial difficulty	6	<u>\$ 939,607</u>	<u>\$ 549,235</u>

<u>2020 Troubled Debt Restructurings</u>	<u>Number of Loans Restructured</u>	<u>Amount of Restructured Loans</u>	<u>Allowance for Loan Losses</u>
Extension resulting from financial difficulty	7	<u>\$ 987,726</u>	<u>\$ 354,961</u>

7. PROGRAM-RELATED DEVELOPMENT INVESTMENT

The Community Loan Fund holds a program-related development investment in ROC USA, LLC (ROC USA). ROC USA was formed in December 2007 as a nonprofit limited liability corporation. Its mission is to make quality ownership of manufactured home communities viable nationwide. ROC USA provides technical assistance and loans to people living in manufactured home communities, in order to assist them with the purchase of their communities, so that they will be resident owned.

The Community Loan Fund is one of three nonprofit organizations to originally invest in ROC USA. In the original Operating Agreement of ROC USA dated September 2008, all three nonprofit organizations committed to an original investment of \$500,000, and each had equal capital interests and voting interests in ROC USA of 33 1/3%.

In January 2013, the three original members unanimously approved an amendment to the Operating Agreement to add a new voting member, ROC Association. The ROC Association represents all resident-owned manufactured home communities assisted by ROC USA across the nation. As a result of the amendment, the membership interests were specifically changed as follows:

- ROC Association was not required to make a contribution to ROC USA. It has no capital interest but its voting interest is equal to 28.57%.
- The capital interests of the Community Loan Fund and the other two original members remain unchanged at 33 1/3% of ROC USA, but the voting interests changed to 23.81% each.

In 2019, the Community Loan Fund and the other two original nonprofit members each invested an additional \$750,000 in ROC USA as part of a new round of equity funding, bringing the total member capital contributions up from \$500,000 each to \$1,250,000 each.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2021 and 2020

7. PROGRAM-RELATED DEVELOPMENT INVESTMENT (Continued)

The balance of the Community Loan Fund's investment in ROC USA was \$3,278,843 and \$3,084,460 as of June 30, 2021 and 2020, respectively. The balance is based on the application of the equity method (see Note 2) modified for a hypothetical liquidation analysis. For the years ended June 30, 2021 and 2020, the Community Loan Fund's share of income was \$256,883 and \$204,920, respectively, including the effects of the hypothetical liquidation analysis.

The balance of the Community Loan Fund's investment in ROC USA is calculated as follows as of June 30:

	<u>2021</u>	<u>2020</u>
Total net assets without restrictions of ROC USA	\$ 10,561,430	\$ 11,215,267
Member capital percentage	33.33%	33.33%
Equity valuation	3,520,125	3,738,048
Less - hypothetical liquidation allowance	<u>(241,282)</u>	<u>(653,588)</u>
Net carrying value	<u>\$ 3,278,843</u>	<u>\$ 3,084,460</u>

In accordance with the disclosure standards pertaining to ASC Topic, *Investment - Equity Method and Joint Ventures*, the following summarized financial information related to ROC USA is provided:

<u>Fiscal Year Ending</u>	<u>Total Assets</u>	<u>Total Liabilities</u>	<u>Total Net Assets</u>	<u>Total Revenue</u>	<u>Total Expenses</u>
12/31/2020	\$ 129,035,432	\$ 114,574,711	\$ 14,460,721	\$ 4,987,450	\$ 4,432,623
12/31/2019	\$ 123,751,390	\$ 109,657,996	\$ 14,093,394	\$ 3,199,467	\$ 3,375,253

In July 2020 and December 2019, the Community Loan Fund provided ROC USA loans of \$4,000,000 and \$4,000,000, respectively, with interest rates of 5%. The balance of each loan was repaid in December 2020 and May 2020, respectively.

8. EQUITY INVESTMENTS

Equity investments (see Note 2), including warrants consist of investments made by the Community Loan Fund in privately held corporations. Through its Vested for Growth program, the Community Loan Fund provides capital investments to businesses that are committed to long-term growth strategies based on employee involvement and quality. Equity financing involves the Community Loan Fund taking a percentage of ownership in the investee. This may take the form of common or preferred stock, convertible notes, the ability to purchase stock with options or warrants, or in the case of limited liability companies, ownership units. Vested for Growth staff closely monitor each investee's financial condition, often sitting on the investee's Board of Directors as an observer. Warrants obtained through the loan portfolio have no identified cost and are valued at fair value through appreciation, if applicable.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.Notes to Financial Statements
June 30, 2021 and 2020**8. EQUITY INVESTMENTS (Continued)**

The Community Loan Fund's equity investments are reported at fair value using Level 3 inputs and are invested in the following business sectors at June 30:

<u>Business Sector</u>	<u>2021</u>		<u>2020</u>	
	<u>Number of Investees</u>	<u>Investment Amount</u>	<u>Number of Investees</u>	<u>Investment Amount</u>
Information technology	1	\$ 346,151	1	\$ 898,816
Farm and Food	2	225,000	2	200,000
Total as of June 30	3	\$ 571,151	3	\$ 1,098,816

A reconciliation of Level 3 investments for the years ended June 30, 2021 and 2020, is as follows:

	<u>Equity Investments</u>	
	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 1,098,816	\$ 1,122,922
Purchases	25,000	50,000
Net unrealized gain (loss)	(552,665)	(74,106)
Balance, end of year	\$ 571,151	\$ 1,098,816

9. PROPERTY AND EQUIPMENT

Property and equipment, which consist primarily of the Community Loan Fund's headquarters (see Note 2), consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Land	\$ 321,461	\$ 321,461
Buildings and improvements	4,933,072	4,910,812
Office furniture and equipment	774,019	735,325
	6,028,552	5,967,598
Less - accumulated depreciation	2,219,230	1,981,335
	\$ 3,809,322	\$ 3,986,263

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2021 and 2020

10. AVAILABLE CREDIT

The Community Loan Fund procures secured and unsecured lines of credit to meet liquidity needs in the course of fulfilling its mission.

Secured Lines of Credit

The Community Loan Fund has available two secured hard-maturity lines of credit:

The first is a \$7,500,000 hard-maturity line of credit from a financial institution, which is secured by the Community Loan Fund's investment portfolio of U.S. government securities (see Note 3). The line of credit was originally established in June 2002 and had a maturity date of July 31, 2021. Subsequent to June 30, 2020, this line of credit was extended to July 31, 2026. The amount available shall not exceed 85% of the market value of the government bonds collateralizing the loan (see Note 3). On June 30, 2021 and 2020, the market value of the bonds was \$102,125 and \$8,037,500, respectively, which is comprised of the gross fair value of \$102,125 and \$8,035,877, respectively, less unamortized discounts on bond purchases of \$(2,259) and \$(1,623), respectively. Therefore, \$86,806 and \$6,831,875 was available to be drawn as of June 30, 2021 and 2020, respectively. Advances bear interest at the *Wall Street Journal's* prime rate (3.25% at June 30, 2021 and 2020). As of June 30, 2021 and 2020, there was no outstanding balance.

The second is a \$1,392,000 hard-maturity line of credit from a financial institution, which is secured by first mortgages on three office buildings owned and operated by the Community Loan Fund (see Note 9). The line of credit was originally established in February 2000 and had a maturity date of July 31, 2021. Subsequent to June 30, 2021, this line of credit was extended to July 31, 2026. Advances bear interest at the *Wall Street Journal's* prime rate (see above). As of June 30, 2021 and 2020, there was no outstanding balance.

Unsecured Lines of Credit

The Community Loan Fund also has available four unsecured lines of credit:

The first is an unsecured revolving line of credit from a financial institution for \$4,000,000. The line of credit was originally established in June 2014 and has a maturity date of February 1, 2022. Advances bear interest at the *Wall Street Journal's* prime rate (see above). As of June 30, 2021 and 2020, there was no outstanding balance.

The second is a \$2,000,000 unsecured revolving line of credit from a financial institution. The line of credit was originally established in February 2014 and has a maturity date of February 7, 2022. Advances bear interest at the *Wall Street Journal's* prime rate (see above). As of June 30, 2021 and 2020, there was no outstanding balance.

The third is a \$250,000 unsecured revolving line of credit from a foundation. The line was originally established in March 2007 and has a maturity date of May 31, 2022. Advances bear interest at 5%. As of June 30, 2021 and 2020, there was no outstanding balance.

The fourth is a \$500,000 unsecured revolving line of credit from a public corporation. The line of credit was established in January 2021, bears no interest and has a maturity date of January 22, 2024. Advances may only be used to finance loans for development of manufactured housing infill homes in Resident Owned Communities in New Hampshire. As of June 30, 2021, there was no outstanding balance.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2021 and 2020

11. LOANS PAYABLE

Notes Payable to Investors

At June 30, 2021 and 2020, there were 1,219 and 1,168 notes payable for financing activities ranging in outstanding balances of \$1,000 up to \$7,500,000 and totaling \$129,426,602 and \$128,260,047, respectively. Loans payable consist of loans from individuals, religious institutions, nonprofit organizations, banks, and other organizations who have chosen to invest in the Community Loan Fund as a way to benefit the community - that is, they are interested in the social impact, as well as the financial return. Many also see this as a way to increase their financial commitment to the Community Loan Fund's mission, above and beyond what they can contribute as an outright contribution.

The Community Loan Fund actively pursues these investments, not only for the capital they bring to the Community Loan Fund, but because the investments in and of themselves serve the Community Loan Fund's mission by connecting those with financial resources to those without. Loans, which are generally non-amortizing, currently vary in length from one year to ten years, with interest rates from 0% to 5%, and are unsecured. Historically, over 80% of the number of loans that mature have been renewed. Accrued interest payable on loans payable was \$1,414,066 and \$1,502,011 as of June 30, 2021 and 2020, respectively.

The proceeds of the loans are restricted for the purposes of mission-related financing activities.

Principal payments on loans payable are scheduled to mature as follows:

<u>Year Ending June 30</u>	
2022	\$ 15,354,501
2023	19,800,979
2024	22,140,880
2025	14,569,046
2026	23,408,583
Thereafter	<u>35,009,442</u>
	<u>\$ 130,283,431</u>

Paycheck Protection Program Loan

Also included in the loans payable described above, the Community Loan Fund was granted loans from a financial institution for \$856,829 and \$822,075 as of June 30, 2021 and 2020, respectively, pursuant to the Paycheck Protection Program (PPP) established as part of the 2020 Coronavirus Aid, Relief and Economic Security Act (CARES Act).

The first PPP loan for \$822,075 was fully forgiven during fiscal year 2021 and is included in grants and contributions in the accompanying statement of activities and changes in net assets.

The second PPP loan was outstanding as of June 30, 2021, in the form of a note dated March 29, 2021, maturing on March 29, 2026, and bearing interest at a rate of 1.00% per annum. Accrued interest recorded as of June 30, 2021 was \$2,113. Principal payments are deferred until July 13, 2022. Funds from the loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, covered operations expenditures, and covered worker protection expenditures as specified under the PPP rules. The Community Loan Fund intends to use the entire PPP loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2021 and 2020

11. LOANS PAYABLE (Continued)

Non-Recourse Participation in Loans Receivable

The Community Loan Fund has entered into agreements pursuant to which third parties purchased interests in certain notes receivable (see Note 5). Terms of borrowings under these agreements coincide with those specified within the individual note receivable agreements made with the Community Loan Fund's borrowers with the exception of the interest rate paid to the participant, as the interest rate is less than the rate charged to the borrower. Borrowings mature in conjunction with the underlying notes receivable (see Note 5) and mature at various dates through fiscal year 2033. These participation notes payable are secured only by the participants' interest in the related note receivable and are non-recourse to the Community Loan Fund.

12. SUBORDINATED LOANS PAYABLE - EQUITY EQUIVALENT INVESTMENTS

Subordinated loans payable consists of "Equity Equivalents" (EQ2) notes payable to financial institutions. EQ2 notes payable are unsecured and are fully subordinate to loans payable and all other Community Loan Fund liabilities. The financial institutions making these EQ2 investments see this as an effective and efficient way both to strengthen the local economy and to meet community reinvestment obligations. As of June 30, 2021 and 2020, there were twenty EQ2 notes payable totaling \$8,600,000 with interest rates ranging from 2% to 3%. Accrued interest at June 30, 2021 and 2020, was \$129,741 and \$118,656, respectively.

EQ2 notes payable generally have rolling terms and indeterminate maturities and may only be called by the investor with significant advance notice. Termination notices are in effect on two EQ2 investments that terminate in August 2029 (\$800,000) and December 2027 (\$1,000,000), respectively (see below).

One \$500,000 EQ2 note payable has a ten-year term with a maturity date in February 2024. The maturity date automatically extends for an additional two years to February 2027, unless the Community Loan Fund opts out of the extension.

As of June 30, 2021 and 2020, EQ2s are summarized as follows:

<u>Category of EQ2</u>	<u>Number of EQ2 Notes</u>	<u>Amount of EQ2 Notes</u>
Rolling terms with indefinite maturities	17	\$ 6,300,000
Termination notices issued	2	1,800,000
Maturity date issued at origination	<u>1</u>	<u>500,000</u>
Total	<u>20</u>	<u>\$ 8,600,000</u>

13. CHARITABLE GIFT ANNUITIES PAYABLE

The Community Loan Fund receives contributions from donors who stipulate that the Community Loan Fund is to make annuity payments for life to an annuitant designated by the donor, with the remaining principal reverting to the Community Loan Fund after the death of the annuitant. The Community Loan Fund invests these charitable contributions in cash and marketable securities based upon investment regulations of the State of New Hampshire. The present value of the principal portion of estimated future annuity payments is recorded as a liability of the Community Loan Fund and the excess of the contribution over the present value is recorded as public support at the time of receipt. At June 30, 2021 and 2020, the present value of commitments to two annuitants totaled \$30,293 and \$26,688, respectively, and is included in accounts payable and accrued expenses in the accompanying statements of financial position.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2021 and 2020

14. CONTINGENCIES AND CONCENTRATION

CDFI Awards Under the Capital Magnet Program

The Community Loan Fund received three rounds of Capital Magnet Fund (CMF) awards from the Treasury (see Note 1) as follows:

<u>Fiscal Year</u>	<u>Total Award</u>	<u>Use of Proceeds</u>		
		<u>Qualified Loans</u>	<u>Pass-Through Grants to Homeowners</u>	<u>Direct Administrative Expenses (5%)</u>
2011	\$ 3,700,000	\$ 3,058,176	\$ 456,824	\$ 185,000
2017	\$ 1,502,163	\$ 1,427,055	\$ -	\$ 75,108
2019	\$ 1,500,000	\$ 1,425,000	\$ -	\$ 75,000

CMF funds are treated as time restricted net assets during the initial five-year investment period applicable to each award, and they are released from net assets with donor restrictions after the five-year investment period ends (see Note 2).

Under the terms of the CMF agreements, the funded projects must comply with various affordability requirements for a period of ten years after the project completion date. For the 2011 CMF award, the ten-year affordability period ends in 2026. For the 2017 and 2019 CMF awards, the affordability period end-date will be established after funds have been fully deployed to qualified loans and the last project is completed. The Community Loan Fund expects the underlying transactions executed to comply with the grant's requirements and affordability restrictions for the duration of the compliance period. If a transaction involving funds previously released were to fall out of compliance, the Community Loan Fund would be required to replace the transaction and possibly the previously released funds with another qualifying expense or loan.

COVID-19

In March 2020, the COVID-19 Coronavirus (COVID-19) pandemic emerged in the United States triggering widespread government mandated and voluntary business closures, which in turn have led to substantial interruptions in financial markets, employment and the economy as a whole. Though the potential financial effects cannot be reasonably estimated at this time, these circumstances may have adverse effects on the Community Loan Fund, its operations and future financial statements.

Management of the Community Loan Fund is monitoring these events closely to assess the financial impact of the situation and determine appropriate courses of action. As of the date of this report, the Community Loan Fund is unable to accurately predict how COVID-19 will affect the results of its operations because the disease's severity and the duration of the outbreak are uncertain.

15. RETIREMENT PLAN

The Community Loan Fund maintains a Section 401(k) retirement plan allowing employees to elect to defer compensation up to the maximum allowed under IRC regulations. Employees with a minimum of six months of employment receive a safe harbor contribution benefit in the first quarter of the calendar year. That benefit was calculated at 3% of eligible compensation for the fiscal year. For the years ended June 30, 2021 and 2020, the Community Loan Fund had \$108,015 and \$112,896, respectively, of retirement benefits expense, which is included in benefits in the accompanying statements of functional expenses.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2021 and 2020

16. RELATED PARTY TRANSACTIONS

The Community Loan Fund's by-laws require the Board of Directors to include representatives of borrower organizations and investors among its membership. All transaction decisions follow standard policies and procedures including those covering conflict of interest.

One member of the Board of Directors is on the Board of a Resident Owned Community that has an outstanding loan from the Community Loan Fund totaling \$2,491,271.

One member of the Board of Directors has provided investments totaling \$402,556 to the Community Loan Fund as of June 30, 2021. Twelve employees have provided investments or have family members who have provided investments totaling \$506,575 to the Community Loan Fund as of June 30, 2021.

Board members and staff are typically donors to the Community Loan Fund. Donations and investments are accepted from employees, from individual Board members, or from organizations with which current and former employees and Board members are employed or associated. The transactions are part of the Community Loan Fund's normal course of business and are open to the public at large.

17. LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

Financial assets available for general operating use, that is, without donor or other restrictions limiting their use (see Note 2), within one year of the statements of financial position date, comprise the following for fiscal year ended June 30:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 25,543,520	\$ 13,276,519
Investments	155,167	8,087,585
Grants, contracts and other receivables	606,424	498,423
Current portion of pledges receivable	50,000	50,000
Current portion of loans receivable	4,516,013	2,509,710
Accrued interest receivable	<u>599,499</u>	<u>586,523</u>
	31,470,623	25,008,760
Less - investments in equity mutual funds which are not readily salable (see Note 3)	(55,301)	(51,708)
Less - purpose restricted funds in net assets with donor restrictions	<u>(102,444)</u>	<u>(139,552)</u>
	<u>\$ 31,312,878</u>	<u>\$ 24,817,500</u>

The Community Loan Fund's investment and cash management objectives are to carry out the Community Loan Fund's mission. Effective investment and cash management enhances the Community Loan Fund's capacity to increase access to capital for the benefit of low- and moderate-income people. Also, the Community Loan Fund seeks to manage capital judiciously. The Community Loan Fund is committed to repaying in full all investors and to preserving its capital for use in fulfilling its mission.

As part of its internal cash management policies, the Community Loan Fund aims to maintain operating liquidity balances of at least three months of operating expenses. Cash exceeding short-term requirements is invested in various marketable securities, mainly Treasury and government agency instruments (see Note 3) following the parameters of a Board-approved Investment Policy. In managing its investment portfolio, the Community Loan Fund aims to minimize risk to principal and ensure compliance with all investor covenants.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Notes to Financial Statements
June 30, 2021 and 2020

17. LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES (Continued)

The Community Loan Fund's Asset-Liability Committee (ALCO) is comprised of Senior Management. The ALCO regularly monitors the availability of resources required to manage liquidity, using a variety of reports and practices to manage asset-liability matching and to identify liquidity concerns, including a rolling six-month cash-forecasting model; a portfolio management report showing fund availability after required reserves and commitments; an eighteen-month investor maturity forecast reporting status of each followed by active engagement of investors; five-year projections showing financing activity with detailed deployment and capital assumptions; and other financial reports and scorecards showing indicators and ratios.

To ensure sufficient funding is available to support investor repayments, as part of a Board-approved Investor Policy, the Community Loan Fund maintains an internal liquidity reserve of at least 10% of its total outstanding senior-debt investments. This reserve may be reduced by the amount of the Community Loan Fund's available lines of credit (unsecured or real-estate backed) (see Note 10) that can be readily accessed for capital liquidity purposes.

In its Board-approved Investor Policy, the Community Loan Fund has established a maximum investment amount that can come due at any time from one investor. This amount, currently at \$3,000,000, has been set by the ALCO and may be changed from time to time by the ALCO. The Policy does not prevent an investor from investing more than this amount. The investment would need to be divided between more than one maturity date, each at least one year apart, with no one maturity exceeding the maximum amount.

To supplement liquidity for mission-related financing, the Community Loan Fund currently has five committed lines of credit from four different entities which it could draw upon, in the aggregate amount of \$8,228,806 and \$14,473,875 as of June 30, 2021 and 2020, respectively (see Note 10).

Another key source of liquidity includes loan sales, and participation and co-lending strategies:

- **Loan Sales:** The Community Loan Fund aims to leverage its assets and recycle capital by selling loans or pools of seasoned loans from our portfolio. The single-family mortgage portfolio of Welcome Home loans was designed in collaboration with local financial institutions that had interest in buying packaged, seasoned loans as part of the original Welcome Home loan recapitalization plan. To date, the Community Loan Fund has sold three separate \$500,000 pools of seasoned Welcome Home loans to local banks. The most recent loan pool sale was in 2016, and the loans were sold at a premium.
- **Participation Strategies:** When considering large loans, especially those that are more than single loan size policies, the Community Loan Fund actively engages other organizations and individual investors in a variety of co-lending arrangements.
- **Co-Investor Strategies:** At origination, or for follow on financing, in both the Business Financing and ROC-NH product lines, the Community Loan Fund has engaged co-investors to invest directly in businesses and ROCs. These investors are available to take over some of the financing share either directly or as participants, if liquidity is needed.

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Supplemental Statement of Financial Position

June 30, 2021

(With Comparative Totals as of June 30, 2020)

Assets	2021			2020	
	Program Activities	Financing Activities	Eliminations	Total	Total
Current Assets:					
Cash and cash equivalents	\$ 2,379,916	\$ 23,163,604	\$ -	\$ 25,543,520	\$ 13,276,519
Cash and cash equivalents - pass-through	238,229	-	-	238,229	249,539
Marketable securities	-	155,167	-	155,167	8,087,585
Grants, contracts and other receivables	30,769	575,655	-	606,424	498,423
Pledges receivable	50,000	-	-	50,000	50,000
Interfund accounts receivable	565,989	-	(565,989)	-	-
Current portion of loans receivable	-	4,516,013	-	4,516,013	2,457,878
Current portion of interfund loans receivable	-	190,611	(190,611)	-	-
Accrued interest receivable	-	599,499	-	599,499	586,523
Property held for sale	-	-	-	-	115,606
Prepaid expenses and other	91,437	71,167	-	162,604	128,694
Total current assets	<u>3,356,340</u>	<u>29,271,716</u>	<u>(756,600)</u>	<u>31,871,456</u>	<u>25,450,767</u>
Loans Receivable, net of current portion and allowance for loan losses of \$2,942,073	-	137,458,486	-	137,458,486	138,263,544
Interfund Loans Receivable, net of current portion	-	2,096,726	(2,096,726)	-	-
Program-Related Development Investment, net	-	3,278,843	-	3,278,843	3,084,460
Equity Investments	-	571,151	-	571,151	1,098,816
Property and Equipment, net	3,809,322	-	-	3,809,322	3,986,263
Total assets	<u>\$ 7,165,662</u>	<u>\$ 172,676,922</u>	<u>\$ (2,853,326)</u>	<u>\$ 176,989,258</u>	<u>\$ 171,883,850</u>
Liabilities and Net Assets					
Current Liabilities:					
Current portion of loans payable	\$ -	\$ 15,354,501	\$ -	\$ 15,354,501	\$ 12,230,974
Accounts payable and accrued expenses	415,171	1,590,335	-	2,005,506	435,868
Accrued interest payable	2,113	1,414,066	-	1,416,179	1,502,709
Conditional advances	151,817	272,338	-	424,155	306,481
Interfund accounts payable	97,585	468,404	(565,989)	-	-
Current portion of interfund loans payable	190,611	-	(190,611)	-	-
Total current liabilities	<u>857,297</u>	<u>19,099,644</u>	<u>(756,600)</u>	<u>19,200,341</u>	<u>14,476,032</u>
Long-Term Liabilities:					
Loans payable, net of current portion	856,829	114,072,101	-	114,928,930	116,851,148
Non-recourse participation in loans receivable	-	601,791	-	601,791	636,002
Interfund loans payable, net of current portion	2,096,726	-	(2,096,726)	-	-
Subordinated loans payable - equity equivalent investments	-	8,600,000	-	8,600,000	8,600,000
Total liabilities	<u>3,810,852</u>	<u>142,373,536</u>	<u>(2,853,326)</u>	<u>143,331,062</u>	<u>140,563,182</u>
Net Assets:					
Without donor restrictions:					
Program	3,202,366	-	-	3,202,366	3,148,560
Financing	-	20,985,671	-	20,985,671	18,692,891
Total without donor restrictions	<u>3,202,366</u>	<u>20,985,671</u>	<u>-</u>	<u>24,188,037</u>	<u>21,841,451</u>
With donor restrictions:					
Program	152,444	-	-	152,444	114,077
Financing	-	9,317,715	-	9,317,715	9,349,888
Pass-through	-	-	-	-	15,252
Total with donor restrictions	<u>152,444</u>	<u>9,317,715</u>	<u>-</u>	<u>9,470,159</u>	<u>9,479,217</u>
Total net assets	<u>3,354,810</u>	<u>30,303,386</u>	<u>-</u>	<u>33,658,196</u>	<u>31,320,668</u>
Total liabilities and net assets	<u>\$ 7,165,662</u>	<u>\$ 172,676,922</u>	<u>\$ (2,853,326)</u>	<u>\$ 176,989,258</u>	<u>\$ 171,883,850</u>

NEW HAMPSHIRE COMMUNITY LOAN FUND, INC.

Supplemental Statement of Financial Position
June 30, 2020

<u>Assets</u>	<u>Program Activities</u>	<u>Financing Activities</u>	<u>Eliminations</u>	<u>Total</u>
Current Assets:				
Cash and cash equivalents	\$ 1,272,469	\$ 12,004,050	\$ -	\$ 13,276,519
Cash and cash equivalents - pass-through	249,539	-	-	249,539
Marketable securities	-	8,087,585	-	8,087,585
Grants, contracts and other receivables	26,190	472,233	-	498,423
Pledges receivable	-	50,000	-	50,000
Interfund accounts receivable	1,624,379	-	(1,624,379)	-
Current portion of loans receivable	-	2,457,878	-	2,457,878
Current portion of interfund loans receivable	-	190,611	(190,611)	-
Accrued interest receivable, net allowance for losses of \$133,956 at June 30, 2020	-	586,523	-	586,523
Property held for sale	-	115,606	-	115,606
Prepaid expenses and other	58,494	70,200	-	128,694
Total current assets	<u>3,231,071</u>	<u>24,034,686</u>	<u>(1,814,990)</u>	<u>25,450,767</u>
Loans Receivable, net of current portion and allowance for loan losses of \$2,933,443	-	138,263,544	-	138,263,544
Interfund Loans Receivable, net of current portion	-	2,287,338	(2,287,338)	-
Program-Related Development Investments, net	-	3,084,460	-	3,084,460
Equity Investments	-	1,098,816	-	1,098,816
Property and Equipment, net	3,986,263	-	-	3,986,263
Total assets	<u>\$ 7,217,334</u>	<u>\$ 168,768,844</u>	<u>\$ (4,102,328)</u>	<u>\$ 171,883,850</u>
Liabilities and Net Assets				
Current Liabilities:				
Current portion of loans payable	\$ -	\$ 12,230,974	\$ -	\$ 12,230,974
Accounts payable and accrued expenses	404,852	31,016	-	435,868
Accrued interest payable	698	1,502,011	-	1,502,709
Conditional advances	163,528	142,953	-	306,481
Interfund accounts payable	70,343	1,554,036	(1,624,379)	-
Current portion of interfund loans payable	190,611	-	(190,611)	-
Total current liabilities	<u>830,032</u>	<u>15,460,990</u>	<u>(1,814,990)</u>	<u>14,476,032</u>
Long-Term Liabilities:				
Loans payable, net of current portion	822,075	116,029,073	-	116,851,148
Non-recourse participation in loans receivable	-	636,002	-	636,002
Interfund loans payable, net of current portion	2,287,338	-	(2,287,338)	-
Subordinated loans payable - equity equivalent investments	-	8,600,000	-	8,600,000
Total liabilities	<u>3,939,445</u>	<u>140,726,065</u>	<u>(4,102,328)</u>	<u>140,563,182</u>
Net Assets:				
Without donor restrictions:				
Program	3,148,560	-	-	3,148,560
Financing	-	18,692,891	-	18,692,891
Total without donor restrictions	<u>3,148,560</u>	<u>18,692,891</u>	<u>-</u>	<u>21,841,451</u>
With donor restrictions:				
Program	114,077	-	-	114,077
Financing	-	9,349,888	-	9,349,888
Pass-through	15,252	-	-	15,252
Total with donor restrictions	<u>129,329</u>	<u>9,349,888</u>	<u>-</u>	<u>9,479,217</u>
Total net assets	<u>3,277,889</u>	<u>28,042,779</u>	<u>-</u>	<u>31,320,668</u>
Total liabilities and net assets	<u>\$ 7,217,334</u>	<u>\$ 168,768,844</u>	<u>\$ (4,102,328)</u>	<u>\$ 171,883,850</u>

2021

	Without Donor Restrictions			With Donor Restrictions			
	Program Activities	Financing Activities	Eliminations	Total Without Donor Restrictions	Program Activities	Financing Activities	Total With Donor Restrictions
Revenues:							
Grant contributions	\$ 1,702,512	\$ 1,038,523	\$ -	\$ 2,741,035	\$ 87,148	\$ 1,209	\$ 2,829,392
Pass-through	28,313	-	-	28,313	-	-	28,313
Restrictions released from restrictions	64,033	110,603	-	174,636	(64,033)	(110,603)	(174,636)
Restrictions passed through to others	(28,314)	-	-	(28,314)	-	-	(28,314)
Net public support	1,766,544	1,149,126	-	2,915,670	23,115	(109,394)	2,829,391
Expenses:							
Interest revenue:							
Interest on loans	-	10,178,676	(197,558)	9,981,118	-	-	9,981,118
Related fees	460,584	-	-	460,584	-	-	460,584
Investment income	1,016	199,372	-	200,388	-	-	200,388
Loan loss recovery (provision)	-	-	-	-	-	77,221	77,221
Interest expense	(197,558)	(4,763,741)	197,558	(4,763,741)	-	-	(4,763,741)
Net financial revenue	264,042	5,614,307	-	5,878,349	-	77,221	5,955,570
Program and other fees	10,909	-	-	10,909	-	-	10,909
Service fees	5,611,819	-	(5,611,819)	-	-	-	-
Net losses	-	(17,244)	-	(17,244)	-	-	(17,244)
Total earned revenue	5,886,770	5,597,063	(5,611,819)	5,872,014	77,221	77,221	5,949,235
Total operating revenues	7,653,314	6,746,189	(5,611,819)	8,787,684	23,115	(32,173)	8,778,626
Expenses:							
Program services	4,967,869	5,614,627	(5,611,819)	4,970,677	-	-	4,970,677
Administrative	773,962	-	-	773,962	-	-	773,962
Total operating expenses	357,677	-	-	357,677	-	-	357,677
Total operating expenses	6,099,508	5,614,627	(5,611,819)	6,102,316	-	-	6,102,316
Changes in net assets from operations	1,553,806	1,131,562	-	2,685,368	23,115	(32,173)	2,676,310
Revenue (Expense):							
Income from program-related investment	-	256,883	-	256,883	-	-	256,883
Net loss on investments	-	(595,665)	-	(595,665)	-	-	(595,665)
Total non-operating revenue (expense)	-	(338,782)	-	(338,782)	-	-	(338,782)
Total changes in net assets	1,553,806	792,780	-	2,346,586	23,115	(32,173)	2,337,528
Total operating revenues	3,148,560	18,692,891	-	21,841,451	129,329	9,349,888	31,320,668

	Without Donor Restrictions			With Donor Restrictions			
	Program Activities	Financing Activities	Eliminations	Total Without Donor Restrictions	Program Activities	Financing Activities	Total With Donor Restrictions
Revenues:							
Support:							
Grants and contributions	\$ 914,763	\$ 1,518,243	\$ -	\$ 2,433,006	\$ 35,000	\$ 100,886	\$ 135,886
Grants - pass-through	61,597	-	-	61,597	-	-	-
Assets released from restrictions	24,972	898,702	-	923,674	(24,972)	(898,702)	(923,674)
Assets released from restrictions - pass-through	12,000	-	-	12,000	(12,000)	-	(12,000)
Grants passed through to others	(73,597)	-	-	(73,597)	-	-	-
Net public support	939,735	2,416,945	-	3,356,680	(1,972)	(797,816)	(799,788)
Financial revenue:							
Interest on loans	-	9,711,371	(212,807)	9,498,564	-	-	-
Loan related fees	467,997	-	-	467,997	-	-	-
Investment income	6,607	319,041	-	325,648	-	-	-
Net loan loss provision	-	(809,141)	-	(809,141)	-	-	-
Less - interest expense	(212,807)	(4,890,891)	212,807	(4,890,891)	-	-	-
Net financial revenue	261,797	4,330,380	-	4,592,177	-	-	-
Financing and other fees	21,977	-	-	21,977	-	-	-
Program service fees	5,136,791	-	(5,136,791)	-	-	-	-
Other net losses	-	(66,359)	-	(66,359)	-	-	-
Total earned revenue	5,420,565	4,264,021	(5,136,791)	4,547,795	-	-	-
Total operating revenues	6,360,300	6,680,966	(5,136,791)	7,904,475	(1,972)	(797,816)	(799,788)
Expenses:							
Personnel services	5,039,212	5,151,325	(5,136,791)	5,053,746	-	-	-
Management and administrative	798,019	-	-	798,019	-	-	-
Printing	383,086	-	-	383,086	-	-	-
Total operating expenses	6,220,317	5,151,325	(5,136,791)	6,234,851	-	-	-
Changes in net assets from operations	139,983	1,529,641	-	1,669,624	(1,972)	(797,816)	(799,788)
Netting Revenue (Expense):							
Change in income from program-related investment investments	-	204,920	-	204,920	-	-	-
Realized loss on investment	-	(68,286)	-	(68,286)	-	-	-
Total non-operating revenue	-	136,634	-	136,634	-	-	-
Total changes in net assets	139,983	1,666,275	-	1,806,258	(1,972)	(797,816)	(799,788)