Neighborhood Reinvestment Corporation (d.b.a. NeighborWorks® America)

Financial Statements, Schedule of Expenditures of Federal Awards, and Independent Auditor's Reports Required by *Government Auditing Standards* and the Uniform Guidance

Years Ended September 30, 2021 and 2020

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(d.b.a. NeighborWorks® America)

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Independent Auditor's Report

To the Board of Directors
Neighborhood Reinvestment Corporation
(d.b.a. NeighborWorks® America)
Washington, D.C.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Neighborhood Reinvestment Corporation (d.b.a. NeighborWorks® America)** (the Corporation), which comprise the statements of financial position as of September 30, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of September 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* is presented for purposes of additional analysis and is not a required part of the 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. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2022 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

BDO USA, LLP

April 25, 2022

Financial Statements

Neighborhood Reinvestment Corporation
(d.b.a. NeighborWorks® America)

Statements of Financial Position (Amounts in 000's)

September 30,		**2021**		2020
Assets				
Current assets				
Cash and cash equivalents	$	**132,316**	$	44,916
Short-term investments		**2,503**		2,502
Receivables:				
Contributions receivable		**1,605**		-
Grant and contract receivables		**4,106**		1,560
Other receivables		**296**		393
Prepaid expenses and other assets		**2,145**		1,776
Total current assets		**142,971**		51,147
Noncurrent assets				
Deposits		**302**		302
Property and equipment, net		**2,237**		2,908
Total noncurrent assets		**2,539**		3,210
Total assets	$	**145,510**	$	54,357
Liabilities and Net Assets				
Current liabilities				
Accounts payable and accrued expenses	$	**6,400**	$	4,680
Pass-through liability		**14,007**		16,724
Grant commitments:				
Expendable grants		**73**		5
Refundable advances:				
Foreclosure prevention		**729**		905
Grants/shared equity/other		**113,230**		11,315
Deferred revenue		**1**		2
Total current liabilities		**134,440**		33,631
Noncurrent liabilities				
Deferred rent liability		**2,426**		3,539
Total liabilities		**136,866**		37,170
Commitments and contingencies				
Net assets				
Without donor restrictions		**43**		5,122
With donor restrictions		**8,601**		12,065
Total net assets		**8,644**		17,187
Total liabilities and net assets	$	**145,510**	$	54,357

See accompanying notes to financial statements.

Neighborhood Reinvestment Corporation
(d.b.a. NeighborWorks® America)

Statement of Activities (Amounts in 000's)

Year ended September 30, 2021	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains, and other support			
Congressional appropriations	$ 164,326	$ -	$ 164,326
Grants	4,355	-	4,355
Contributions	2,126	5,470	7,596
Training registration fees	1,079	-	1,079
Contracts	1,060	-	1,060
Publications and subscriptions	358	-	358
Other income	52	-	52
Investment returns, net	6	3	9
Net assets released from restrictions:			
Satisfaction of program restrictions	8,937	(8,937)	-
Total revenue, gains, and other support	182,299	(3,464)	178,835
Expenses			
Program services:			
Capacity building	107,562	-	107,562
National foreclosure mitigation counseling	176	-	176
Housing stability counseling	880	-	880
Preserving affordable housing	44,313	-	44,313
Training and informing	16,030	-	16,030
Organizational assessment	7,319	-	7,319
Total program services	176,280	-	176,280
Supporting services:			
General and administrative support	9,222	-	9,222
Resource development	1,876	-	1,876
Total supporting services	11,098	-	11,098
Total expenses	187,378	-	187,378
Change in net assets	(5,079)	(3,464)	(8,543)
Net assets, beginning of year	5,122	12,065	17,187
Net assets, end of year	$ 43	$ 8,601	$ 8,644

See accompanying notes to financial statements.

Neighborhood Reinvestment Corporation
(d.b.a. NeighborWorks® America)

Statement of Activities (Amounts in 000's)

Year ended September 30, 2020	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains, and other support			
Congressional appropriations	$ 159,100	$ -	$ 159,100
Grants	4,055	-	4,055
Contributions	789	20,159	20,948
Training registration fees	1,411	-	1,411
Contracts	1,319	-	1,319
Publications and subscriptions	373	-	373
Other income	116	-	116
Investment returns, net	347	42	389
Net assets released from restrictions:			
Satisfaction of program restrictions	22,413	(22,413)	-
Total revenue, gains, and other support	189,923	(2,212)	187,711
Expenses			
Program services:			
Capacity building	117,248	-	117,248
National foreclosure mitigation counseling	1,153	-	1,153
Preserving affordable housing	40,485	-	40,485
Training and informing	16,974	-	16,974
Organizational assessment	7,678	-	7,678
Total program services	183,538	-	183,538
Supporting services:			
General and administrative support	7,700	-	7,700
Resource development	1,775	-	1,775
Total supporting services	9,475	-	9,475
Total expenses	193,013	-	193,013
Change in net assets	(3,090)	(2,212)	(5,302)
Net assets, beginning of year	8,212	14,277	22,489
Net assets, end of year	$ 5,122	$ 12,065	$ 17,187

See accompanying notes to financial statements.

Neighborhood Reinvestment Corporation
(d.b.a. NeighborWorks® America)

Statement of Functional Expenses (Amounts in 000's)

	Program Services							Supporting Services			
Year ended September 30, 2021	Capacity Building	National Foreclosure Mitigation Counseling	Housing Stability Counseling	Preserving Affordable Housing	Training and Informing	Organizational Assessment	Total Program Services	General and Administrative Support	Resource Development	Total Supporting Services	Total
Grants and grant commitments	$ 70,378	$ -	$ -	$ 44,313	$ 6	$ 5	$ 114,702	$ 13	$ 1	$ 14	$ 114,716
Personnel	23,654	-	542	-	9,993	5,669	39,858	5,672	1,467	7,139	46,997
Professional services	6,557	170	264	-	3,567	506	11,064	915	125	1,040	12,104
Other operating costs	4,613	-	40	-	1,527	458	6,638	1,643	134	1,777	8,415
Occupancy	1,806	-	23	-	698	546	3,073	541	119	660	3,733
Depreciation and amortization	355	-	8	-	150	85	598	331	22	353	951
Conferences and workshops	197	6	3	-	87	49	342	107	8	115	457
Travel	2	-	-	-	2	1	5	-	-	-	5
Total expenses	$ 107,562	$ 176	$ 880	$ 44,313	$ 16,030	$ 7,319	$ 176,280	$ 9,222	$ 1,876	$ 11,098	$ 187,378

See accompanying notes to financial statements.

Neighborhood Reinvestment Corporation
(d.b.a. NeighborWorks® America)

Statement of Functional Expenses (Amounts in 000's)

Year ended September 30, 2020	Program Services: Capacity Building	Program Services: National Foreclosure Mitigation Counseling	Program Services: Preserving Affordable Housing	Program Services: Training and Informing	Program Services: Organizational Assessment	Program Services: Total Program Services	Supporting Services: General and Administrative Support	Supporting Services: Resource Development	Supporting Services: Total Supporting Services	Total
Grants and grant commitments	$ 83,787	$ -	$ 40,485	$ 972	$ 6	$ 125,250	$ 16	$ 2	$ 18	$ 125,268
Personnel	22,588	462	-	9,341	5,810	38,201	4,631	1,345	5,976	44,177
Professional services	4,592	229	-	2,778	457	8,056	681	54	735	8,791
Other operating costs	2,837	429	-	1,647	429	5,342	1,279	129	1,408	6,750
Occupancy	1,847	12	-	842	673	3,374	477	178	655	4,029
Depreciation and amortization	511	10	-	211	131	863	429	30	459	1,322
Conferences and workshops	392	4	-	882	56	1,334	146	16	162	1,496
Travel	694	7	-	301	116	1,118	41	21	62	1,180
Total expenses	$ 117,248	$ 1,153	$ 40,485	$ 16,974	$ 7,678	$ 183,538	$ 7,700	$ 1,775	$ 9,475	$ 193,013

See accompanying notes to financial statements.

Neighborhood Reinvestment Corporation
(d.b.a. NeighborWorks® America)

Statements of Cash Flows (Amounts in 000's)

Years ended September 30,	**2021**	2020
Cash flows from operating activities		
Change in net assets	**$ (8,543)**	$ (5,302)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Bad debt expense	**29**	35
Depreciation and amortization	**951**	1,322
(Increase) decrease in assets		
Receivables:		
Contributions receivable	**(1,605)**	191
Grant and contract receivables	**(2,546)**	120
Other receivables	**68**	(228)
Prepaid expenses and other assets	**(369)**	329
Deposits	**-**	14
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	**1,720**	(3,609)
Pass-through liability	**(2,717)**	(4,991)
Grant commitments:		
Expendable grants	**68**	(618)
Refundable advances:		
Foreclosure prevention	**(176)**	(240)
Grants/shared equity/other	**101,915**	9,434
Deferred revenue	**(1)**	(348)
Deferred rent liability	**(1,113)**	(1,169)
Net cash provided by (used in) operating activities	**87,681**	(5,060)
Cash flows from investing activities		
Purchases of investments	**(2,506)**	(2,506)
Sales of investments	**2,505**	2,500
Purchases of property and equipment	**(280)**	(151)
Net cash used in investing activities	**(281)**	(157)
Increase (decrease) in cash and cash equivalents	**87,400**	(5,217)
Cash and cash equivalents, beginning of year	**44,916**	50,133
Cash and cash equivalents, end of year	**$ 132,316**	$ 44,916

See accompanying notes to financial statements.

1. Organization, Mission and Program Services

Organization

Neighborhood Reinvestment Corporation (d.b.a. NeighborWorks® America) (the Corporation) was established by Congress in 1978, by the Neighborhood Reinvestment Corporation Act under 42 U.S.C. 8101-8107. The Corporation is a private nonprofit charitable organization under IRC 501(c)(3). As stated in its enabling documents, the purpose of the Corporation is to continue the joint efforts of the federal financial supervisory agencies and the U.S. Department of Housing and Urban Development (HUD) in promoting reinvestment in older neighborhoods by local financial institutions in cooperation with the community, residents and local governments. These efforts were previously conducted by the Urban Reinvestment Task Force, which the Corporation succeeded.

Funding for the Corporation is primarily through Congressional appropriation as well as through grants from federal and state government agencies, corporations, foundations and private donors. The Corporation's board of directors is determined by statute and consists of the heads of the Comptroller of the Currency, Federal Reserve, National Credit Union Administration, Federal Deposit Insurance Corporation (FDIC) and the U.S. Department of Housing and Urban Development, who are presidential appointees subject to Senate confirmation, or their designated representatives.

Mission

The Corporation provides financial, technical and organizational support to approximately 247 independent, community-based nonprofit organizations operating in all 50 states and the District of Columbia, known collectively as the NeighborWorks® network, that help low- and moderate- income families rent, purchase and maintain affordable homes. The NeighborWorks® network also revitalizes communities through resident leadership and private and public partnerships that encourage local investment in sustainable projects.

The Corporation provides its services to the NeighborWorks® network through five distinct program service areas, Capacity Building, Housing Stability Counseling, Preserving Affordable Housing, Training and Informing, and Organizational Assessment as described below. In addition, the Corporation administers the National Foreclosure Mitigation Counseling (NFMC) Program which was enacted by Congress on December 26, 2007 in response to the nationwide subprime foreclosure crisis. Since its passage, Congress has appropriated ten successive annual rounds of funding totaling approximately $848 million to NeighborWorks® America for continuation of the program.

The Corporation maintains its national headquarters in Washington, D.C. and supports its NeighborWorks® network locally through regional offices in Boston, New York, Atlanta, Kansas City, and Denver.

Program Services

Capacity Building

Capacity building refers to the practical assistance the Corporation provides to strengthen the performance of NeighborWorks® network organizations, enabling them to respond most effectively and efficiently to the needs of their communities. The Corporation expands the capacity of network members by providing onsite technical assistance and limited funding. As part of Capacity Building, the Corporation promotes increased access to the capital markets through its support of Community Housing Capital and NeighborWorks Capital Corporation. These affiliated organizations play a critical role in meeting the NeighborWorks® network's capital needs by bringing low-cost, flexible private-sector capital and innovative loan products to network members. Flexible loan products help meet the financing needs for housing rehabilitation, homeownership and real-estate development.

National Foreclosure Mitigation Counseling (NFMC)

The NFMC program is designed to provide mortgage foreclosure mitigation assistance to states and areas with high rates of defaults and foreclosures, primarily in the subprime housing market. Through the state housing finance agencies, HUD-approved housing counseling intermediaries and community-based NeighborWorks® organizations, the Corporation provides free assistance to families at risk of losing their homes, helping clients to understand the complex foreclosure process, and identifying possible courses of action to allow them to make informed decisions and take necessary actions.

Housing Stability Counseling

The American Rescue Plan (ARP) provided funding to NeighborWorks America to design and administer it's Housing Stability Counseling Program (HSCP). The HSCP is administered nationwide and aims to help eligible nonprofit agencies that provide direct counseling services to individuals and families facing housing instability such as eviction, foreclosure, and homelessness. The HSCP increases the capacity of the Corporation to provide a higher-level housing counseling through HUD-approved housing counseling agencies, State housing finance agencies (SHFA), and NeighborWorks® organizations (NWOs).

Preserving Affordable Housing

The Corporation helps NeighborWorks® organizations construct new housing, repair and renovate existing housing, promote homeownership and further mixed-income affordable housing opportunities. The Corporation also supports the organizations' hazard abatement, energy conservation, post-purchase counseling, and foreclosure prevention activities. Equity capital, in the form of highly flexible Corporation grants to local organizations' revolving loan funds, is also vitally important. Revolving loan funds are used to support home repair, down-payment and closing-cost assistance, energy conservation repairs, commercial and small business loans, predevelopment costs, acquisition of problem properties, and a host of other initiatives.

Training and Informing

Through communications, publishing, research and training functions, the Corporation collects and disseminates pertinent and useful information for the NeighborWorks® network and the broader community development field. The Corporation imparts this data and information through a variety of vehicles, and trains and informs the network and representatives of the broader industry through national and regional training events, publications, on-line (at www.nw.org) and other venues.

Organizational Assessment

The Corporation closely monitors the capacity of each NeighborWorks® organization to successfully manage programmatic risks and to ensure their financial and organizational stability.

The organizational assessment function evaluates all of the NeighborWorks® network members to successfully predict, mitigate, and manage risk and steadily increase the health, performance, productivity, and effectiveness of the organizations.

2. Summary of Significant Accounting Policies

Basis of Accounting

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

Cash and Cash Equivalents

Cash and cash equivalents are stated at cost which approximates fair value and include investments with original maturities of three months or less. Cash in excess of amounts required to fund current operations are invested overnight.

Cash held as an agent where the Corporation has neither an administrative nor financial direct involvement is recorded as a pass-through liability included on the statements of financial position and amounted to $14,007 and $16,724 at September 30, 2021 and 2020, respectively.

As required by their underlying grant agreements, the Corporation maintains a separate bank account related to its Project Reinvest programs.

Notes to Financial Statements (Amounts in $000's)

Liquidity

The Corporation manages cash to be available to meet current needs. The Corporation's financial assets available within one year of the statement of financial position date available for general expenditure are as follows:

September 30,	**2021**	2020
Cash and cash equivalents	**$ 132,316**	$ 44,916
Short-term investments	**2,503**	2,502
Receivables	**6,007**	1,953
Total financial assets available within one year	**140,826**	49,371
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Restricted by donors in perpetuity	**(2,500)**	(2,500)
Restricted by donors with purpose restrictions	**(6,101)**	(9,565)
Refundable advances – NFMC	**(729)**	(905)
Refundable advances – grants and contracts	**(10,859)**	(9,793)
Refundable advances - shared equity	**(3,024)**	(1,522)
Refundable advances - American Rescue Plan	**(99,347)**	-
Pass-through amounts for LIFT program	**(14,007)**	(16,724)
Total amounts unavailable for general expenditures within one year	**(136,567)**	(41,009)
Total financial assets available to management for general expenditure within one year	**$ 4,259**	$ 8,362

Investments

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 9 for discussion of fair value measurements. The investment policy of the board of directors' limits investment of the Corporation's funds to U.S. Treasury and Federal Agency Securities or mutual funds consisting of such securities.

Included in investments on the statements of financial position are endowment funds of $2,500 related to the George Knight Scholarship Endowment more fully described in Note 5. These funds are included as net assets with donor restrictions and are invested consistent with board policy.

Purchases and sales of securities are recorded on a trade-date basis and interest income is recorded on the accrual basis. Investment income or loss is included in the change in net assets without donor restrictions unless their use is restricted by donor stipulations or by law.

Receivables

Contributions - Contributions receivable consists of amounts due from private corporations and foundations. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows when the difference between present and nominal value is material. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Conditional promises to give are not included as support until the conditions are substantially met. There were no long-term receivables at September 30, 2021 and 2020.

Grants and Contracts – Grant and contract receivables consist of amounts due from federal agencies, corporations, and foundations resulting from allowable expenditures incurred which have not been recovered as of the end of the fiscal year.

Other Receivables - Other receivables consist of contracts and miscellaneous receivables from sources other than federal agencies and donor corporations and foundations.

Allowance for Doubtful Accounts - The Corporation uses the allowance method to provide for receivables deemed uncollectible based on management's evaluation of potential uncollectible amounts at year-end. Contributions, grants, and contracts receivable due from federal and state government agencies, foundations and major corporations are generally deemed collectible and no allowance was established for such receivables at September 30, 2021 and 2020. Other receivables are evaluated as to their collectability using the most recent information available.

Property and Equipment

Property and equipment consist primarily of computer equipment and related software, furniture and fixtures, and leasehold improvements. Property and equipment is recorded at cost, which includes all costs required to put the asset into service. The Corporation capitalizes all expenditures for property and equipment with a per-unit cost over $5. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 10 years, or the lesser of the minimum lease period or the asset's useful life for leasehold improvements. When assets are sold or otherwise disposed of, the asset and the related accumulated depreciation and amortization are removed from the accounts and any remaining gain or loss is included in operations. Repairs and maintenance are charged to expense when incurred.

Certain costs of internally developed software are capitalized and once the development project is complete and the software put into service, these costs are amortized over the estimated useful lives of the software, which range from 3 to 5 years.

Impairment of Long-Lived Assets

The Corporation reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

Financial Instruments and Credit Risk

Financial instruments which potentially subject the Corporation to concentrations of credit risk consist principally of cash and cash equivalents held at creditworthy financial institutions short-term investments, and receivables. At September 30, 2021 and 2020, substantially all of the Corporation's cash and cash equivalents were held at financial institutions in accounts over the Federal Deposit Insurance Corporation (FDIC) limits. Amounts in excess of the FDIC insured limit totaled approximately $131,800 as of September 30, 2021.

Short-term investments are subject to market fluctuations that may materially affect the investment balance. Credit risk with respect to contributions receivable, grants receivable and other receivables is limited due to the nature of the grantor, typically the federal government, its Agencies and large financial institutions, and the fact that the Corporation's private donors are dispersed over a large geographic area.

Major Source of Funding

The Corporation receives a substantial portion of its revenue from congressional appropriations, 92% and 85% for the years ended September 30, 2021 and 2020, respectively. The continued receipt of the appropriation may be dependent upon future overall economic and political conditions and while the Corporation's management anticipates that it will continue to have access to the resources necessary to carry out its programs in their current form, its ability to do so and the extent to which it continues, may be dependent on the above factors.

Conditional Grants

The Corporation has entered into various grantor agreements supporting homeownership programs. During fiscal year 2021 and 2020, total grant expenses incurred under these grants were $0 and $576, respectively. These expenses are included in the grants and grant commitments line on the statements of functional expenses.

The Corporation has awarded several HUD certified housing counseling organizations to provide pre and post purchase housing counseling programs. At September 30, 2021 and 2020, the Corporation has accrued $73 and $5, respectively, in grant commitments.

Refundable Advances

Refundable advances consists of shared equity, National Foreclosure Mitigation Counseling (NFMC), American Rescue Plan (ARP), and conditional contributions grants for which the conditions have not been met, and uncommitted grants of NFMC and ARP under congressional appropriations. Grants and conditional contributions received in advance for which the conditions have not been met are refundable until those conditions are met. Congressional appropriations for the NFMC and ARP, received but not yet awarded to sub-recipients, are refundable until the awards are made. At September 30, 2021 and 2020, the Corporation has refundable advances totaling to $113,959 and $12,220, respectively.

Deferred Revenue

Deferred revenue consists of training registration fees and unearned contract revenue. Training registration fees and contract revenue received in advance and not yet earned are deferred to the applicable period.

Deferred Rent Liability

The Corporation leases office space under long arrangements which contain rent abatements, escalation clauses and tenant build-out allowances. Rent expense is recognized on a straight-line basis over the life of the underlying lease taking into consideration all such adjustments. The difference between the contractual cash liability and rent expense is recorded as deferred rent liability on the statement of financial position. The liability is amortized as an adjustment to rent expense over the life of the underlying lease.

Net Assets

a) Net Assets Without Donor Restrictions

Net assets without donor restrictions include resources available for general operations of the Corporation, invested primarily in its property and equipment, or designated by the board of directors for a specific use and is not subject to donor-imposed restrictions.

b) Net Assets With Donor Restrictions

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed restrictions. Additionally, some restrictions stipulate that resources be maintained perpetuity but permit the Corporation to expend the income generated in accordance with the provisions of the agreements.

Pass-Through Liability

Under certain agency agreements, the Corporation receives assets from the donor and agrees to use those assets on behalf of or transfer those assets, the return on investment of those assets, or both to a specified beneficiary. When such agency agreements are without variance power, the Corporation records the receipt and disbursement of funds on the statements of financial position as a pass-through liability. Accordingly, there is no impact on the statements of activities for such grants.

Revenue Recognition

The Corporation is funded through several different sources: congressional appropriations, grants and contracts from government agencies, corporations and foundations, contributions, training registration fees, sale of publications and subscriptions, performance of miscellaneous consulting services, and investment income.

Congressional Appropriations - The Corporation's primary source of funding is through congressional appropriations. Without donor restricted congressional appropriations are recognized as contribution revenue without donor restrictions when the legislation is enacted. Appropriations under the NFMC and ARP programs are considered to be conditional contributions and are recognized as refundable advances and recognized as revenue as related program grant commitments are made and allowable operating expenses incurred.

Grants - Grants revenue is comprised of conditional contributions for cost reimbursable federal grants recognized under reimbursement of allowable cost and milestone arrangements on a systematic basis as qualifying costs are incurred or contractual milestones are reached and customer concurrence, if required, has occurred.

Contributions - The Corporation recognizes all unconditional contributed support in the reporting period in which the commitment is made. The Corporation reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. The Corporation also reports investment income on funds with donor restrictions as revenue with donor restrictions. When expenses in accordance with the donors' restrictions are incurred, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Amounts that have not been collected as of year-end are included in contributions receivable in the accompanying statements of financial position. Conditional contributions are recognized when the conditions are substantially met.

The Corporation recognizes revenue when it satisfies a performance obligation by transferring a promised good to, or performing a service for, a customer. The amount of revenue recognized reflects the consideration the Corporation expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not meet the criteria to be considered distinct, the Corporation combines it with other performance obligations until a distinct bundle of goods or services exists. The Corporation expects that the period between when the Corporation transfers goods and services to their customers and when the customers pay for those goods and services will be one year or less. Therefore, the Corporation has elected the practical expedient not to adjust the promised amount of consideration for the effects of a significant financing component. Amounts received in advance of services performed, but not yet earned, are recorded as deferred revenue.

Training Registration Fees - Training registration revenue includes revenue from registrations related to trainings. Performance obligations are satisfied at a point in time, the time of the training, when the services are transferred. Discounts are not offered. Refunds are allowed for registrations within 14 days before the conference. Refunds are not significant. Therefore, no refund liability was recorded. Payment is primarily due at the time of registration.

Contracts – Contract revenue includes placed based training, success measures, and other fee-for-service programs. Contracts revenue is recognized over time as the Corporation incurs time and expense, the input method. Amounts paid in advance are recorded as a liability until the services are provided to the customer.

Publications - For publication fees, the transaction price is the price charged by the Corporation for Realizing the American Dream and Keeping the American Dream publications. These books are sold through a third-party where payment is due when the publication is ordered. The third-party vendor also distributes the publications to the customer for a fee. Upon the customer's purchase of the publication, the Corporation defers the revenue until the date the third-party ships the publication at which time the Corporation's performance obligation has been completed and, as such, the Corporation recognizes revenue at a point in time, on the shipping date. Amounts paid in advance are recorded as a liability until the goods are provided to the customer. Refunds are allowed within 30 days. Refunds are not significant therefore no refund liability was recorded.

Subscriptions - Under the terms of the subscription software license agreement, the Corporation will give the customer access to proprietary software and related resources for a specified period of time, usually one year. Subscription fees are recognized as revenue over the subscription period. The Corporation's performance obligation in the contract is the "stand ready obligation" to provide access to the software for the subscription period. The Corporation providing the "stand ready obligation" for use of the software over the subscription period represents a single performance obligation of which the Corporation expects the customer to receive and consume the benefits of its obligation ratably, and as such, the Corporation recognizes subscription fees ratably over time, the subscription period, using the output method. Refunds may be requested within 90 days of receipt of the order and are reviewed for approval on an individual basis. Refunds are not significant, and therefore no refund liability has been recorded.

Investment Returns, Net - Investment returns are recognized when earned. Unrealized and realized gains and losses and interest and dividends netted against external and direct internal investment expenses are included in the investment returns, net, in the statements of activities.

Functional Allocation of Expenses

Costs of program activities and supporting services are presented on a functional basis. Accordingly, certain direct and indirect expenses have been allocated among the programs and supporting services benefited.

Expenses incurred by Programs, General and Administrative, and Resource Development are directly recorded to their respective departments. The General and Administrative expenses are allocated to programs and resource development based on time and effort. See Note 1 for description of program services and below for description of supporting services.

General and Administrative

In accordance with the National Affordable Housing Act (P.L. 101-625), the Corporation's administrative expenses are consistently held to less than 15% of expenditures. These expenses include the offices of the chief executive officer, the chief operating officer, the chief financial officer and the general counsel as well as the finance, information management, public policy and legislative affairs, human resources, and administrative services units.

Resource Development

This supporting service category includes expenditures which provide the structure necessary to encourage and secure private financial support.

Use of Estimates

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

Income Taxes

The Corporation is exempt from federal income taxes under provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, the Corporation has been classified by the Internal Revenue Service as a publicly supported organization under Section 509(a)(1) of the Internal Revenue Code. The Corporation follows the income tax standard for uncertain tax positions. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Corporation has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Corporation believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Corporation's financial position, results of activities or cash flows. Accordingly, the Corporation has not recorded any reserves or related accruals for interest and penalties for uncertain income tax positions at September 30, 2021 and 2020.

Fair Value

Certain financial instruments are required to be recorded at fair value. Changes in assumptions or estimation methods could affect the fair value estimates; however, management does not believe any such changes would have a material impact on the Corporation's financial condition, results of operations or cash flows. Cash equivalents are recorded at cost, which approximates fair value. The fair values of investments held by the endowment fund are disclosed in Note 9.

Recently Adopted Accounting Pronouncements

In August 2018, the Financial Accounting Standards board (FASB) issued Accounting Standards Update (ASU) No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. The update modifies certain disclosure requirements in Topic 820, *Fair Value Measurement*. Management has adopted this standard during the year ended September 30, 2021. The adoption of this update did not have a material effect on the financial statements.

Recent Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This ASU requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments. For leases with a lease term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize a right-of-use asset or lease liability. A lessee making this accounting policy election would recognize lease expense over the term of the lease, generally in a straight-line pattern. This guidance is effective for financial statements issued for fiscal years beginning after December 15, 2019. Early adoption is permitted. In transition, a lessee and a lessor will recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach includes a number of optional practical expedients. These practical expedients relate to identifying and classifying leases that commenced before the effective date, initial direct costs for leases that commenced before the effective date, and the ability to use hindsight in evaluating lessee options to extend or terminate a lease or to purchase the underlying asset. ASU 2018-11 was issued in June 2018 that also permits entities to choose to initially apply ASU 2016-02 at the adoption date and recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption. ASU 2016-02 is effective for the Corporation's fiscal year 2023. Management is currently evaluating the impact of this ASU on the financial statements.

Notes to Financial Statements (Amounts in $000's)

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU improves the transparency of contributed nonfinancial assets through enhancements to presentation and disclosures. The ASU requires that a nonprofit present contributed nonfinancial assets as a separate line item in the statement of activities apart from contributions of cash or other financial assets. Information that shows the contributed nonfinancial assets disaggregated by category will be required to be disclosed. In addition, the ASU requires that for each type of contributed nonfinancial asset the following will be disclosed: (a) policy (if any) on liquidating rather than using the contributed nonfinancial assets, (b) qualitative considerations on whether the contributed nonfinancial assets were liquidated or used during the reporting period and, if used, a description of how the asset was employed should be included, (c) any donor imposed restrictions related to contributed nonfinancial assets, (d) valuation methods and inputs utilized to determine a fair value measure at initial recognition, and (e) the principal or most advantageous market utilized to calculate fair value if it is a market in which the NFP is restricted by the donor from selling or utilizing the contributed nonfinancial assets. The amendments in the ASU should be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021. Early adoption of the ASU is permitted. Management is currently evaluating the impact of this ASU on the financial statements.

The Corporation has assessed other accounting pronouncements issued or effective during the year ended September 30, 2021 and deemed they were not applicable to the Corporation or are not anticipated to have a material effect on the financial statements.

3. Property and Equipment

Property and equipment consist of the following:

September 30,		**2021**		2020
Computer and software equipment	**$**	**5,564**	$	5,291
Leasehold improvements		**10,055**		10,055
Furniture and fixtures		**1,226**		1,219
Total property and equipment at cost		**16,845**		16,565
Less: accumulated depreciation and amortization		**(14,608)**		(13,657)
Total property and equipment, net	**$**	**2,237**	$	2,908

Depreciation and amortization expense for the years ended September 30, 2021 and 2020 was $951 and $1,322, respectively.

Notes to Financial Statements (Amounts in $000's)

4. Net Assets With Donor Restrictions

At September 30, 2021 and 2020, net assets with donor restrictions consist of the following:

	2021	2020
Purpose restricted:		
Wells Fargo	$ 3,932	$ 7,960
Fifth Third Foundation	1,000	30
RW Johnson	733	-
Scholarship/Endowment	127	124
Morgan Stanley	106	167
American Express	100	-
Republic Services Charitable Foundation	-	879
Kresge	-	248
Capital One	-	53
All others	103	104
Total purpose restricted	6,101	9,565
Perpetual in nature	2,500	2,500
Total net assets with donor restrictions	$ 8,601	$ 12,065

During the years ended September 30, 2021 and 2020, net assets released from donor restrictions consist of the following:

	2021	2020
Purpose restrictions accomplished:		
Wells Fargo	$ 6,974	$ 19,521
Republic Services Charitable Foundation	879	121
Kresge	348	216
RW Johnson	66	16
Morgan Stanley	61	98
Capital One	53	698
Fifth Third Foundation	30	576
Truist Foundation	-	618
JP Morgan	-	290
Bank of the West	-	136
All others	526	123
Total purpose restricted	8,937	22,413
Total net assets released from donor restrictions	$ 8,937	$ 22,413

Notes to Financial Statements (Amounts in $000's)

5. Endowment

The Corporation received $2,500 as part of the 2001 Congressional Appropriation for the purpose of establishing The George Knight Scholarship Endowment and funding Training Institute scholarships. The Endowment funds' principal balances will remain in perpetuity, while interest income from the endowments will be used to fund Training Institute scholarships.

Interpretation of Relevant Law

The board of directors of the Corporation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Corporation classifies as net assets with donor restriction (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment, and (c) accumulations to the donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund remain as net assets with donor restriction until those amounts are appropriated for expenditure by the Corporation. The Corporation reports these funds in accordance with, Endowments of Not-for-Profit Organizations: *Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosures for All Endowment Funds.* These endowment funds are invested in highly rated Federal Agency securities consistent with board policy. The returns on the endowment funds invested have been included in net assets with donor restrictions' investment returns on the statements of activities.

Endowment Net Asset Composition and Changes in Balances

The following table represents the composition of the Corporation's endowment by net asset class and the changes in donor restricted endowment funds at September 30, 2021 and 2020.

	Subject to Spending Policy and Appropriation	Perpetual in Nature	Total
Endowment net assets, September 30, 2019	$ 82	$ 2,500	$ 2,582
Investment income	42	-	42
Amounts appropriated for expenses	-	-	-
Endowment net assets, September 30, 2020	$ 124	$ 2,500	$ 2,624
Investment income	**3**	**-**	**3**
Amounts appropriated for expenses	**-**	**-**	**-**
Endowment net assets, September 30, 2021	**$ 127**	**$ 2,500**	**$ 2,627**

Return Objectives and Risk Parameters

By policy, the endowment fund assets are invested and maintained in a balanced investment program. The primary objective of the board of directors for managing the investment process is to preserve principal and provide reasonable returns. The board of directors consider the combination of broad asset classes; reduction of risk through diversification; and then select the portfolio that may obtain the highest return given an acceptable level of risk within established corporate investment policies.

The endowment assets are invested in a manner that balances the following investing objectives:

1. Capital Preservation: the achievement of adequate investment growth such that the purchasing power of the principal amount of the endowment assets is maintained over a reasonable time horizon.

2. Liquidity: the generation of interest and dividends to provide sufficient cash flow and liquidity to fund distribution requirements.

3. Yield: the achievement of growth in such a manner to protect the endowment assets from excessive volatility in market value from year to year.

Spending Policy

In order to protect the restricted endowments against losses and to ensure relative stability in its annual earnings (which are needed to fund the Training Institute scholarships), management invests the funds in government secured instruments consistent with the Corporation’s investment policies.

6. Capital Corporations

Community Housing Capital: Community Housing Capital is a national intermediary serving as a direct lender to the NeighborWorks® network, providing financing for the development and preservation of single-family and multi-family affordable housing. Grants made by the Corporation to Community Housing Capital amounted to $2,500 for each of the years ended September 30, 2021 and 2020.

NeighborWorks® Capital Corporation: NeighborWorks® Capital Corporation (NWCC) is an independently incorporated tax-exempt nonprofit organization and certified Community Development Financial Institution (CDFI). NWCC serves the NeighborWorks® network by developing and enhancing resources for the acquisition, development, sale, financing or ownership of affordable single-and multi-family properties and commercial projects. Grants made by the Corporation to NWCC amounted to $2,500 for each of the years ended September 30, 2021 and 2020.

7. Commitments and Contingencies

Operating Leases

On June 1, 2013, the Corporation entered into a 10-year lease agreement for its main headquarters office, which expires in May 2023. The lease provides for a tenant improvement allowance of approximately $4,900 and one-year rent abatement. The Corporation also has other lease agreements with regional offices expiring at various times through 2025.

Notes to Financial Statements (Amounts in $000's)

Minimum lease payments under non-cancelable operating leases are as follows:

Years ending September 30,		
2022	$	4,771
2023		3,232
2024		737
2025		511
	$	9,251

Occupancy expense for the years ended September 30, 2021 and 2020, amounted to $3,733 and $4,029, respectively.

The Corporation is party to office equipment leases, primarily for copiers and media production equipment, which typically have a term of 60 months. Equipment lease expense for the years ended September 30, 2021 and 2020, amounted to $153 and $181, respectively. Commitments under noncancelable office equipment operating leases are as follows: $143 in FY2022, $141 in FY2023, and $48 in FY2024.

Commitments and Contingencies

The Corporation enters into contracts for hotel accommodations and meeting space in connection with its National Training Institutes and other significant trainings up to three years in advance of the events. The contracts often carry cancellation penalties which vary in severity inversely to the date cancellation notice is given. At September 30, 2021, the Corporation had nine such contracts in place extending through fiscal 2024. The maximum penalty assuming all contracts were cancelled at the latest possible date is $648 in FY2022, $332 in FY2023, and $111 in FY2024.

The Corporation receives funds from federal sources that are subject to audit by the various awarding agencies. The Corporation has not been informed of any intent to conduct an audit. In the event of such an audit, management does not believe that any material adjustments will be necessary.

As per the Recapture and De-obligation Procedure of the NFMC program, in the event that counseling demand falls short of the goals projected in the Grantee's application and Grant Agreement or in the event that the grantee does not comply with the terms and conditions of the grant as outlined in the Final Funding Announcement, Notice of Intent to Award Funds, and Grant Agreement, the Corporation may recapture funds already distributed to the Grantee and/or rescind its obligation to distribute un-disbursed awarded funds to the grantee. Pursuant to this procedure, subsequent to year-end, some organizations have voluntarily returned funds or requested funds to be de-obligated. In the ordinary course of activities, the Corporation is party to various legal and administrative actions, including employment matters and claims by organizations in the NeighborWorks® network. In the opinion of management, the potential adverse impact of these legal and administrative actions is insignificant to the financial statements of the Corporation.

8. Retirement Plan

The Corporation has a defined contribution retirement plan subject to independent audit which meets the requirements of Section 401(k) of the U.S. Internal Revenue Code. Each eligible participant may enter into a salary deferral agreement with the Corporation in an amount equal to but not less than 1% or more than 75% of his or her compensation for the contribution period capped at the legal allowable maximum dollar deferral. The Corporation matches each eligible participant's pre-tax contributions at 100% up to a maximum of 6%, and this matching contribution is 100% vested. The Corporation may also contribute a discretionary amount equal to 6% of the social security integration level in effect and 11.7% of each eligible participant's compensation in excess of the social security integration level. This discretionary employer contribution to eligible participants has a 5-year vesting schedule as follows: 20% year 2; 40% year 3; 80% year 4; and 100% year 5. Employees may also borrow against their vested benefits. Employees are eligible for both the discretionary and matching contributions after one year of service.

Total retirement plan expense for fiscal years 2021 and 2020 were $3,676 and $3,082, respectively.

9. Fair Value Measurements

A fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value is established by generally accepted accounting principles. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under generally accepted accounting principles are described as follows:

Basis of Fair Value Measurement

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Corporation has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 - Inputs to the valuation methodology include: (1) quoted prices for similar assets or liabilities in active markets; (2) quoted prices for identical or similar assets or liabilities in inactive markets; (3) inputs other than quoted prices that are observable for the asset or liability; and (4) inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Notes to Financial Statements (Amounts in $000's)

The following tables set forth by level, within the fair value hierarchy, the Corporation's short-term investments at fair value as of September 30, 2021 and 2020. Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Balance as of September 30, 2021
Freddie Mac US Bonds Domestic Unsecured	**$ -**	**$ 2,503**	**$ -**	**$ 2,503**
Total	**$ -**	**$ 2,503**	**$ -**	**$ 2,503**

Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Balance as of September 30, 2020
Freddie Mac US Bonds Domestic Unsecured	$ -	$ 2,502	$ -	$ 2,502
Total	$ -	$ 2,502	$ -	$ 2,502

Government securities classified as Level 2 are valued using quoted market prices for similar assets and liabilities in active markets. There are no unfunded commitments at September 30, 2021 and 2020.

10. Separation Plan

The Corporation will provide pay to separated employees under the following involuntary separation conditions:

Severance - position elimination, voluntary early retirement and reduction in force.

Transition Pay - term-limited positions, resignation in lieu of termination for performance-based or for cause terminations, declination to relocate with position move (outside of existing commuting area) or resignation due to other mutual decision to end the employment relationship.

Employees who are terminated for any other reasons (i.e., performance, cause, misconduct) will not be eligible for severance or transition pay.

In the event an employee accepts other employment with the Corporation prior to the date of a position elimination or reduction in force, the employee will not be eligible for severance pay. If an employee is rehired after separation, he or she may be required to reimburse the severance pay on a pro rata basis, based on whether the total number of weeks on severance pay was more than the number of weeks in which the employee was not employed by the Corporation. The method of repayment will be considered on a case-by- case basis. Further, an employee will be considered to have voluntarily resigned and will not be eligible for severance pay if he or she rejects the Corporation's offer of employment within the same commuting area and pay classification prior to separation.

The Corporation entered into separation agreements with three and three employees, for a total of $226 and $26, during the years ended September 30, 2021 and 2020, respectively. As a result of these agreements, the Corporation made payments totaling $164 and $22 during the years ended September 30, 2021 and 2020, respectively. The Corporation entered into separation agreements during the years ended September 30, 2021 and 2020 that cross over into the subsequent year and were accrued at September 30, 2021 and 2020, totaling $62 and $4, respectively.

11. COVID-19

Beginning in late calendar year 2019 and continuing through September 30, 2021, and beyond, the outbreak of the novel coronavirus disease, or COVID-19, has resulted in the declaration of a global pandemic and has adversely affected economic activity across virtually all sectors and industries on a local, national, and global scale. The impact of COVID-19 on the economy and the Corporation's business continues to be a fluid situation.

In response to the COVID-19 pandemic, many state, local and foreign governments have put in place, and others in the future may put in place, quarantines, executive orders, shelter-in place orders, and similar government orders and restrictions in order to control the spread of the disease. Such orders or restrictions, or the perception that such orders or restrictions could occur, have resulted in business closures, work stoppages, slowdowns and delays, work-from-home policies, and travel restrictions, among other effects that could negatively impact productivity and disrupt the Corporation's operations.

Operationally, the Corporation has remained focused on supporting its clients, community, and employees during this time. Through September 30, 2021, the Corporation has not seen a significant adverse impact to the financial position, change in net assets, and cash flows and liquidity as a result of COVID-19. The values of the Corporation's investments have and will fluctuate in response to changing market conditions and impact on the Corporation's liquidity. The ultimate impact of COVID-19 on the business is not estimable at this time and will be largely dependent upon a number of factors outside of the Corporation's control including the extent and duration of the outbreak as well as any mitigating actions which may be undertaken by global governments and the general public.

In addition, while the potential impact and duration of the COVID-19 pandemic on the global economy and the Corporation's business in particular may be difficult to assess or predict, the pandemic has resulted in, and may continue to result in, significant disruption of global financial markets, which could result in a reduction of the Corporation's net reserve fund held in the form of marketable investments, and therefore negatively affect future liquidity.

The global pandemic of COVID-19 continues to rapidly evolve, and the Corporation will continue to monitor the COVID-19 situation closely. The ultimate impact of the COVID-19 pandemic or a similar health epidemic is highly uncertain and subject to change. The Corporation does not yet know the full extent of potential delays or impacts on business, operations, or the global economy as a whole, which makes future results difficult to predict.

On March 27, 2020, the "Coronavirus Aid, Relief, and Economic Security (CARES) Act." The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property.

On December 27, 2020, the Consolidated Appropriations Act, 2021 (the 2020 Act) was passed which includes $900 billion in stimulus relief as a result of the COVID-19 pandemic. Under the 2020 Act, PL# 116-260 the Corporation received $163,000 in core appropriation for fiscal year 2021 and $2,000 for shared equity through fiscal year 2024.

On March 10, 2021, the American Rescue Plan Act of 2021 (the 2021 Act) was passed, a $1.9 trillion stimulus relief package to provide support to individuals and businesses affected by COVID-19. Under the 2021 Act, PL# 117.2 the Corporation received $100,000 through fiscal year 2025.

Management continues to monitor the impact the COVID-19 pandemic could have on the Corporation's operations and financial position in fiscal year 2022.

12. Subsequent Events

Subsequent events were evaluated through April 25, 2022, which is the date the financial statements were available to be issued. There were no events noted that required adjustment or disclosure to these financial statements.

Schedule of Expenditures of Federal Awards

Neighborhood Reinvestment Corporation
(d.b.a. NeighborWorks® America)

Schedule of Expenditures of Federal Awards

Year ended September 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	*Federal Assistance Listing/ Public Law Number*	*Provided to Subrecipients*	*Total Federal Expenditures*
Congressional Appropriations:			
NeighborWorks® National Foreclosure Mitigation Counseling Program	21.U03 / PL# 114.113	$ -	$ 175,879
NeighborWorks® System Program			
FY 2021 Appropriation	21.U01 / PL# 116.260	108,400,221	163,000,000
FY 2019 Shared Equity	21.U02 / PL# 116.6	178,500	497,673
COVID-19 - FY 2021 American Rescue Plan Program	21.U04 / PL# 117.2	-	652,891
Total NeighborWorks® System Program		108,578,721	164,150,564
Total Congressional Appropriations		108,578,721	164,326,443
U.S. Department of Housing and Urban Development:			
Housing Counseling Assistance Program	14.169	2,665,233	2,928,407
Housing Counseling Training Program	14.316	-	1,306,580
Total U.S. Department of Housing and Urban Development		2,665,233	4,234,987
Corporation for National and Community Service:			
Volunteers in Service to America	94.013	-	119,752
Total Expenditures of Federal Awards		$ 111,243,954	$ 168,681,182

See notes to schedule of expenditures of federal awards.

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of Neighborhood Reinvestment Corporation (d.b.a. NeighborWorks® America) (the Corporation) under programs of the federal government for the year ended September 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Corporation, it is not intended to and does not present the statements of financial position, change in net assets or cash flows of the Corporation.

2. Summary of Significant Accounting Policies

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

3. Indirect Cost Rate

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

4. Federal Endowments

The federal endowments listed in the Schedule are administered directly by the Corporation, and balances and transactions relating to these programs are included in the Corporation's financial statements. There were no transactions impacting the endowment balance during 2021.

Independent Auditor's Reports Required by *Government Auditing Standards* and the Uniform Guidance

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Neighborhood Reinvestment Corporation
(d.b.a. NeighborWorks® America)
Washington, D.C.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of **Neighborhood Reinvestment Corporation (d.b.a. NeighborWorks® America)** (the Corporation), which comprise the Corporation's statement of financial position as of September 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 25, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

April 25, 2022

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Independent Auditor's Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors
Neighborhood Reinvestment Corporation
(d.b.a. NeighborWorks® America)
Washington, D.C.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited **Neighborhood Reinvestment Corporation (d.b.a. NeighborWorks® America)'s** (the Corporation) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Corporation's major federal programs for the year ended September 30, 2021. The Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Corporation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Corporation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

BDO USA, LLP

April 25, 2022

Section I – Summary of Auditor's Results

Financial Statements

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

Federal Awards

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

Identification of major federal programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
21.U01 / PL# 116.260	Congressional Appropriation NeighborWorks® System Program FY 2021 Appropriation
21.U02 / PL# 116.6	Congressional Appropriation NeighborWorks® System Program FY 2019 Shared Equity
21.U03 / PL# 114.113	Congressional Appropriation NeighborWorks® National Foreclosure Mitigation Counseling Program
21.U04 / PL# 117.2	Congressional Appropriation NeighborWorks® System Program COVID-19 - FY 2021 American Rescue Plan Program

Dollar threshold used to distinguish between type A and type B programs:	$3,000,000	
Auditee qualified as low-risk auditee?	X yes	______ No

Section II - Financial Statement Findings

There were no findings related to the financial statements which are required to be reported in accordance with generally accepted government auditing standards (GAGAS).

Section III - Federal Award Findings and Questioned Costs

There were no findings or questioned costs for federal awards (as defined in Section 2 CFR 200.516(a) of the Uniform Guidance) that are required to be reported.