

Neighborhood Concepts, Inc. and Subsidiaries

Consolidated Financial Report
December 31, 2023

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Independent Auditor's Report

Board of Directors
Neighborhood Concepts, Inc. and Subsidiaries

Opinion

We have audited the accompanying consolidated financial statements of Neighborhood Concepts, Inc. and its subsidiaries (the Organization), which comprise the consolidated statement of financial position as of December 31, 2023, the related consolidated statements of activities, changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2023, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Mallard Pointe, L.P., a wholly-owned subsidiary, whose statements reflect total assets constituting 23% of consolidated total assets at December 31, 2023, and total revenue constituting 0% of consolidated total revenue for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Mallard Pointe, L.P., is based solely on the report of the other auditors.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 Organization'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 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, 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 Organization'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 Organization'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 consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis rather than to present the financial position, results of operations and cash flows of the individual companies and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Haley & Woods, LLP

Birmingham, Alabama
May 28, 2024

Neighborhood Concepts, Inc. and Subsidiaries

**Consolidated Statement of Financial Position
December 31, 2023**

Assets	
Current assets:	
Cash and cash equivalents	\$ 3,038,989
Accounts receivable	183,068
Other current assets	65,508
Total current assets	<u>3,287,565</u>
Property and equipment, net	3,815,578
Other assets:	
Developer fees receivable	1,582,670
Restricted deposits and funded reserves	71,452
Loan Fund loans receivable, net of allowance for loan loss	5,842,042
Notes receivable – related parties, net	1,036,561
Notes receivable – unrelated parties, net	43,984
Investment in partnerships	3,867
Total other assets	<u>8,580,576</u>
Total assets	<u>\$ 15,683,719</u>
Liabilities and Net Assets	
Current liabilities:	
Accounts payable	\$ 113,298
Current portion of long-term debt	528,854
Total current liabilities	<u>642,152</u>
Long-term liabilities:	
Long-term debt, net of current portion	7,621,689
Tenant deposits held in trust	19,770
Total long-term liabilities	<u>7,641,459</u>
Total liabilities	<u>8,283,611</u>
Net assets:	
Without donor restrictions	7,459,402
With donor restrictions	30,619
Total net assets	<u>7,490,021</u>
Non-controlling interest in subsidiary	(89,913)
Consolidated net assets	<u>7,400,108</u>
Total liabilities and net assets	<u>\$ 15,683,719</u>

See notes to consolidated financial statements.

Neighborhood Concepts, Inc. and Subsidiaries

**Consolidated Statement of Activities
Year Ended December 31, 2023**

Changes in net assets without donor restrictions:	
Revenue:	
Developer and consulting fees	\$ 708,987
Loan fund program revenue	576,487
Asset management fees	114,130
Rental income	6,424
Contributions	5,261
Net assets released from restrictions	168,992
Total revenue	<u>1,580,281</u>
Operating expenses:	
Program services	940,508
Supporting services	
General and administrative	126,546
Fundraising	7,910
Total expenses	<u>1,074,964</u>
Revenue in excess of operating expenses	<u>505,317</u>
Other income (expenses):	
Income from investments in partnerships	55,292
Interest income	52,330
Interest expense	(219,287)
Total other income (expenses)	<u>(111,665)</u>
Change in net assets without donor restrictions	<u>393,652</u>
Changes in net assets with donor restrictions:	
Grant revenue	12,500
Net assets released from restrictions	(168,992)
Change in net assets with donor restrictions	<u>(156,492)</u>
Change in net assets	237,160
Net loss attributable to non-controlling interest	8
Change in net assets attributable to Neighborhood Concepts, Inc. and Subsidiaries	<u>\$ 237,168</u>

See notes to consolidated financial statements.

Neighborhood Concepts, Inc. and Subsidiaries

**Consolidated Statement of Changes in Net Assets
Year Ended December 31, 2023**

	Net Assets Attributable to Neighborhood Concepts, Inc. and Subsidiaries	Non-controlling Interest in Subsidiary	Consolidated Net Assets
Net assets, December 31, 2022	\$ 6,483,117	\$ (89,905)	\$ 6,393,212
Cumulative effect adjustment for change in accounting policy for adoption of FASB ASU 2016-13 (Note 1)	(388,947)	-	(388,947)
Transfer of Mallard Pointe, L.P.'s limited partners interest (Note 1)	1,158,683	-	1,158,683
Increase in net assets	237,168	(8)	237,160
Net assets, December 31, 2023	<u>\$ 7,490,021</u>	<u>\$ (89,913)</u>	<u>\$ 7,400,108</u>

See notes to consolidated financial statements.

Neighborhood Concepts, Inc. and Subsidiaries

**Consolidated Statement of Functional Expenses
Year Ended December 31, 2023**

	Program Services			Total Program Services	Supporting Services		Total
	Housing Program	Advocacy	Economic Development		General and Administrative	Fundraising	
Expenses:							
Accounting	\$ 7,096	\$ 3,196	\$ 9,587	\$ 19,879	\$ 3,196	\$ -	\$ 23,075
Consulting and contract	11,839	339	90,899	103,077	339	-	103,416
Dues and subscriptions	2,622	1,179	7,674	11,475	1,054	-	12,529
Equipment rental	639	639	1,919	3,197	639	-	3,836
Grants	-	-	9,921	9,921	-	-	9,921
Insurance	5,417	5,417	16,495	27,329	5,417	-	32,746
Legal	-	-	6,230	6,230	-	-	6,230
Loan fund program expenses	-	-	2,054	2,054	-	-	2,054
Marketing	1,419	300	7,417	9,136	475	-	9,611
Meetings	496	532	2,970	3,998	1,486	-	5,484
Miscellaneous	310	83	1,854	2,247	670	-	2,917
Office supplies	3,525	1,155	5,191	9,871	7,815	-	17,686
Payroll taxes	7,961	2,481	12,362	22,804	5,878	-	28,682
Provision for loan losses	-	-	321,212	321,212	-	-	321,212
Repairs and maintenance	5,333	5,333	16,000	26,666	6,474	-	33,140
Resident services	4,253	-	-	4,253	-	-	4,253
Salary, wages, and benefits	114,720	35,262	177,050	327,032	76,577	7,910	411,519
Taxes and licenses	1,993	306	1,667	3,966	4,304	-	8,270
Telephone and communication	1,419	1,419	4,257	7,095	1,529	-	8,624
Training and education	2,625	149	1,411	4,185	149	-	4,334
Travel	3,752	1,927	4,059	9,738	-	-	9,738
Utilities	914	914	2,740	4,568	914	-	5,482
Total before depreciation	176,333	60,631	702,969	939,933	116,916	7,910	1,064,759
Depreciation	-	-	575	575	9,630	-	10,205
Total expenses	\$ 176,333	\$ 60,631	\$ 703,544	\$ 940,508	\$ 126,546	\$ 7,910	\$ 1,074,964

See notes to consolidated financial statements.

Neighborhood Concepts, Inc. and Subsidiaries

Consolidated Statement of Cash Flows Year Ended December 31, 2023

Cash flows from operating activities:	
Change in net assets	\$ 237,160
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	10,205
Amortization of deferred financing costs	3,089
Provision for loan losses (Loan Fund)	321,212
Interest accrued on notes receivable – related parties	(18,278)
Gain from investments in partnerships	(55,292)
(Increase) decrease in:	
Accounts receivable	(48,929)
Grant receivable	(2,500)
Other current assets	(19,411)
Developer fees receivable	(458,987)
(Decrease) increase in:	
Accounts payable	(54,845)
Net cash used in operating activities	<u>(86,576)</u>
Cash flows from investing activities:	
Proceeds from certificates of deposit	601,936
Purchases of property and equipment	(8,920)
Issuance of Loan Fund loans receivable	(1,900,331)
Payments received on Loan Fund loans receivable	1,017,740
Issuance of notes receivable – related parties	(69,430)
Payments received on notes receivable – related parties	119,416
Increase due to transfer of Mallard Pointe, L.P.'s limited partners interest	83,613
Payments for Mallard Pointe, L.P.'s limited partners interest	(9,401)
Distributions received from investments in partnerships	62,785
Net cash used in investing activities	<u>(102,592)</u>
Cash flows from financing activities:	
Proceeds from the issuance of long-term debt	1,992,810
Principal payments on long-term debt	(869,970)
Payments for deferred financing costs	(16,548)
Net cash provided by financing activities	<u>1,106,292</u>
Increase in cash, cash equivalents and restricted cash	917,124
Cash, cash equivalents and restricted cash at beginning of year	<u>2,193,317</u>
Cash, cash equivalents and restricted cash at end of year	<u>\$ 3,110,441</u>
Supplemental disclosure of cash flow information:	
Cash paid for interest	<u>\$ 216,849</u>

See notes to consolidated financial statements.

Neighborhood Concepts, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies

Nature of organization: Neighborhood Concepts, Inc. (the Parent or NCI) was formed as a non-profit organization in 1988. NCI's wholly owned subsidiaries are described below. Neighborhood Concepts, Inc. and Subsidiaries' (the Organization) mission is to strengthen communities through the advancement of equitable housing and economic pathways so all may thrive. The Organization is supported primarily by grants and fee income from its affordable housing development and revolving loan fund activity. Since 1997, the Organization has met the requirements to be considered a Community Housing Development Organization (CHDO) and is eligible to apply to the City of Huntsville Development Department for HOME Investment Partnership program funds under the CHDO set-aside. The Organization is also recognized as a CHDO by Alabama Housing Finance Authority in Madison County.

NCI's wholly owned subsidiaries include North Alabama Revolving Loan Fund, LLC (Loan Fund), a U.S. Treasury certified Community Development Financial Institution (CDFI) that provides business loans to support economic development in north Alabama and Mallard Pointe, L.P. (Mallard Pointe), which owns and operates two multi-family rental housing development properties named Hunters Landing Apartments (50 units) and Quail Ridge Apartments (24 units) for low and moderate income residents in Arab, Alabama. NCI's wholly owned subsidiaries also include the following real estate entities that invest in for-profit affordable housing limited partnerships and limited liability companies:

- Franklin Housing, LLC
- Grove at Indian Creek, LLC
- NBA, Inc.
- NCI Aiken Housing, LLC
- NCI Ashley Villas, LLC
- NCI Clarkston, LLC
- NCI Countryside Villas, LLC
- NCI Flint River, LLC
- NCI Greenbriar, LLC
- NCI Grove at Indian Creek, LLC
- NCI Hounds Run, LLC
- NCI Indian Creek, LLC
- NCI LaFayette Village, LLC
- NCI Old Monrovia, Inc.
- NCI Quail Run, LLC
- NCI Timberline, LLC
- Spring Branch, LLC

The Organization is also a 79% managing member in Mallard Pointe Partners, LLC. Mallard Pointe Partners, LLC, as its sole investment, is a 0.01% non-controlling general partner in Mallard Pointe. The 21% not owned by the Organization of (\$89,913) as of December 31, 2023, is reflected as non-controlling interest in subsidiary as a component of net assets in the accompanying consolidated statement of financial position. Effective December 31, 2023, Mallard Pointe's limited partners transferred their interest to NCI, resulting in Mallard Pointe becoming a wholly owned subsidiary. Net assets increased by \$1,158,683 after intercompany accounts were eliminated.

The Organization is also a 50% member in Common Ground LLC, a developer entity, which is the developer of record for Cottages at Indian Creek, LLC (Cottages). Cottages developed an apartment complex to own and operate. Common Ground, LLC was active in Cottages' development activities during 2023 and earned developer fees, as more fully described in Note 4.

Neighborhood Concepts, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Principles of consolidation: The consolidated financial statements include the accounts of the subsidiaries mentioned above because the Organization has both control and an economic interest. All significant intercompany accounts and transactions have been eliminated in consolidation. Unless otherwise noted, these consolidated entities are hereinafter referred to as "the Organization."

Cash, cash equivalents and restricted cash: All cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, are considered to be cash and cash equivalents.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated statement of financial position to the sum of the corresponding amounts within the consolidated statements of cash flows:

Cash and cash equivalents	\$ 3,038,989
Restricted cash:	
Replacement reserve	41,189
Security deposits	20,948
Taxes and insurance	9,315
	<u>\$ 3,110,441</u>

Accounts and developer fees receivable: Receivables are carried at original invoice amount or contract amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. Management determined that an allowance for doubtful accounts was not necessary as of December 31, 2023.

Property and equipment: The Organization records property and equipment additions over \$1,000 at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 40 years. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended December 31, 2023.

Loan Fund loans receivable and allowance for loan losses: Loan Fund loans receivable are stated at the principal amount outstanding, net of deferred loan fees, if any, and allowance for loan losses. Interest income on loans is accrued on the principal outstanding at the loans' stated interest rate. Direct origination costs, if significant, would be deferred and amortized using the effective interest method over the respective lives of the related loans and recorded as an adjustment to loan fees revenue. At December 31, 2023, direct origination costs were not deemed significant.

When payment is 90 days late, the loan is placed on non-accrual status, meaning that interest no longer accrues on the loan balance and the next payment will be directed to outstanding principal. Once enough

Neighborhood Concepts, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

payments are made to bring the loan to a current status, the loan is returned to an accrual status. At December 31, 2023, there were two borrowers that were placed on non-accrual status.

The allowance for loan losses is a valuation reserve that management believes will be adequate to absorb possible losses on existing loans that may become uncollectible. It is established through a provision for loan losses charged to expense. In addition, loans deemed to be uncollectible are charged against the allowance. Subsequent recoveries, if any, are credited to the allowance. The allowance is based upon management's periodic review of the collectability of loans and is maintained at a level believed adequate by management to absorb estimated potential losses after considering changes in internal and external factors, past loss experience, the nature and volume of the loan portfolio and current economic conditions.

The allowance consists of specific and general components. The specific component relates to loans that would be classified impaired. For such loans, an allowance would be established when the discounted cash flows of the impaired loan is lower than the carrying value of that loan. A loan would be considered impaired when, based on current information and events, it is probable that Loan Fund would be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, if any, and the probability of collecting scheduled principal and interest payments when due. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is generally measured on a case-by-case basis using the fair value of the collateral less estimated costs to collect, if the loan is collateral dependent, and the present value of expected future cash flows discounted at the loan's effective interest rate. As of December 31, 2023, no Loan Fund loans receivable were considered impaired.

The general component of the Organization's allowance for loan loss is based on the weighted average remaining maturity ("WARM") method, which simplifies the quantitative calculation of estimated expected credit losses by using an average annual charge-off rate that is determined using historical loss information. In order to calculate estimated expected credit losses at the statement of financial position date, the WARM method requires the Organization to multiply the annual charge-off rate by the estimated amortized cost basis of a pool of loans receivable over the pool's remaining contractual term, adjusted for prepayments. Qualitative adjustments may be necessary in order to compensate for the method's simplifying assumptions. The Loan Fund has a limited loss history from which to develop a robust lifetime loss rate that is based upon the actual experience of the Loan Fund. This is the result of several factors including: losses have been limited from a historical perspective given the portfolio has been grown slowly over the years; the product offering has not changed materially over many years; the Loan Fund requires collateral and personal guarantees to secure loans and provide a secondary source of repayment; and the Loan Fund has had stable credit quality standards in place that has limited losses over time. Given the limited loss experience of the Loan Fund, industry losses were sourced as a replacement for Loan Fund loss data. The Loan Fund used an industry loss rate of 4.68% provided by the National Credit Union Association (NCUA), which is based upon call report data that is filed with regulators using loss data for balance sheets of \$2 million to \$10 million in size. Considering several qualitative adjustments, including the fact that the loan loss rate for the Loan Fund has historically been below 1.0%, the Organization estimated a lifetime loss rate of 3.00%. As part of the lifetime loss analysis the WARM is calculated for the Commercial Loan Portfolio. The industry data at large utilized aggregated data from NCUA call report data. Without adjustments, the industry WARM is 2.96 years. When considering the Loan Fund portfolio, the WARM is 4.46 years. An upwards adjustment of 1.50 years was made to align the WARM to the Loan Fund commercial loan portfolio. Additionally, management has determined that the current and

Neighborhood Concepts, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

reasonable and supportable forecasted economic conditions are consistent with the economic conditions included in the historical information. As a result, the historical loss rates have not been adjusted for differences in current conditions or forecasted changes. Accordingly, the allowance for loan losses at December 31, 2023 totaled \$958,340.

Changes in the allowance for loan losses for Loan Fund loans receivable are as follows for the year ended December 31:

Allowance for loan losses, beginning of year	\$ 426,745
Cumulative effect adjustment for change in accounting policy	388,947
Provision for loan losses	321,212
Charge-offs	(178,564)
Allowance for loan losses, end of year	<u>\$ 958,340</u>

NCI notes receivable – related and unrelated parties: NCI notes receivable from related and unrelated party affordable housing partnerships and limited liability companies are stated at unpaid principal balances plus accrued interest, net of an allowance for loan losses. As of December 31, 2023 management determined that all notes receivable from related and unrelated parties were collectible and an allowance for loan losses was not necessary. Interest on performing loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding. The risk of loss on notes receivable is the difference between the loan amount and the market value of the collateral at the time of loan loss determination. Management determines the allowance for loan losses on notes receivable by identifying troubled notes and by reviewing borrower financial information. Notes receivable are written off when deemed uncollectible.

Investments in partnerships: In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 970-323, Real Estate-General, Investments – Equity Method and Joint Ventures, a non-profit organization with a more than minor interest in a for-profit real estate partnership, a for-profit real estate limited liability company, or similar for-profit real estate entity shall report its non-controlling interest in such an entity using the equity method. As such, the Organization's investments in partnerships are accounted for under the equity method, in which the Organization's share of net income or loss from the partnerships are directly reflected in the consolidated statement of activities, and the investment accounts are adjusted for its share of the net income or loss, and any additional investment in or distributions from the partnerships.

Debt issuance costs: Debt issuance costs are amortized over the period the related obligation is outstanding using the straight-line method, which is a reasonable estimate of the effective interest method. Debt issuance costs are included within long-term debt in the consolidated statements of financial position. Amortization of debt issuance costs is included in interest expense in the accompanying consolidated financial statements.

Net assets: Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. As of December 31, 2023, the board of directors has designated, from net assets without donor restrictions, \$225,000 in net assets for an operating reserve and \$150,000 for future debt services.

Neighborhood Concepts, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) restrictions. Some donor (or grantor) restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. The Organization reports conditional contributions restricted by donors as increases in net assets without donor restrictions if the restrictions and conditions expire simultaneously in the reporting period. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service.

Revenue and Revenue recognition: The Organization receives support from asset management fees, contributions, developer and consulting fees, grants, loan fund program revenue, consisting of interest earned on loans receivable and loan fees, and rental income. Amounts received for asset management fees and consulting are recognized during the period of service. Developer fees are recognized when performance obligations in the related limited partnership agreements are met. Contributions are recognized when the donor makes a commitment for the promise to give to the Organization that is, in substance, unconditional. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Grants are recorded and recognized as revenue when the grant funds are received or unconditionally pledged if there is no performance requirement in the grant agreement. At that time, any grantor restrictions are considered. In accordance with industry guidance and prevailing practice for CDFI's, revenue from CDFI and other lending program grants are recognized as revenue and support when the funds are awarded. For any grant agreements that include performance obligations, the Organization determines when the performance obligation(s) will be met (i.e., at a certain point in time or over time). Revenue is recognized accordingly when the related performance obligation is met. Funds from grants with a performance requirement which are received in advance are recorded as deferred revenue, and then recognized as revenue when performance requirements are met. Interest income on loans is accrued on the principal outstanding at the loans' stated interest rate. Rental revenue is principally derived from tenants through rental payments provided under operating leases. Rental income is recognized for unit rentals as it accrues on a straight-line basis over the terms of the related leases. Tenant leasing arrangements are generally one-year lease terms. Advance receipts of rental income are deferred and classified as liabilities until earned.

Functional allocation of expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statement of activities and in the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the program services and general and administrative services benefited based on a percentage method.

Income taxes: NCI is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code except for net revenue derived from any unrelated business activities. NCI is not a private foundation. NCI files a tax return in the United States (U.S.) federal jurisdiction. The Loan Fund is considered a disregarded entity and included in NCI's tax return.

NCI's subsidiaries, with the exception of the entities listed below, are limited partnerships and limited liability companies and have elected to be treated as pass-through entities for income tax purposes and, as such, are not subject to income taxes. Franklin Housing, LLC, NBA, Inc., NCI Aiken Housing, LLC, NCI Clarkston, LLC, NCI Flint River, LLC, NCI Grove at Indian Creek, LLC, NCI Indian Creek, LLC, NCI Old

Neighborhood Concepts, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Monrovia, Inc. and Spring Branch, LLC have elected to be taxed as corporations for federal income tax purposes. All related taxes paid by these corporations, if any, are included in taxes and licenses on the accompanying consolidated statement of activities. The other subsidiaries' taxable income or loss and tax credits are allocated to partners/members in accordance with their respective percentage ownership and are reported by their owners on their respective income tax returns. Therefore, no provision or liability for income taxes for these subsidiaries has been included in the consolidated financial statements.

Management believes that each entity has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the consolidated financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires the Organization to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Financial instruments and credit risk: The Organization manages deposit concentration risk by placing cash and money market accounts with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. Insured accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank, for each account ownership category. As of December 31, 2023, the Organization had \$1,421,412 in excess of FDIC insurance limits. To date, the Organization has not experienced losses in any of these accounts. Credit risk associated with accounts receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from related parties.

Recent accounting pronouncement adopted: In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The model replaces the probable, incurred loss model for those assets and broadens the information a CDFI must consider in developing its expected credit loss estimate for assets measured at amortized cost. On January 1, 2023, the Organization adopted ASU No. 2016-13 and recorded a cumulative effect adjustment in relation to the change in accounting policy of \$388,947 which also resulted in a decrease of loans receivable, net of allowance for loan loss by \$388,947 as of January 1, 2023.

Subsequent events: Subsequent events have been evaluated through May 28, 2024 (See note 14), which is the date the consolidated financial statements were available for issuance.

Neighborhood Concepts, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 2. Liquidity

As of December 31, 2023, the Organization had financial assets available within one year of the statement of financial position date for general expenditure as follows:

Cash	\$ 3,038,989
Accounts receivable	183,068
	<u>3,222,057</u>
Less those unavailable for general expenditures within one year, due to:	
Donor-imposed restrictions	(30,619)
	<u>\$ 3,191,438</u>

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, operating revenue generated throughout the year is budgeted to cover general operating expenditures. To help manage unanticipated liquidity needs, the Organization has a committed line of credit totaling \$600,000, which it could draw upon for operations.

Note 3. Developer Fees Receivable and Related Revenue

The following summarizes developer fees receivable and related revenue due to the Organization, and are collateralized by the underlying rental properties, as of December 31, 2023:

Old Monrovia:

The Organization provided developer consulting services to ECG Old Monrovia, LP, which is constructing a 198-unit apartment complex. The Organization is a non-controlling general partner through its wholly owned subsidiary, NCI Old Monrovia, Inc. NCI's portion of the developer fees earned to date as of December 31, 2023 was \$1,361,833. The outstanding balance of the fee is required to be repaid from capital contributions and any balance from available cash flow, as defined, or proceeds from the sale or refinancing of all or any portion of the real property owned by ECG Old Monrovia, LP.

\$ 1,251,433

Cottages at Indian Creek, LLC:

The Organization is a member of Common Ground, LLC that provided developer consulting services to Cottages at Indian Creek, LLC, which owns and operates a 56-unit apartment complex. The Organization is the non-controlling managing member through its wholly owned subsidiary, NCI Indian Creek, LLC. NCI's portion of the developer fee was \$578,078, which was fully earned in 2022 when the project was completed. The outstanding balance of the fee is required to be repaid from the final capital contributions and any balance from available cash flow, as defined, or proceeds from the sale or refinancing of all or any portion of the real property owned by Cottages at Indian Creek, LLC.

227,328

Spring Branch, Ltd.:

The Organization entered into an agreement with Spring Branch, Ltd., to be the developer for Spring Branch Apartments, a 70-unit multifamily apartment complex. The Organization is a non-controlling general partner through its wholly owned subsidiary, Spring Branch, LLC. NCI's portion of the developer fee was \$908,533, which was fully earned in 2013 when the project was completed. The outstanding balance of the fee is required to be repaid solely from available cash flow, as defined, or proceeds from the sale or refinancing of all or any portion of the real property owned by Spring Branch, Ltd.

103,909

Total

\$ 1,582,670

Neighborhood Concepts, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 4. Property and Equipment

Property and equipment consisted of the following as of December 31, 2023:

Land	\$ 335,000
Land improvements	62,100
Buildings and improvements	5,759,757
Furniture and equipment	54,881
Computer equipment and software	13,172
Less accumulated depreciation	<u>(2,409,332)</u>
Total	<u>\$ 3,815,578</u>

Note 5. Loan Fund Loans Receivable

Through its wholly owned subsidiary, Loan Fund, the Organization has several secured loans receivable from small businesses with maturity dates ranging from one year to less than 12 years and fixed interest rates ranging from 3% to 12% as of December 31, 2023. Loan Fund uses a risk rating system to establish interest rates for each loan. The rate is indexed to Wall Street Journal Prime plus mark-up based on risk rating score; as prime changes so does the range of rates. Principal and interest payments are due during the term of the loans with lump sum repayments of any remaining principal due upon maturity. Interest on these loans is calculated using the simple interest method on principal amounts outstanding. All the notes are personally guaranteed by the owners of the small businesses. \$3,877,520 was receivable in one to five years and \$2,922,862 was receivable in six to 11 years. As of December 31, 2023, the balance of all the small business loans was \$6,800,382, net of an allowance for loan losses of \$958,340.

Loan origination/risk management: Loan Fund has lending policies and procedures in place that are designed to provide business loans to support economic development in north Alabama within an acceptable level of risk. Management reviews and updates these policies and procedures on a regular basis. The Board of Directors approves any changes to policies. A reporting system supplements the review process by providing management with monthly, quarterly, and annual reports related to loan quality, loan delinquencies, and non-performing and potential problem loans.

Age analysis of past due loans: The following table represents an aging of principal balances of loans with past due amounts and principal balances that are current as to principal and/or interest payments contractually due as of December 31, 2023.

30 – 59 days past due	\$ 44,739
60 – 89 days past due	527,828
90+ days	<u>173,190</u>
Total past due	745,757
Current	6,054,625
Less allowance for loan losses	<u>(958,340)</u>
Total	<u>\$ 5,842,042</u>

Neighborhood Concepts, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 6. Notes Receivable – Related Parties

The following summarizes the notes receivable, which includes accrued interest, net of an allowance for loan losses, due to the Organization, and are collateralized by the underlying rental properties, as of December 31, 2023:

Longleaf Senior Village, LP:

NCI has a note receivable in the original amount of \$350,000, with Longleaf Senior Village, LP. NCI Aiken Housing, LLC, as its sole investment, is a 0.0051% non-controlling co-general partner in Longleaf Senior Village, LP. The note accrues interest at an annual rate of 0.5% and all principal and interest are due upon maturity on November 5, 2034. As of December 31, 2023, interest receivable was \$16,259 and is expected to be collected.

	\$ 366,259
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Common Ground, LLC

NCI has non-interest bearing notes receivable totaling \$316,005, from Common Ground, LLC receivable on demand.

	316,005
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Cottages at Indian Creek, LLC:

NCI has a note receivable in the original amount of \$300,000, with Cottages at Indian Creek, LLC. NCI Indian Creek, LLC, as its sole investment, is a 0.0100% non-controlling member in Cottages at Indian Creek, LLC. The note accrues interest at an annual rate of 5% and all principal and interest are due upon the earlier of the maturity on December 27, 2052 or the sale, conveyance or refinancing of the Property. As of December 31, 2023, interest receivable was \$15,167 and is expected to be collected.

	315,167
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Spring Branch, Ltd:

NCI has a non-interest bearing note receivable in the amount of \$39,130, from Spring Branch, Ltd., to be paid solely from available cash flow and due September 30, 2033.

	<u>39,130</u>
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Total	<u>\$ 1,036,561</u>
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Note 7. Notes Receivable – Unrelated Parties

Sunrise Incorporated: NCI has a note receivable in the original amount of \$43,984, from Sunrise Incorporated, an unrelated party. During 2014, the loan was restructured to be non-interest bearing. As of December 31, 2023, the balance of the note receivable was \$43,984. The note is due upon the earlier of December 31, 2030 or the point of any sale or refinance of the real estate known as Sunrise Gardens.

Neighborhood Concepts, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 8. Investment Deficit in Partnerships

The Organization has invested in partnerships that are operating, developing or renovating low to moderate-income housing. The investments are accounted for under the equity method, in which the Organization's share of net income or loss from the partnerships are directly reflected in the consolidated statement of activities, and the investment accounts are adjusted for its share of the net income or loss, and any additional investment in or distributions from the partnerships. Due to the Organization's continuing involvement in the partnerships where NCI serves as a general partner and expected commitment and legal obligation to provide future deficit funding, if necessary, losses in excess of the amount invested will continue to be recognized. Partnerships where NCI serves as a limited partner, NCI has no responsibility or legal obligation to fund any future deficits. The general partner in those partnerships have all the risk and responsibility for future deficits and obligations, therefore, these investments will not recognize any losses.

The following summarizes the activity that has occurred in the investment account:

Partnership	Partner Type	Wholly Owned Subsidiary	Ownership %	Beginning of Year	Contribution (Distribution)	Income (Loss)	End of Year
Ashley Road Affordable Housing, Ltd.	Limited Partner	NCI Ashley Villas, LLC	99.8900%	\$ -	\$ -	\$ -	\$ -
Clarkston Square, LP	Non-controlling GP	NCI Clarkston, LLC	0.0100%	7,444	(18,449)	18,432	7,427
Common Ground, LLC	Member	NCI	50.0000%	(5,569)	(500)	(6,839)	(12,908)
Conners Senior Village, LP	Non-controlling GP	CSV Housing, LLC owned 100% by NBA, Inc.	0.0100%	(5,335)	-	(11)	(5,346)
Cottages at Indian Creek, LLC	Member	NCI Indian Creek, LLC	0.0100%	(64)	-	(41)	(105)
ECG Monrovia, LP	Non-controlling GP	NCI Old Monrovia, Inc.	0.0020%	-	-	(10)	(10)
Flint Rivers, LP	Non-controlling GP	NCI Flint River LLC	0.0100%	7,518	(33,025)	33,008	7,501
Franklin Hills, LP	Non-controlling GP	Franklin Housing, LLC	0.0007%	7,579	(9,438)	9,423	7,564
Grove at Indian Creek, LLC	Member	NCI Grove at Indian Creek, LLC	100.0000%	-	-	-	-
Headland Affordable Housing Partners, Ltd	Limited Partner	NCI Countryside Villas, LLC	99.9800%	-	-	-	-
Hounds Run Apartment Homes, LLC	Investor member	NCI Hounds Run, LLC	99.0000%	-	-	-	-
LaGrange Affordable Housing, L	Limited Partner	NCI Lafayette Village, LLC	1.0000%	-	(1,373)	1,373	-
Longleaf Senior Village, LP	Non-controlling GP	NCI Aiken Housing, LLC	0.0051%	(25)	-	(8)	(33)
Spring Branch, Ltd.	Non-controlling GP	Spring Branch, LLC	0.0100%	(188)	-	(35)	(223)
Tallassee Affordable Housing, Ltd.	Limited Partner	NCI Quail Run, LLC	1.0000%	-	-	-	-
Theodore Apartment Homes, LLC	Investor member	NCI Greenbriar, LLC	99.0000%	-	-	-	-
Thomasville Apartment Homes, LLC	Investor member	NCI Timberline, LLC	85.9900%	-	-	-	-
				\$ 11,360	\$ (62,785)	\$ 55,292	\$ 3,867

Neighborhood Concepts, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 9. Long-Term Debt

The following summarizes long-term debt as of December 31, 2023:

NCI note payable to Bank of the Ozarks. The note is non-interest bearing, secured and the full amount of the note will be forgiven so long as the terms and provisions of the loan agreement are fulfilled and the restriction provisions of the retention mechanism agreement is complied with for the 15-year retention period ending July 21, 2031. Upon any default, interest shall begin accruing at an increased rate of 5% with principal and interest payments due from the time of default, and amortizing the remaining indebtedness over the remainder of and amortizing the remaining indebtedness over the remainder of the 15-year compliance period, which began November 5, 2014.	\$ 350,000
NCI assignment of Cottages at Indian Creek, LLC's \$300,000 note receivable to Truist Community Capital. Conditions of the \$300,000 note stipulate that interest accrues at an annual rate of 5.00%, as defined in the promissory agreement. The note will be forgiven so long as the terms and provisions of the loan agreement are fulfilled and the restriction provisions of the retention mechanism agreement is complied with for the 15-year retention period ending December 27, 2037.	315,167
NCI note payable to Rice Land & Development, a developer. Principal on this non-interest bearing note shall be payable solely from developer fees due to the Organization in accordance with the terms of a promissory note receivable in the amount of \$138,909 between the Organization and Spring Branch, Ltd.	51,954
Loan Fund note payable to Redstone Federal Credit Union, bearing interest at a fixed interest rate of 3.56%. Principal payments in the amount of \$27,000 plus interest are due monthly until final loan maturity in June 2028.	2,667,096
Loan Fund unsecured commercial loan with Woodforest National Bank, bearing interest at 5% per annum. Interest only payments are due and payable monthly until final loan maturity in May 2026.	1,000,000
Loan Fund convertible line of credit note payable to PNC Bank, bearing interest at 2.861% per annum. Interest only payments are due and payable quarterly through the loan's maturity in December 2027.	760,000
Loan Fund note payable to the City of Huntsville, bearing interest at 3.00% per annum. Principal and interest payments in the amount of \$40,523 are due quarterly until final loan maturity in September 2027.	572,873
Loan Fund note payable to The PNC Foundation, bearing interest at .5% per annum. Quarterly interest only payments are due through the loan's maturity date of December 2025.	500,000
Loan Fund unsecured commercial loan with Appalachian Community Capital Corporation, bearing interest at 2.94% per annum. Interest only payments are due through the loan's maturity date in August 2027.	500,000
Loan Fund unsecured commercial loan with Appalachian Community Capital Corporation, bearing interest at 2.75% per annum. Interest only payments are due through the loan's maturity date in April 2028.	500,000
Loan Fund unsecured, revolving line of credit payable to Candence Bank. Interest only payments are due and payable monthly through May 2024, bearing interest at a floating rate of the greater of 3.50% or the Wall Street Journal (WSJ) Prime Rate, capped at 5.50% (5.50% at December 31, 2023). Principal and interest payments are due monthly thereafter at a fixed rate of WSJ Prime plus 1% (determined at time of conversion) until final loan maturity in April 2031.	250,000
Loan Fund note payable to Federation of Appalachian Housing Enterprises, Inc., bearing interest at 4.5% per annum. Principal and interest payments in the amount of \$1,586 are due monthly until final loan maturity in December 2025.	225,165
Loan Fund note payable to Debley, Inc., bearing interest at 3.00% per annum. Interest only payments are due and payable annually until final loan maturity in August 2026.	100,000
Mallard Pointe note payable to Rural Development, bearing interest at 5.625% per annum and payable in monthly installments of \$2,816, including principal and interest, until maturity in March 2035. Collateralized by Hunters Landing Apartments' land, building, cash, receivables and income.	287,350
Mallard Pointe note payable to Rural Development, bearing interest at 5.625% per annum and payable in monthly installments of \$2,059, including principal and interest, until maturity in March 2035. Collateralized by Quail Ridge Apartments' land, building, cash, receivables and income.	210,121
	8,289,726
Less: current maturities	(528,854)
Less: unamortized deferred financing costs	(139,183)
Total	<u>\$ 7,621,689</u>

Neighborhood Concepts, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 9. Long-Term Debt (Continued)

Maturities of the mortgage notes are as follows:

Year Ending December 31:	
2024	\$ 528,854
2025	1,255,979
2026	1,647,276
2027	1,776,018
2028	1,948,202
Thereafter	1,133,397
	<u>\$ 8,289,726</u>

Note 10. Available Lines of Credit

NCI has a line of credit with Synovus Bank maturing in January 2025 that is typically renewed annually. The line of credit maximum funding amount is \$600,000. As of December 31, 2023, there was no outstanding balance on the note. The Organization pays interest on the outstanding balance at the lender's prime rates, which was 8.50% at December 31, 2023. The loan is collateralized by accounts receivable of the Organization.

The Loan Fund has a \$750,000 revolving line of credit with Federation of Appalachian Housing Enterprises, Inc. bearing interest at 5.25% annually, subject to adjustment on each anniversary date of the note (December 13) but not to exceed .50% per adjustment. Monthly interest only payments due until maturity date of January 1, 2026. As of December 31, 2023, there was no outstanding balance on the note.

Note 11. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes:

Dotts Scholarship Fund	\$ 11,350
Regions Bank Small Business Capacity Building	10,000
NTEN - Digital Inclusion	4,936
Woodforest Bank Portfolio Management	2,500
Wells Fargo Open for Business Grant for Lending Capital	1,833
	<u>\$ 30,619</u>

Note 12. Net Assets Released from Restrictions

Net assets were released from donor restrictions during the year ended December 31, 2023 by satisfying specified donor restricted purposes as follows:

Lending to small businesses	\$ 146,492
Portfolio management software	22,500
Total	<u>\$ 168,992</u>

Neighborhood Concepts, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 13. Concentrations

Geographic concentration: The Organization has investments in partnerships located in Huntsville, Arab, Montgomery, Headland, Tallassee, Theodore, and Thomasville, Alabama, as well as Villa Rica, Georgia, and Aiken, South Carolina. Future operations of these partnerships could be affected by changes in the economic or other conditions in those geographical areas or by changes in federal low-income housing subsidies, changes in CHDO or HUD funding directives, rules and regulations. Such changes may occur with little notice and could cause inadequate funding to pay for the related costs, including the additional administrative burden to comply with a change. These potential future changes are uncertain, and accordingly, it is not possible to determine the ultimate impact on the operations of the Organization.

Note 14. Subsequent Events

In March 2024, NCI purchased land on Verona Avenue in Huntsville, Alabama for \$435,000 for future development.

In May 2024, NCI secured a loan with Synovus Bank for \$408,000 bearing interest at a fixed rate of 8.06% with a maturity date of May 3, 2026. The loan is collateralized by the Verona Avenue land noted above.

Neighborhood Concepts, Inc. and Subsidiaries

Consolidating Statement of Financial Position

December 31, 2023

	Neighborhood Concepts, Inc.	North Alabama Revolving Loan Fund, LLC	Mallard Pointe, L.P.	Total	Eliminations	Consolidated
Assets						
Current assets:						
Cash and cash equivalents	\$ 469,270	\$ 2,557,558	\$ 12,161	\$ 3,038,989	\$ -	\$ 3,038,989
Accounts receivable	176,249	1,684	5,135	183,068	-	183,068
Other current assets	21,254	969	43,285	65,508	-	65,508
Total current assets	666,773	2,560,211	60,581	3,287,565	-	3,287,565
Property and equipment, net	346,873	2,570	3,466,135	3,815,578	-	3,815,578
Other assets:						
Developer fees receivable	1,582,670	-	-	1,582,670	-	1,582,670
Restricted deposits and funded reserves	-	-	71,452	71,452	-	71,452
Loan Fund loans receivable, net of allowance for loan loss	-	5,842,042	-	5,842,042	-	5,842,042
Notes receivable – related parties, net	3,095,718	-	-	3,095,718	(2,059,157)	1,036,561
Notes receivable – unrelated parties, net	43,984	-	-	43,984	-	43,984
Investment in partnerships	(32,609)	-	-	(32,609)	36,476	3,867
Total other assets	4,689,763	5,842,042	71,452	10,603,257	(2,022,681)	8,580,576
Total assets	\$ 5,703,409	\$ 8,404,823	\$ 3,598,168	\$ 17,706,400	\$ (2,022,681)	\$ 15,683,719
Liabilities and Net Assets						
Current liabilities:						
Accounts payable	\$ 13,795	\$ 74,254	\$ 25,249	\$ 113,298	\$ -	\$ 113,298
Current portion of long-term debt	-	496,910	31,944	528,854	-	528,854
Total current liabilities	13,795	571,164	57,193	642,152	-	642,152
Long-term liabilities:						
Long-term debt, net of current portion	717,121	6,564,765	5,712,496	12,994,382	(5,372,693)	7,621,689
Tenant deposits held in trust	-	-	19,770	19,770	-	19,770
Total long-term liabilities	717,121	6,564,765	5,732,266	13,014,152	(5,372,693)	7,641,459
Total liabilities	730,916	7,135,929	5,789,459	13,656,304	(5,372,693)	8,283,611
Net assets:						
Without donor restrictions	5,043,620	1,257,061	(2,191,291)	4,109,390	3,350,012	7,459,402
With donor restrictions	18,786	11,833	-	30,619	-	30,619
Total net assets	5,062,406	1,268,894	(2,191,291)	4,140,009	3,350,012	7,490,021
Non-controlling interest in subsidiary	(89,913)	-	-	(89,913)	-	(89,913)
Consolidated net assets	4,972,493	1,268,894	(2,191,291)	4,050,096	3,350,012	7,400,108
Total liabilities and net assets	\$ 5,703,409	\$ 8,404,823	\$ 3,598,168	\$ 17,706,400	\$ (2,022,681)	\$ 15,683,719

Neighborhood Concepts, Inc. and Subsidiaries

Consolidating Statement of Activities Year Ended December 31, 2023

	Neighborhood Concepts, Inc.	North Alabama Revolving Loan Fund, LLC	Mallard Pointe, L.P.	Total	Eliminations	Consolidated
Changes in net assets without donor restrictions:						
Revenue:						
Developer and consulting fees	\$ 708,987	\$ -	\$ -	\$ 708,987	\$ -	\$ 708,987
Loan fund program revenue	-	576,487	-	576,487	-	576,487
Asset management fees	114,130	-	-	114,130	-	114,130
Rental income	6,424	-	-	6,424	-	6,424
Contributions	5,261	-	-	5,261	-	5,261
Miscellaneous	24,000	-	-	24,000	(24,000)	-
Net assets released from restrictions	22,500	146,492	-	168,992	-	168,992
Total revenue	881,302	722,979	-	1,604,281	(24,000)	1,580,281
Operating expenses:						
Program services	270,684	693,824	-	964,508	(24,000)	940,508
Supporting services						
General and administrative	126,546	-	-	126,546	-	126,546
Fundraising	7,910	-	-	7,910	-	7,910
Total expenses	405,140	693,824	-	1,098,964	(24,000)	1,074,964
Revenue in excess of (less than) operating expenses	476,162	29,155	-	505,317	-	505,317
Other income (expenses):						
Income from investments in partnerships	55,254	-	-	55,254	38	55,292
Interest income	7,500	44,830	-	52,330	-	52,330
Interest expense	(500)	(218,787)	-	(219,287)	-	(219,287)
Total other income (expenses)	62,254	(173,957)	-	(111,703)	38	(111,665)
Change in net assets without donor restrictions	538,416	(144,802)	-	393,614	38	393,652
Changes in net assets with donor restrictions:						
Grant revenue	12,500	-	-	12,500	-	12,500
Net assets released from restrictions	(22,500)	(146,492)	-	(168,992)	-	(168,992)
Change in net assets with donor restrictions	(10,000)	(146,492)	-	(156,492)	-	(156,492)
Change in net assets	528,416	(291,294)	-	237,122	38	237,160
Net loss attributable to non-controlling interest	8	-	-	8	-	8
Change in net assets attributable to Neighborhood Concepts, Inc. and Subsidiaries	\$ 528,424	\$ (291,294)	\$ -	\$ 237,130	\$ 38	\$ 237,168
Net assets, beginning of year	\$ 4,465,327	\$ 1,927,885	\$ -	\$ 6,393,212	\$ -	6,393,212
NCI contribution to NARLF	(21,250)	21,250	-	-	-	-
Cumulative effect adjustment for change in accounting policy for adoption of FASB ASU 2016-13 (Note 1)	-	(388,947)	-	(388,947)	-	(388,947)
Transfer of Mallard Pointe, L.P.'s limited partners interest	-	-	(2,191,291)	(2,191,291)	3,349,974	1,158,683
Increase in net assets	528,416	(291,294)	-	237,122	38	237,160
Net assets, end of year	\$ 4,972,493	\$ 1,268,894	\$ (2,191,291)	\$ 4,050,096	\$ 3,350,012	\$ 7,400,108