



**NATIONAL COUNCIL ON AGRICULTURAL
LIFE AND LABOR RESEARCH, INC.
DOVER, DELAWARE**

**REPORT ON AUDIT
OF FINANCIAL STATEMENTS**

SEPTEMBER 30, 2019

NATIONAL COUNCIL ON AGRICULTURAL LIFE AND LABOR RESEARCH, INC. AND SUBSIDIARY

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INDEPENDENT AUDITOR'S REPORT

February 12, 2020

To the Board of Directors
National Council on Agricultural Life and
Labor Research, Inc. and Subsidiary
Dover, Delaware

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of National Council on Agricultural Life and Labor Research, Inc. (a nonprofit organization) and Subsidiary ("NCALL"), which comprise the consolidated statement of financial position as of September 30, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements,

To the Board of Directors
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Labor Research, Inc. and Subsidiary

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NCALL as of September 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, in 2019, NCALL adopted the provisions of Financial Accounting Standards Board Accounting Standards Update 2016-14. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited NCALL's September 30, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 31, 2019. In our opinion, the summarized comparative information presented herein as of and the for the year ended September 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of financial position and schedule of activities - NeighborWorks® America Capital Fund are presented for purposes of additional analysis and are not a required part of the financial statements. 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* ("Uniform Guidance"), is presented for purposes of additional analysis and is also not a required part of the financial statements. Such information is the responsibility of

To the Board of Directors
National Council on Agricultural Life and
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management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to 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 February 12, 2020 on our consideration of NCALL'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 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 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 NCALL's internal control over financial reporting and compliance.

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP

**NATIONAL COUNCIL ON AGRICULTURAL LIFE AND LABOR RESEARCH, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2019 AND 2018**

	2019	2018
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,669,046	\$ 4,195,916
Cash and cash equivalents - loan fund	5,828,531	2,899,686
Accounts receivable	3,875	179,133
Grants receivable	161,028	230,511
Investments	1,249,457	1,047,441
Prepaid expense	1,444	14,065
Loans receivable, net of allowance for loan losses of \$1,701,455 for 2019 and \$1,252,620 for 2018	14,008,106	10,518,277
Total Current Assets	24,921,487	19,085,029
NONCURRENT ASSETS:		
Property and equipment	2,073,099	1,630,159
Less: Accumulated depreciation	(510,247)	(510,830)
Net property and equipment	1,562,852	1,119,329
Assets held for sale	1,241,892	503,675
Other real estate owned property	1,111,088	-
Loans receivable, net of allowance for loan losses of \$639,045 for 2019 and \$687,880 for 2018	5,261,436	12,233,754
Investments	176,219	384,148
Total Noncurrent Assets	9,353,487	14,240,906
TOTAL ASSETS	\$ 34,274,974	\$ 33,325,935
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 83,383	\$ 23,105
Accrued payroll	115,186	219,407
Accrued compensated absences	130,427	130,527
Accrued interest	31,264	31,264
Deferred revenue	9,810	18,380
Notes payable for loan fund	3,000,000	300,000
Other current liabilities	64,197	69,458
Total Current Liabilities	3,434,267	792,141
NONCURRENT LIABILITIES:		
Notes payable for loan fund	14,325,000	17,075,000
Total Noncurrent Liabilities	14,325,000	17,075,000
TOTAL LIABILITIES	17,759,267	17,867,141
NET ASSETS		
Without donor restriction:		
Undesignated	14,234,007	13,222,661
Designated for operating reserve	1,000,000	900,000
Designated for building reserve	140,000	130,000
Designated for working capital reserve	150,000	150,000
Designated for succession reserve	100,000	100,000
Designated for compensated absences	130,427	130,527
Total Without Donor Restriction	15,754,434	14,633,188
With donor restriction:		
Due to purpose	408,273	325,606
In perpetuity	353,000	500,000
Total With Donor Restriction	761,273	825,606
TOTAL NET ASSETS	16,515,707	15,458,794
TOTAL LIABILITIES AND NET ASSETS	\$ 34,274,974	\$ 33,325,935

The accompanying notes are an integral part of these financial statements.

NATIONAL COUNCIL ON AGRICULTURAL LIFE AND LABOR RESEARCH, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019
(With Summarized Totals for 2018)

	Without Donor Restriction	With Donor Restriction	Totals	
			2019	2018
PUBLIC SUPPORT, REVENUE, AND GAINS				
Public Support:				
Grants and contracts	\$ 526,302	\$ 3,201,593	\$ 3,727,895	\$ 3,922,995
Contributions	85,666	92,001	177,667	329,805
Total Public Support	<u>611,968</u>	<u>3,293,594</u>	<u>3,905,562</u>	<u>4,252,800</u>
Revenue:				
Interest income - investments	24,147	-	24,147	11,234
Interest income - loans	1,201,322	-	1,201,322	1,073,371
Fee income	500,240	-	500,240	590,456
Other	5,930	-	5,930	4,529
Total Revenue	<u>1,731,639</u>	<u>-</u>	<u>1,731,639</u>	<u>1,679,590</u>
Gains:				
Unrealized gain on investments	21	-	21	898
Net assets released from restriction:				
Satisfaction of program restrictions	3,357,927	(3,357,927)	-	-
TOTAL PUBLIC SUPPORT, REVENUE, AND GAINS	<u>5,701,555</u>	<u>(64,333)</u>	<u>5,637,222</u>	<u>5,933,288</u>
 EXPENSES AND LOSSES				
Program Services:				
Self-Help Housing	463,792	-	463,792	456,578
Farmworker Housing Technical Assistance	92,714	-	92,714	85,660
Farmworker Emergency Housing Assistance	-	-	-	10,303
Rural Community Development Initiative: Delaware	87,771	-	87,771	92,231
Real Estate Development	128,850	-	128,850	165,104
Restoring Central Dover	273,651	-	273,651	278,498
Housing Counseling	466,938	-	466,938	458,948
Foreclosure Prevention	202,144	-	202,144	186,984
National Foreclosure Mitigation Counseling	32,778	-	32,778	39,751
Stand By Me Financial Coaching	295,051	-	295,051	308,386
Loan Fund	1,647,881	-	1,647,881	1,311,736
Total Program Services	<u>3,691,570</u>	<u>-</u>	<u>3,691,570</u>	<u>3,394,179</u>
Support Services:				
Management and general	570,265	-	570,265	515,758
Development	235,275	-	235,275	369,951
Fund raising	83,199	-	83,199	79,092
Total Support Services	<u>888,739</u>	<u>-</u>	<u>888,739</u>	<u>964,801</u>
TOTAL EXPENSES	<u>4,580,309</u>	<u>-</u>	<u>4,580,309</u>	<u>4,358,980</u>
 LOSSES				
Losses on the sale on assets held for sale	-	-	-	130,055
TOTAL LOSSES	<u>-</u>	<u>-</u>	<u>-</u>	<u>130,055</u>
 TOTAL EXPENSES AND LOSSES	<u>4,580,309</u>	<u>-</u>	<u>4,580,309</u>	<u>4,489,035</u>
 CHANGE IN NET ASSETS	1,121,246	(64,333)	1,056,913	1,444,253
 NET ASSETS, BEGINNING OF YEAR	<u>14,633,188</u>	<u>825,606</u>	<u>15,458,794</u>	<u>14,014,541</u>
 NET ASSETS, END OF YEAR	<u>\$15,754,434</u>	<u>\$ 761,273</u>	<u>\$16,515,707</u>	<u>\$15,458,794</u>

The accompanying notes are an integral part of these financial statements.

NATIONAL COUNCIL ON AGRICULTURAL LIFE AND LABOR RESEARCH, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2019
(With Summarized Totals for 2018)

	Program Services						Total Program Services
	Housing Counseling	Foreclosure Prevention	National Foreclosure Mitigation Counseling	Stand By Me Financial Coaching	Loan Fund		
EXPENSES:							
Salaries	\$ 352,792	\$ 147,323	\$ 23,942	\$ 201,886	\$ 389,346	\$ 1,703,127	
Payroll taxes	26,027	10,113	1,627	14,414	28,930	125,046	
Pension	12,444	5,323	908	9,115	10,799	60,149	
Other employee benefits	40,682	32,331	6,301	35,535	43,690	231,653	
Total Salaries and Related Expenses	431,945	195,090	32,778	260,950	472,765	2,119,975	
Accounting and audit fees	-	-	-	-	7,895	7,895	
Consultant fees	-	-	-	-	80,598	167,390	
Consumables	424	103	-	247	1,913	3,714	
Credit report charges	14,566	-	-	19,980	-	34,546	
Depreciation	-	-	-	-	1,850	1,850	
Dues/registration/training	4,082	544	-	1,489	22,335	43,443	
Equipment and maintenance	794	794	-	709	3,342	7,181	
Insurance	-	-	-	-	10,940	13,512	
Interest expense	-	-	-	-	542,519	542,519	
Internet and technical services	1,645	780	-	99	5,489	20,163	
Janitorial services and supplies	-	-	-	-	-	-	
Legal fees	-	-	-	-	13,755	13,755	
Loan participation fees	1,131	-	-	-	21,121	23,672	
Marketing	1,295	-	-	735	1,000	4,082	
Miscellaneous	-	-	-	-	16,036	16,036	
Office supplies	156	-	-	-	755	1,167	
Printing and postage	80	68	-	764	607	2,060	
Property tax/maintenance expenses	-	-	-	-	-	-	
Provision for loan losses	-	-	-	-	400,000	400,000	
Publications	-	-	-	-	-	-	
Special projects	-	-	-	-	-	-	
Telephone	995	-	-	4,033	2,529	9,623	
Travel and per diem	9,825	4,765	-	6,045	42,432	164,615	
Utilities	-	-	-	-	-	-	
Subtotal	466,938	202,144	32,778	295,051	1,647,881	3,691,570	
Allocation of indirect costs	77,759	33,256	5,320	47,737	140,172	473,382	
Allocation of occupancy costs	8,400	4,502	718	3,540	9,600	38,244	
TOTAL EXPENSES	\$ 553,097	\$ 239,902	\$ 38,816	\$ 346,328	\$ 1,797,653	\$ 4,203,196	

Continued on next page.

NATIONAL COUNCIL ON AGRICULTURAL LIFE AND LABOR RESEARCH, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2019
(With Summarized Totals for 2018)

	Support Services				Total Support Services
	Management and General	Development	Fundraising	2019	
EXPENSES:					
Salaries	\$ 274,768	\$ 117,223	\$ 65,826	\$ 2,160,944	\$ 2,199,493
Payroll taxes	19,769	9,105	5,100	159,020	163,747
Pension	7,167	-	2,700	70,016	54,870
Other employee benefits	37,026	1,320	6,093	276,092	271,288
Total Salaries and Related Expenses	338,730	127,648	79,719	2,666,072	2,689,398
Accounting and audit fees	18,730	-	-	26,625	25,880
Consultant fees	6,777	21,592	-	195,759	174,811
Consumables	20,628	2,508	-	26,850	25,046
Credit report charges	-	-	-	34,546	37,795
Depreciation	1,286	37,706	-	40,842	40,171
Dues/registration/training	40,670	902	1,892	86,907	69,941
Equipment and maintenance	23,252	-	-	30,433	25,318
Insurance	18,663	-	-	32,175	32,277
Interest expense	-	-	-	542,519	532,570
Internet and technical services	34,586	-	-	54,749	34,766
Janitorial services and supplies	5,931	-	-	5,931	9,157
Legal fees	90	376	-	14,221	8,440
Loan participation fees	-	-	-	23,672	20,862
Marketing	2,469	-	132	6,683	3,313
Miscellaneous	4,135	10,918	-	31,089	15,326
Office supplies	1,473	-	-	2,640	2,358
Printing and postage	11,016	-	-	13,076	15,593
Property tax/maintenance expenses	9,484	-	-	9,484	20,290
Provision for loan losses	-	-	-	400,000	250,000
Publications	1,641	-	-	1,641	1,810
Special projects	-	30,219	-	124,591	160,907
Telephone	7,280	-	-	16,903	14,980
Travel and per diem	11,344	3,406	1,456	180,821	135,902
Utilities	12,080	-	-	12,080	12,069
Subtotal	570,265	235,275	83,199	4,580,309	4,358,980
Allocation of indirect costs	(530,887)	57,505	-	-	-
Allocation of occupancy costs	(39,378)	1,134	-	-	-
TOTAL EXPENSES	\$ -	\$ 292,780	\$ 84,333	\$ 4,580,309	\$ 4,358,980

The accompanying notes are an integral part of these financial statements.

NATIONAL COUNCIL ON AGRICULTURAL LIFE AND LABOR RESEARCH, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,056,913	\$ 1,444,253
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	40,842	40,171
Provision for loan losses	400,000	250,000
Losses on sale of assets held for sale	-	130,055
Proceeds from the sale of assets held for sale	-	317,518
Cash paid developing assets held for sale	(738,217)	(877,907)
Unrealized gain on investments	(21)	(898)
Decrease (Increase) in loans receivable	2,058,882	(2,411,834)
Decrease (Increase) in accounts receivable	175,258	(177,590)
Decrease (Increase) in grants receivable	69,483	(55,922)
Decrease in prepaid expense	12,621	13,065
Increase in other real estate owned property	(87,481)	-
Increase (Decrease) in accounts payable	60,278	(12,908)
(Decrease) Increase in accrued payroll	(104,221)	111,757
(Decrease) Increase in accrued compensated absences	(100)	7,010
Increase in accrued interest	-	3,857
(Decrease) Increase in deferred revenue	(8,570)	6,190
Decrease in funds held for others	-	(300,000)
(Decrease) Increase in other current liabilities	(5,261)	10,539
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	2,930,406	(1,502,644)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale of investments	1,047,441	1,210,402
Purchase of investments	(1,041,507)	(1,228,776)
Purchase of property and equipment	(484,365)	-
NET CASH USED BY INVESTING ACTIVITIES	(478,431)	(18,374)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt	250,000	750,000
Proceeds from line of credit	-	260,000
Repayment of line of credit	-	(260,000)
Repayment of long-term debt	(300,000)	(400,000)
NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES	(50,000)	350,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,401,975	(1,171,018)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	7,095,602	8,266,620
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 9,497,577	\$ 7,095,602
CASH AND CASH EQUIVALENTS	\$ 3,669,046	\$ 4,195,916
CASH AND CASH EQUIVALENTS - LOAN FUND	5,828,531	2,899,686
	\$ 9,497,577	\$ 7,095,602
NONCASH INVESTING ACTIVITY:		
Repossession of other real estate owned property	\$ 1,023,607	\$ -
SUPPLEMENTAL INFORMATION:		
Interest paid	\$ 542,519	\$ 528,713
Taxes paid	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

NATIONAL COUNCIL ON AGRICULTURAL LIFE AND LABOR RESEARCH, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 GENERAL

The National Council on Agricultural Life and Labor Research, Inc. ("NCALL") was organized in 1955 as a nonprofit corporation and has been providing housing technical assistance and affordable housing services since 1976. NCALL competes for funding in the form of contracts, grants, and cooperative agreements from the federal, state, and private sectors when it is available. The mission of the Organization, simply put, is:

"To promote affordable housing, improved communities, and sustainable development. To that end, we seek to:

- Educate and empower customers to achieve their housing goals and improve their finances.
- Develop affordable housing and strengthen the capacity of other nonprofit housing organizations.
- Provide innovative lending and services targeted to affordable housing and community development.
- Increase public awareness about housing needs and resources, and advocate for improved public policy."

NCALL is governed by a 15-member Board of Directors from the Organization's service area.

NCALL was chartered as a NeighborWorks® America ("NWA") Organization in 2003. The affiliation with NWA requires ongoing reporting and regular management reviews. NCALL maintained its "Exemplary" rating, and NWA last conducted a program review in May 2018 which resulted in NCALL exceeding or meeting all evaluation criteria. It also provides opportunities for grant and capital funding, along with training slots for NWA's training institutes. NCALL is one of only two organizations within Delaware with the NeighborWorks® designation.

NCALL was certified as a Community Development Financial Institution ("CDFI") during fiscal year 2005 by the U.S. Department of Treasury. As of September 30, 2019, this certification was in good standing.

As a CDFI, NCALL participates in the Comprehensive Ratings for CDFI Investments (Aeris) annual review and rating process. The process is a positive experience and yields a substantial report and current rating of three stars for impact performance, a rating of AA for financial strength and performance, and a Policy Plus designation.

In July 2019, Hearn Ownership, LLC was created to purchase, or in any way acquire including acquisitions at foreclosure sale, for investment or for sale, development, or otherwise, lands, contracts for the purchase or sale of lands, buildings, improvements, personal property, and

NATIONAL COUNCIL ON AGRICULTURAL LIFE AND LABOR RESEARCH, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

any other real or personal property of any kind. NCALL is the sole corporate member of Hearn Ownership, LLC, which has a fiscal year end of December 31.

Principles of Consolidation

The consolidated financial statements include the accounts of the NCALL and its wholly owned subsidiary. The Board of Directors of NCALL and its wholly owned subsidiary are substantially identical. Significant interorganizational accounts and transactions have been eliminated.

Basis of Accounting

The financial statements of the NCALL have been prepared on the accrual basis of accounting as required by accounting principles generally accepted in the United States of America ("generally accepted accounting principles").

Financial Statement Presentation

In accordance with the section of the Financial Accounting Standards Board's Accounting Standards Codification ("FASB ASC") regarding financial statements of not-for-profit organizations, NCALL is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction. In addition, NCALL is required to present a statement of cash flows.

Recognition of Donor Restrictions

Donor-restricted support is reported as an increase in net assets with donor restriction. When a restriction expires, net assets with donor restriction are reclassified to net assets without donor restriction.

Net Assets with Donor Restriction

Net assets with donor restriction include funds restricted by funding sources. NCALL reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, purpose restriction is accomplished, or the donor releases the restriction, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restriction.

Cash and Cash Equivalents

For purposes of the statement of cash flows, NCALL considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

NATIONAL COUNCIL ON AGRICULTURAL LIFE AND LABOR RESEARCH, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Investments

Investments are reported at fair value. Donated securities also are reported at fair value as of the date of receipt. All realized and unrealized gains and losses arising from fluctuations in market values, sales, or other disposition of assets are accounted for in the class of net assets that owns the assets.

Level 1 – Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets.

Level 2 – Financial assets valued using Level 2 inputs are based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

The fair value of the investments with the Delaware Community Foundation are determined based on observable market factors not included in Level 1, such as quoted market prices for similar assets or liabilities in an active or nonactive market. NCALL's portion of the investment pool is valued by the Delaware Community Foundation on a monthly basis. The investments in the pool are actively traded and valued using quoted market prices. However, since the investments are pooled funds, they are designated as Level 2 investments.

Level 3 – Financial assets valued using Level 3 inputs are determined by valuation methodologies that are unobservable and significant to the fair value measurements.

Grants and Accounts Receivable

Grants and accounts receivable are stated at unpaid balances. Receivables are considered impaired if full principal payments are not received in accordance with the payment terms. Grants and accounts receivable are considered by management to be fully collectible and, accordingly, no allowance for grants and accounts receivable losses has been recorded as of September 30, 2019.

Loans Receivable

Loans receivable represent funds advanced to qualified organizations that have a primary mission of affordable housing and/or community development. Loans are stated at unpaid principal balances less an allowance for loan losses. The allowance for loan losses is estimated to be five percent of the outstanding loan balance plus any amounts known to be uncollectible and additional amounts determined by management based on the loan's internal risk rating. Past due status is determined based on contractual terms.

Loans are considered impaired if full principal or interest payments are not anticipated in accordance with the contractual terms. Loans are written off as a charge to the allowance for loan losses when, in management's estimation, it is probable that the receivable is worthless. Loan security is outlined in the promissory notes.

NATIONAL COUNCIL ON AGRICULTURAL LIFE AND LABOR RESEARCH, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding. Loan origination and commitment fees are not material to the financial statements and are recognized as revenue when the loan closes.

Loans receivable are placed on nonaccrual status when management believes, after considering economic conditions, business conditions, and collection efforts that the loans are impaired or collection of interest is doubtful. Uncollected interest previously accrued is charged off or an allowance is established by a charge to provision for loan losses. Interest income on nonaccrual loans is recognized only to the extent cash payments are received.

Assets Held for Sale

Assets held for sale are valued at the lower of cost or market. Toward the end of fiscal year 2016, NCALL began construction of its first "for sale" home within the Restoring Central Dover footprint. The sale of homes is recognized net of the value of the asset held for sale. Grant revenues received to supplement project costs are recognized separately.

Property and Equipment

NCALL capitalizes all expenditures for property in excess of \$5,000. Property and equipment are stated at cost at date of acquisition or fair market value at date of donation. Property and equipment are depreciated on the straight-line method over the estimated service lives of the respective assets. Estimated service lives for furniture and equipment are five to ten years. The estimated service lives for the buildings and building improvements are five to fifty years. Expenditures for maintenance, repairs, minor renewals, and betterments which do not improve or extend the useful life of the respective asset are expensed.

Other Real Estate Owned

Foreclosed real estate includes both formally foreclosed property and in-substance foreclosed property. In-substance foreclosed properties are those properties for which the institution has taken physical possession, regardless of whether formal foreclosure proceedings have taken place.

At the time of foreclosure, foreclosed real estate is recorded at the fair value less cost to sell, which becomes the property's new basis. Any write-downs based on the asset's fair value at date of acquisition are charged to the allowance for uncollectible accounts. After foreclosure, valuations are periodically performed by management and property held for sale is carried at the lower of the new cost basis or fair value less cost to sell. Costs incurred in maintaining foreclosed real estate and subsequent adjustments to the carrying amount of the property are included in income or loss on foreclosed real estate.

NATIONAL COUNCIL ON AGRICULTURAL LIFE AND LABOR RESEARCH, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Income Taxes

NCALL is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to NCALL's tax-exempt purpose may be subject to taxation as unrelated business income.

Generally accepted accounting principles prescribe rules for the recognition, measurement, classification, and disclosure in the financial statements of uncertain tax positions taken or expected to be taken in NCALL's tax returns. Management has determined that NCALL does not have any uncertain tax positions or associated unrecognized benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that NCALL's tax returns will not be challenged by the taxing authorities and that NCALL will not be subject to additional tax, penalties, and interest as a result of such challenge.

Advertising

NCALL expenses the production costs of advertising when incurred. Advertising expense is classified as marketing expense in the statement of functional expenses.

Allocation of Functional Expenses

The costs of providing the programs and other activities have been summarized on a functional basis in the statement of activities. Whenever possible, costs are directly assigned to the program functions using the direct identification method based on the nature of the expense. Accordingly, certain costs have been allocated among the functions utilizing NCALL's indirect cost rate as further explained in Note 8.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Prior Year Financial Statements

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with NCALL's financial statements for the year ended September 30, 2018, from which the summarized information was derived.

NATIONAL COUNCIL ON AGRICULTURAL LIFE AND LABOR RESEARCH, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Implementation of FASB ASU 2016-14

During the year ended September 30, 2019, NCALL implemented Financial Accounting Standards Board Accounting Standards Update ("FASB ASU") 2016-14. FASB ASU 2016-14 provides new and expanded guidance for financial reporting for not-for-profit entities. The implementation of FASB ASU 2016-14 has resulted multiple changes to NCALL's financial reporting. Net assets are now categorized in two categories; net assets with donor restriction and net assets without donor restriction. NCALL has added additional disclosures related to its financial liquidity and the availability of financial assets for general expenditure within one year from each statement of financial position date.

This accounting guidance has been implemented retrospectively; however, the implementation of this guidance did not require restatement of prior accounting period balances.

NOTE 3 PROGRAM ACTIVITIES

A description of NCALL's programs are listed below and on the pages that follow.

RHS Self-Help Housing Technical and Management Assistance Contract (Self-Help Housing)

NCALL is funded by the Rural Housing Service, USDA, to provide technical and management assistance and training to new and operating self-help housing grantees throughout the 21-state northeast region. The region extends from Virginia north to New England and west to Minnesota. NCALL is responsible for providing technical and management assistance in construction, accounting, scheduling, and housing development to local self-help housing programs. NCALL also is called upon to conduct training, publish newsletters, and help resolve problems. NCALL is operating under a five-year contract which started in April 2018.

Farmworker Housing Technical Assistance

NCALL is a member of the Southeast Housing Consortium ("SEHC"), which is a group of nonprofit organizations specializing in rural and farmworker housing. Members of the SEHC are subgrantees of a grant awarded by the U.S. Department of Labor ("DOL") Employment and Training Administration, operated under the authority of the Workforce Investment Act ("WIA"), Section 167. Florida Non-Profit Housing, Inc. ("FNPH") serves as grantee/lead agency for the SEHC, with responsibility for monitoring subgrantee activities. The SEHC's goals are to eliminate substandard housing and alleviate excessive housing cost for agricultural workers. Under the allowable activities of the grant program, NCALL provides technical assistance to nonprofit organizations who develop or preserve farmworker housing on the Delmarva Peninsula. Services can include packaging housing financing applications, housing development assistance, and problem solving.

NATIONAL COUNCIL ON AGRICULTURAL LIFE AND LABOR RESEARCH, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 PROGRAM ACTIVITIES (cont'd)

Rural Community Development Initiative - Delaware

NCALL competed for and received a three-year USDA Rural Community Development Initiative ("RCDI") grant to provide organizational development and rental housing development assistance to Better Homes of Seaford and Millsboro Housing for Progress in Delaware. A three-year RCDI grant was awarded which began in September 2017 and will operate to September 2020.

Real Estate Development

Real estate development includes the development and construction of single-family housing and multi-family apartments. NCALL is purchasing lots and building for-sale homes in the Restoring Central Dover footprint. Four houses were built during fiscal year 2019, and additional building lots continue to be purchased. NCALL continues to successfully package LIHTC apartment projects and associated financing for other nonprofit sponsors. The single and multi-family housing work is supported by developer fees and grants.

Restoring Central Dover

NCALL is the lead organization for a neighborhood planning and revitalization initiative for downtown Dover and chairs the steering committee. The implementation phase started mid-fiscal year 2015 with a five-year Wells Fargo Regional Foundation Implementation Grant. Implementation of the plan is being carried out by NCALL staff, the steering committee, and five work groups in the areas of housing, safety, economic development, community engagement, and transportation/infrastructure.

Housing Counseling

NCALL is funded by grants and fees from a variety of financial institutions and governmental entities to assist low and moderate-income families to become first-time homebuyers throughout Delaware. The education and counseling provided by NCALL enables families to become more knowledgeable about the home buying and mortgage approval process, while helping families prepare financially for the step to homeownership. NCALL assists qualified families to obtain affordable home mortgage financing, including down payment and settlement assistance. The program also assists families with budget and financial management, submission of mortgage applications, understanding homeownership responsibilities, and the settlement process, all through group workshop sessions and individual counseling.

Foreclosure Prevention

NCALL provides mortgage default and foreclosure prevention services in Delaware and is funded primarily by fees from the Delaware State Housing Authority. Services include individual

NATIONAL COUNCIL ON AGRICULTURAL LIFE AND LABOR RESEARCH, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 PROGRAM ACTIVITIES (cont'd)

counseling and offering remedies and support. NCALL assists families in seeking modified mortgages that are more affordable and sustainable. The Organization participates in Delaware's Foreclosure Mediation Program.

National Foreclosure Mitigation Counseling

NeighborWorks® America provides funding support for foreclosure prevention work through its National Foreclosure Mitigation Counseling ("NFMC"). NCALL applied for funding directly to NeighborWorks® and supplemental funding was provided in 2019. Funding is provided by reimbursements for levels of counseling services on a fee basis.

Stand By Me Financial Coaching

NCALL is one of the nonprofit providers of financial coaching services for Kent County and Sussex County, Delaware under the Stand By Me financial coaching program implemented by the Delaware Financial Empowerment Partnership. As such, NCALL hires financial coaches to work with a variety of venues within Central and Southern Delaware, such as Dover Downs serving its employees, Delaware Technical & Community College serving students, and Public Housing serving the residents. NCALL signs an annual memorandum of understanding with United Way of Delaware for each year, which is providing the majority of funding for this service.

Loan Fund

NCALL is certified as a Community Development Financial Institution and a Community Development Entity by the U.S. Department of Treasury. These certifications reflect the authority of the Loan Fund to offer additional products and services to better address the affordable housing, community development, economic development, and nonprofit credit needs of its customer base. A committee of six NCALL Board Members or Board-approved appointees oversees the Loan Fund and is responsible for recommending policies and the loan approval process. NCALL's Board of Directors is responsible for Loan Fund governance.

NCALL has been actively seeking capital, investment, and loan participations while building Loan Fund infrastructure to address the substantial community development demand. Experienced staff managing the fund includes a loan fund director, manager, servicer, and loan officers. The Loan Fund received a substantial AERIS rating of three stars for impact performance, a rating of AA for financial strength and performance, and a Policy Plus designation.

NOTE 4 INVESTMENTS

Investments consist of certificates of deposit with original maturities of more than three months. The fair value of these investments using Level 2 inputs as of September 30, 2019 amounted

NATIONAL COUNCIL ON AGRICULTURAL LIFE AND LABOR RESEARCH, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 INVESTMENTS (cont'd)

to \$1,403,918. Interest accrues at rates ranging from 0.35 percent to 2.62 percent. As of September 30, 2019, \$1,249,457 of the certificates of deposit were due within one year. NCALL is also invested in the Delaware Community Foundation investment pool. The fair value of these investments using Level 2 inputs as of September 30, 2019 amounted to \$21,758.

NOTE 5 ALLOWANCE FOR LOAN LOSSES

For the year ended September 30, 2019, the change in the allowance for loan losses is as follows:

	Beginning Allowance for Loan Losses	Reclassify	Provision for Loan Losses	Charge-offs	Ending Allowance for Loan Losses
Affordable Housing	\$ 1,240,722	\$ (303,349)	\$ 249,313	\$ -	\$ 1,186,686
Community Facilities	699,778	(245,500)	-	-	454,278
Commercial/Revitalization	-	250,679	-	-	250,679
Other Real Estate Owned	-	298,170	150,687	-	448,857
Total Allowance	<u>\$ 1,940,500</u>	<u>\$ -</u>	<u>\$ 400,000</u>	<u>\$ -</u>	<u>\$ 2,340,500</u>

The ending balance in the allowance for loan losses is attributed to loans that have been evaluated collectively. As necessary, adjustments are made to NCALL's method of estimating the allowance for loan losses.

NOTE 6 CREDIT QUALITY OF LOANS RECEIVABLE

NCALL monitors the credit quality of its loans receivable by assessing the collection experience of existing borrowers, the creditworthiness of new borrowers, and the sufficiency of collateral related to the receivables. Loan security is outlined in the promissory notes.

Each loan is risk rated when approved. The risk rating is reviewed annually after approval and closing. Loans will be reviewed more frequently if they are/become rated below Adequate or have performance issues. The risk ratings are consistent with community development lending standards and are: Good, Standard, Adequate, Watch, Sub-standard, and Doubtful/OREO. NCALL's standard Allowance for Loan Losses ("ALL") is five percent against all portfolios outstanding. Special, additional reserves are defined with each rating below, where appropriate.

The internal risk ratings are as follows:

NATIONAL COUNCIL ON AGRICULTURAL LIFE AND LABOR RESEARCH, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 CREDIT QUALITY OF LOANS RECEIVABLE (cont'd)

Good

The loan request, and the borrower, exceeds underwriting criteria related to: quality of collateral, strength of loan repayment, supportive market conditions, and a strong financial condition. An additional allowance is not required for this rating.

Standard

The loan request and the borrower meet all of the underwriting criteria: quality of collateral, strength of loan repayment, supportive market condition, and an acceptable financial condition. An additional allowance is not required for this rating.

Adequate

The loan request and the borrower meet the underwriting criteria with the understanding that there may be some weaknesses with certain criteria that would be offset by other criteria. Some weaknesses may be created by market issues, or given the size and type of borrower. These criteria do not mean that the borrower or project is weak; this situation is typical with community development projects. There may be loan policy exceptions which may prevent the loan from being rated Good or Standard, and additional loan monitoring may occur. An additional allowance is not required for this rating, but additional performance measures may be recommended that are not allowance related.

Watch

The loan request and the borrower no longer meet all the underwriting criteria, so there are one or more weaknesses to address. A specific financial loss may not be expected at this time, so the rating pertains to time and effort to offset weaknesses. The loan may, or may not, be late with its payments. A Watch rating is for shorter terms, with the expectation that the rating improves or deteriorates within six to twelve months of the Watch rating. An additional allowance of up to 25 percent of the amount may be recommended for the Watch-rated loan.

Sub-Standard

The loan and the borrower are in default, and there is an expectation that financial loss may occur, or already has done so. When the loan reaches 90 days past due, it will be placed on nonaccrual status. If the loan cannot be cured within a reasonable time (within six months from the receipt of this rating), staff will prepare a plan of action for the review and approval of the Loan Fund Committee. A plan may include restructuring the loan, charge-off, an extension for other repayment sources, etc. It may take 12-18 months to cure the loan after the plan of action has been approved. An allowance for loan losses of up to 50 percent of the loan amount may be considered with this rating.

NATIONAL COUNCIL ON AGRICULTURAL LIFE AND LABOR RESEARCH, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 CREDIT QUALITY OF LOANS RECEIVABLE (cont'd)

Doubtful/Other Real Estate Owned ("OREO")

The loan and borrower continue to be in default, and there is no expectation of a repayment strategy. Disposition and charge-off actions are recommended by staff to the Loan Fund Committee. Approval for the charge-off process (time and amount) is required. An allowance for loan losses of up to 100 percent of the loan amount will be considered with this rating.

The information used to internally rate loans receivable was updated as of September 30, 2019.

As of September 30, 2019, loans were split between the following portfolio segments:

Affordable Housing	\$ 7,510,907
Community Facilities	9,085,553
Commercial/Revitalization	5,013,582
Total Loans Receivable, Gross	<u>21,610,042</u>
Allowance for Loan Losses	<u>(2,340,500)</u>
 TOTAL	 <u>\$ 19,269,542</u>

As of September 30, 2019, the loan ratings and amounts by portfolio segment were as follows:

	Good	Standard	Adequate	Watch	Sub- Standard	Total
Affordable Housing	\$ -	\$ -	\$ 6,264,342	\$ -	\$ 1,246,565	\$ 7,510,907
Community Facilities	-	-	9,085,553	-	-	9,085,553
Commercial/Revitalization	-	-	4,513,582	500,000	-	5,013,582
Total Loans Receivable, Gross	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,863,477</u>	<u>\$ 500,000</u>	<u>\$ 1,246,565</u>	<u>\$ 21,610,042</u>

As of September 30, 2019, the loan aging by portfolio segment was as follows:

	Current	31-60 Days Past Due	61-90 Days Past Due	91+ Days Past Due	Total
Affordable Housing	\$ 6,264,342	\$ -	\$ -	\$ 1,246,565	\$ 7,510,907
Community Facilities	9,085,553	-	-	-	9,085,553
Commercial/Revitalization	5,013,582	-	-	-	5,013,582
Total Loans Receivable, Gross	<u>\$ 20,363,477</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,246,565</u>	<u>\$ 21,610,042</u>

The \$1,246,565 that is more than 90 days past due in Affordable Housing is in non-accrual status. There is no estimated date as to when the amount will be collected.

NATIONAL COUNCIL ON AGRICULTURAL LIFE AND LABOR RESEARCH, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 LOANS RECEIVABLE SOLD WITHOUT RECOURSE

NCALL has sold loans receivable to financial institutions with no recourse to the Organization. The outstanding balance of the no-recourse loans at September 30, 2019 was \$13,153,675.

NCALL sold a loan participation in the amount of \$400,000 (\$388,176 balance at September 30, 2019) to Partners for the Common Good. Until the loan balance is less than \$768,300, NCALL agrees to take first loss of \$65,000 in the event of default. The loan matures on June 1, 2020.

NCALL sold a loan participation in the amount of \$2,350,000 (\$2,209,738 balance at September 30, 2019) to Partners for the Common Good and Barclays Bank (total loan amount of \$2,700,000), of which NCALL agrees to take first loss of \$14,400 in the event of default. The loan matures on November 1, 2019.

NCALL sold a loan participation in the amount of \$2,500,000 (\$2,427,930 balance at September 30, 2019) to Barclays Bank Delaware and Deutsche Bank Trust Company Delaware (total loan amount of \$3,500,000), of which NCALL agrees to take first loss of \$350,000 in the event of default. The loan matures on December 1, 2019.

NCALL sold a loan participation in the amount of \$500,000 (\$438,051 balance at September 30, 2019) to Enterprise Community Loan Fund (total loan amount of \$750,000), of which NCALL agrees to take first loss up to 15 percent of the original loan amount in the event of default. The loan matures on November 1, 2019.

NCALL sold a loan participation in the amount of \$1,425,000 (\$928,193 balance at September 30, 2019) to Enterprise Community Loan Fund (total loan amount of \$1,900,000). The loan matures on February 2, 2024, but NCALL agrees to repay the participant its entire outstanding balance no later than January 31, 2023.

NCALL Research, Inc. services, administers, and collects the receivables on behalf of the purchaser. NCALL Research, Inc. has not recognized a servicing asset or liability because it is impracticable to estimate its fair value.

NOTE 8 INDIRECT COSTS

As required by federal funding sources, in accordance with Office of Management and Budget Guidelines, NCALL maintains separate accounts to identify indirect costs. While most costs (direct costs) can be identified as pertaining to a specific program, other costs (indirect costs) actually apply to more than one program. These costs are accumulated in an "indirect cost pool," then allocated semi-monthly to grants and contracts based upon a predetermined rate of 20.5 percent for 2019 of total direct costs. This provisional indirect cost rate has been

NATIONAL COUNCIL ON AGRICULTURAL LIFE AND LABOR RESEARCH, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 INDIRECT COSTS (cont'd)

carefully developed to allocate costs in a consistent, equitable, and reasonable manner and has been approved by NCALL's cognizant agency, the U.S. Department of Interior. The allocation on pages 6 through 8 is shown to assist funding sources in determining the total cost of each program.

NOTE 9 PROPERTY AND EQUIPMENT

As of September 30, 2019, property and equipment consisted of the following:

Land	\$ 250,000
Construction-in-progress	422,535
Buildings	1,296,434
Furniture and equipment	104,130
Accumulated depreciation	<u>(510,247)</u>
TOTAL	<u>\$ 1,562,852</u>

NOTE 10 NET ASSETS WITH DONOR RESTRICTION

As of September 30, 2019, net assets were restricted by donors for the following programs:

Purpose restricted:	
Self-Help Housing	\$ 389,652
National Foreclosure Mitigation Counseling	16,189
Farmworker Housing Technical Assistance	2,432
Restricted in perpetuity:	
NeighborWorks® America capital grant	343,000
Delaware Community Foundation Trust	<u>10,000</u>
TOTAL	<u>\$ 761,273</u>

NeighborWorks® America capital grants are restricted for making loans and for capital projects. The capital grants are restricted in perpetuity although proceeds on capital projects, or interest earned, over and above the corpus may be transferred to net assets without donor restriction for furthering NCALL's mission. However, should NCALL become defunct, all remaining grant funds, interest earnings, capital projects proceeds, and the loan and capital projects portfolios representing the use of these funds will revert to NeighborWorks® America.

In September 2019, NeighborWorks® America released from restriction \$147,000 in grant funds previously classified as net assets with donor restriction in perpetuity by NCALL. Accordingly, this amount has been shown as net assets released from restriction in the statement of activities.

NATIONAL COUNCIL ON AGRICULTURAL LIFE AND LABOR RESEARCH, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 NET ASSETS WITH DONOR RESTRICTION (cont'd)

NCALL was the beneficiary of a trust administered by the Delaware Community Foundation. The amount restricted in perpetuity in this fund is \$10,000. Amounts above \$10,000 are not restricted. The assets of the trust are included in the statement of financial position of NCALL at fair value.

NOTE 11 BOARD-DESIGNATED NET ASSETS

In fiscal year 2011, the Board established an operating reserve to stabilize NCALL's finances and to provide a rainy day reserve. Use of this reserve requires authorization from the Board. As of September 30, 2019, the value of this reserve was \$1,000,000.

The Board established a building reserve to provide funding for future repairs made to the buildings in Dover and Georgetown. As of September 30, 2019, the value of this reserve was \$140,000.

The Board established a working capital reserve to provide funding for sufficient cash flow while awaiting reimbursement of expenditures. As of September 30, 2019, the value of this reserve was \$150,000.

The Board established a succession reserve to provide funding for future costs associated with succession planning. As of September 30, 2019, the value of this reserve was \$100,000.

The Board established a reserve to provide funding for future employee compensated absence liabilities. As of September 30, 2019, the value of this reserve was \$130,427.

NOTE 12 PENSION/RETIREMENT PLAN

NCALL sponsors an Internal Revenue Code Section 401(k) retirement plan. All full-time employees are eligible to contribute to the plan after completing one year of employment, with NCALL matching employee contributions up to \$2,400 for the calendar year.

The total pension expense for 2019 was \$70,016.

NOTE 13 COMPENSATED ABSENCES

NCALL allows employees to accumulate unused annual leave to be paid upon retirement or leaving employment. The balance in this account as of September 30, 2019 was \$130,427.

NATIONAL COUNCIL ON AGRICULTURAL LIFE AND LABOR RESEARCH, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14 CONCENTRATIONS

NCALL received 16 percent of its total revenue and public support from the U.S. Department of Agriculture during the year ended September 30, 2019.

NCALL received 13 percent of its total revenue and public support from Community Development Financial Institutions Fund, U.S. Department of the Treasury during the year ended September 30, 2019.

NOTE 15 LONG-TERM DEBT

Notes Payable for Loan Fund

In December 2005, NCALL entered into an unsecured note agreement with Wells Fargo Regional Community Development Corporation in the amount of \$250,000. In 2016, the loan was increased by \$100,000 to \$350,000, and the maturity date extended from December 16, 2016 to December 16, 2025. This note bears interest at a fixed rate of 2.0 percent. Semi-annual installments of accrued interest are due and payable on March 31 and September 30 of each year, with the entire unpaid balance of principal due in full on December 16, 2025. As of September 30, 2019, the outstanding balance on this note was \$350,000.

In December 2010, NCALL entered into an unsecured revolving line of credit agreement with the Delaware State Housing Authority in the amount of \$375,000. Any outstanding balance against this line of credit will bear interest at a fixed rate of 3.0 percent. Accrued interest is payable on January 1, April 1, July 1, and October 1 of each year, with the entire unpaid principal balance due in full on December 6, 2020. As of September 30, 2019, the outstanding amount of this note was \$375,000.

In September 2011, NCALL entered into an unsecured note agreement with PNC Bank in the amount of \$1,250,000. In December 2016, the note amount was increased to \$2,500,000. The note bears interest at a fixed rate of 3.25 percent. Accrued interest is payable on March 1, June 1, September 1, and December 1 of each year, with the entire unpaid principal balance due in full on December 20, 2021. As of September 30, 2019, the outstanding amount of this note was \$2,500,000.

In March 2012, NCALL entered into an unsecured note agreement with AIG Federal Savings Bank (this loan is now held by Artisans' Bank; all terms and conditions remain the same) in the amount of \$350,000. In March 2017, the note amount was increased to \$500,000. The note bears interest at a fixed rate of 3.0 percent. Accrued interest is payable on January 1, April 1, July 1, and October 1 of each year, with the entire unpaid principal balance due in full on March 28, 2021 (previously March 28, 2018). As of September 30, 2019, the outstanding amount of this note was \$500,000.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15 LONG-TERM DEBT (cont'd)

In April 2012, NCALL entered into an unsecured note agreement with Barclays Bank Delaware in the amount of \$1,250,000. The loan was increased by \$1,250,000 to \$2,500,000 during 2016. The note bears interest at a fixed rate of 3.25 percent. Accrued interest is due on January 1, April 1, July 1, and October 1 of each year, with the entire unpaid principal balance due in full on March 11, 2023. As of September 30, 2019, the outstanding amount of this note was \$2,500,000.

In July 2012, NCALL entered into an equity equivalent ("EQ2") investment agreement with Wells Fargo Community Investment Holdings in the amount of \$600,000. The agreement bears interest at a fixed rate of 2.0 percent. Accrued interest is payable on January 15, April 15, July 15, and October 15 of each year with the entire unpaid principal balance due in full on August 9, 2022. As of September 30, 2019, the outstanding amount of this note was \$600,000.

In August 2012, NCALL entered into an unsecured note agreement with HSBC Bank USA in the amount of \$2,000,000. The note was increased by \$500,000 to \$2,500,000 in 2018. The note bears interest at a fixed rate of 2.35 percent on the first \$2,000,000 and will accrue at a fixed rate of 3.10 percent on any additional funds. Accrued interest is payable on January 1, April 1, July 1, and October 1 of each year, with the entire unpaid principal balance due in full on August 31, 2023 (previously August 31, 2021). As of September 30, 2019, the outstanding amount of this note was \$2,000,000.

In August 2012, NCALL entered into an unsecured note agreement with TD Bank in the amount of \$1,000,000; and in 2014 and 2017, the note was amended to increase the available amount to \$1,500,000 and \$3,000,000, respectively. The note bears interest at a fixed rate of 3.98 percent. Accrued interest is payable quarterly with the entire unpaid principal balance due in full on July 31, 2020 (previously July 31, 2017). As of September 30, 2019, the outstanding amount of this note was \$3,000,000.

In July 2014, NCALL entered into an unsecured line of credit agreement with the Jessie Ball DuPont Religious, Charitable, and Educational Fund in the amount of \$1,500,000. Any outstanding balance against this line of credit will bear interest at a fixed rate of 1.5 percent. Accrued interest is payable on June 30 and December 31 of each year, with the entire unpaid principal balance due in full on July 29, 2021. As of September 30, 2019, the outstanding amount of this note was \$1,500,000.

In August 2014, NCALL entered into an unsecured line of credit agreement with Capital One, National Association in the amount of \$1,000,000. Any outstanding balance against this line of credit will bear interest at a fixed rate of 1.0 percent. Accrued interest is payable on January 1, April 1, July 1, and October 1 of each year, with the entire unpaid principal balance due in full on July 1, 2024. As of September 30, 2019, the outstanding amount of this note was \$1,000,000.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15 LONG-TERM DEBT (cont'd)

In September 2014, NCALL entered into an unsecured note agreement with Wilmington Savings Fund Society in the amount of \$750,000. The note was renewed and increased by \$250,000 to \$1,000,000 in 2018. The note bears interest at a fixed rate of 5.41 percent. Accrued interest is payable quarterly with the entire unpaid principal balance due in full on January 30, 2021. As of September 30, 2019, the outstanding amount of this note was \$1,000,000.

In June 2015, NCALL entered into an unsecured note agreement with the Opportunity Finance Network in the amount of \$1,000,000. The note was renewed and increased by \$500,000 to \$1,500,000 in 2018. The note bears interest at a fixed rate of 3.5 percent. Accrued interest is payable quarterly on March 31, June 30, September 30, and December 31, and the entire unpaid principal balance is due in full on June 30, 2021. As of September 30, 2019, the outstanding amount of this note was \$1,500,000.

In December 2016, NCALL entered into an unsecured note agreement with the United States Department of Agriculture in the amount of \$5,000,000. The note bears interest at a fixed rate of 2.375 percent. Accrued interest is paid in monthly installments on the last day of each month, and the principal is amortized over the life of the note with a maturity date of December 20, 2056. The note requires an Irrevocable Letter of Credit for an outside institution as collateral in the minimum amount equal to the principal and interest installments due during the first five years. In June 2017, NCALL entered into an unsecured note agreement with Bank of America in the amount of \$1,050,000 in order to meet the United States Department of Agriculture requirement. The note bears interest at a fixed rate of 1.00 percent. Accrued interest is due on January 1, April 1, July 1, and October 1 of each year. The outstanding principal payment as of December 5, 2020 is to be paid off in five equal installments with a maturity date of December 5, 2024. As of September 30, 2019, NCALL has not drawn down on these loans.

In August 2017, NCALL entered into an unsecured note agreement with the CDFI Community Investment Fund I, Inc. in the amount of \$250,000. The note bears interest at a fixed rate of 3.0 percent. Accrued interest is due on January 1, April 1, July 1, and October 1 of each year, with the entire unpaid principal balance due in full on September 30, 2027. As of September 30, 2019, the outstanding amount of this note was \$250,000.

In July 2019, NCALL entered into an unsecured note agreement with Woodforest National Bank in the amount of \$250,000. The note bears interest at a fixed rate of 4.0 percent. Accrued interest is due monthly, with the entire unpaid principal balance due in full on July 9, 2022. As of September 30, 2019, the outstanding amount of this note was \$250,000.

The maturity of the long-term debt is as follows:

NATIONAL COUNCIL ON AGRICULTURAL LIFE AND LABOR RESEARCH, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15 LONG-TERM DEBT (cont'd)

Year Ending September 30,

2020	\$ 3,000,000
2021	3,875,000
2022	4,350,000
2023	4,500,000
2024	1,000,000
Thereafter	<u>600,000</u>
	<u>\$ 17,325,000</u>

NOTE 16 COMMITMENTS

Loans closed but not disbursed as of September 30, 2019 were as follows:

<u>Loan Amount</u>	<u>Disbursed at 09/30/2019</u>	<u>Undisbursed</u>
<u>\$ 8,073,273</u>	<u>\$ 4,764,247</u>	<u>\$ 3,309,026</u>

As of September 30, 2019, NCALL issued commitment letters to three potential borrowers for loans totaling \$500,000. All three loans are expected to close in the next fiscal year.

On June 21, 2016, NCALL issued a letter of credit in favor of The Sussex County Council as beneficiary at the request of Milford Housing Development Corporation for a construction contract completion guarantee in an amount not to exceed \$675,292. The letter of credit initially expired on June 21, 2018 but was renewed until June 21, 2020. As of September 30, 2019, NCALL has not been notified of non-completion of the construction contract.

NOTE 17 CONCENTRATION OF CREDIT RISK

NCALL maintains cash balances at one financial institution which may at times exceed the Federal Deposit Insurance Corporation ("FDIC") limit of \$250,000 per depositor. The bank balances that exceeded the FDIC limit as of September 30, 2019 were \$7,913,165. NCALL has not experienced any losses in such accounts. Management of NCALL believes it is not exposed to any significant credit risk on its cash balances.

NOTE 18 ASSETS HELD FOR SALE

The following is a schedule of the inventory of assets held for resale (actual acquisition and development costs) held for resale as of September 30, 2019:

NATIONAL COUNCIL ON AGRICULTURAL LIFE AND LABOR RESEARCH, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 18 ASSETS HELD FOR SALE (cont'd)

Land Bank	\$ 18,502
18 North Kirkwood Street	290,253
22 North Kirkwood Street	272,485
26 North Kirkwood Street	264,732
28 North Kirkwood Street	264,607
106 South New Street	13,380
108 South New Street	12,128
110 South New Street	13,054
112 South New Street	15,933
14 South Queen Street	3,449
18 South Queen Street	3,373
20 South Queen Street	49,697
60 South Queen Street	17,829
101 South Queen Street	2,470
	<hr/>
	<u>\$ 1,241,892</u>

NOTE 19 RELATED PARTY TRANSACTIONS

Each year, the Board of Directors conducts a formal process of discerning, disclosing, and monitoring potential conflicts of interest between its members. This same process extends to its staff and contractors. NCALL's policies require any individual to recuse themselves from any matters regarding a potential conflict of interest.

The NCALL representatives at the committee and staff level adhere to a disclosure and conflict-of-interest policy in the event a customer or loan request comes in wherever there may be involvement with a loan fund committee member.

As of September 30, 2019, NCALL had outstanding loans totaling \$284,018 to Diamond State Community Land Trust, Inc. ("Diamond State"). An employee of NCALL is a member of the Board of Directors of Diamond State Community Land Trust, Inc.

As of September 30, 2019, NCALL had outstanding loans totaling \$1,041,429 to Dover Interfaith Mission for Housing, Inc. A member of the Board of Directors of Dover Interfaith Mission for Housing, Inc. is on the Board of Directors of NCALL. Also, an employee of NCALL is a member of the Board of Directors of Dover Interfaith Mission for Housing, Inc.

As of September 30, 2019, NCALL had outstanding loans totaling \$627,713 to Solid Rock Baptist Church. The pastor of Solid Rock Baptist Church is an employee of NCALL.

As of September 30, 2019 NCALL had participation agreements with Partners for the Common Good in the amount of \$2,597,914. An employee of NCALL is a member of the Board of Directors of Partners for the Common Good.

NATIONAL COUNCIL ON AGRICULTURAL LIFE AND LABOR RESEARCH, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 20 LINES OF CREDIT

In August 2016, NCALL opened and maintained a secured line of credit with the Wilmington Savings Fund Society in the amount of \$500,000. The line of credit is secured by the properties held in assets held for sale. Outstanding amounts against this line are charged a variable rate of interest at a minimum of four percent per year. As of September 30, 2019, the outstanding balance was \$0.

In August 2017, NCALL entered into an unsecured line of credit agreement with Shore United Bank in the amount of \$250,000. Outstanding amounts against the line of credit are charged a variable rate which is based on the highest prime rate published in the Wall Street Journal (5.0 percent as of September 30, 2019). As of September 30, 2019, the outstanding balance was \$0.

NOTE 21 LIQUIDITY AND AVAILABILITY OF RESOURCES

NCALL's financial assets consist of cash and cash equivalents, accounts receivable, grants receivable, current investments, and the current portion of loans receivable.

The following reflects NCALL's financial assets as of September 30, 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts not available include amounts set aside by the Board that could be drawn upon if the governing board decides to approve such action.

Financial assets, at year end	\$ 24,920,043
Less unavailable for general expenses	
within one year due to:	
Purpose restrictions	408,273
Restricted in perpetuity	343,000
Board designations	<u>1,520,427</u>
Financial assets available to meet cash needs	
for general expenses within one year	<u>\$ 22,648,343</u>

NCALL maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 22 SUBSEQUENT EVENTS

NCALL has evaluated all subsequent events through February 12, 2020, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

**NATIONAL COUNCIL ON AGRICULTURAL LIFE AND LABOR RESEARCH, INC. AND SUBSIDIARY
SCHEDULE OF FINANCIAL POSITION - NEIGHBORWORKS® AMERICA CAPITAL FUND
SEPTEMBER 30, 2019**

ASSETS	
Loans receivable	<u>\$ 343,000</u>
TOTAL ASSETS	<u><u>\$ 343,000</u></u>
NET ASSETS	
With donor restriction - in perpetuity	<u>\$ 343,000</u>
TOTAL NET ASSETS	<u><u>\$ 343,000</u></u>

**NATIONAL COUNCIL ON AGRICULTURAL LIFE AND LABOR RESEARCH, INC.
SCHEDULE OF ACTIVITIES - NEIGHBORWORKS® AMERICA CAPITAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Revenues, gains, other support and release of capital:	
Capital grant - NeighborWorks® America - beginning balance	<u>\$ 490,000</u>
Additions	-
Released	<u>(147,000)</u>
Net assets at end of year	<u><u>\$ 343,000</u></u>

SINGLE AUDIT INFORMATION



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

February 12, 2020

To the Board of Directors
National Council on Agricultural Life and
Labor Research, Inc. and Subsidiary
Dover, Delaware

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of National Council on Agricultural Life and Labor Research, Inc. (a nonprofit organization) and Subsidiary ("NCALL"), which comprise the consolidated statement of financial position as of September 30, 2019, and the related consolidated 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 February 12, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered NCALL's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of NCALL's internal control. Accordingly, we do not express an opinion on the effectiveness of NCALL'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 NCALL's financial statements will not be prevented, or detected and corrected, on a

To the Board of Directors
National Council on Agricultural Life and
Labor Research, Inc. and Subsidiary

timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether NCALL's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 NCALL's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NCALL's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP



INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

February 12, 2020

To the Board of Directors
National Council on Agricultural Life and
Labor Research, Inc. and Subsidiary
Dover, Delaware

Report on Compliance for Major Federal Program

We have audited National Council on Agricultural Life and Labor Research, Inc. and Subsidiary's ("NCALL") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on NCALL's major federal program for the year ended September 30, 2019. NCALL's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and recommendations.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for NCALL's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about NCALL's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

To the Board of Directors
National Council on Agricultural Life and
Labor Research, Inc. and Subsidiary

We believe that our audit provides a reasonable basis for our opinion on compliance for its major federal program. However, our audit does not provide a legal determination of NCALL's compliance.

Opinion on Major Federal Program

In our opinion, NCALL complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2019.

Report on Internal Control Over Compliance

Management of NCALL is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered NCALL's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of NCALL's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP

**NATIONAL COUNCIL ON AGRICULTURAL LIFE AND LABOR RESEARCH, INC. AND SUBSIDIARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

FEDERAL GRANTOR/PROJECT TITLE	SOURCE CODES	PASS- THROUGH NO.	CFDA NUMBER	EXPENDITURES	PASSED THROUGH TO SUBRECIPIENTS
<u>U.S. Department of Agriculture</u>					
Self-Help Housing Technical and Management Assistance	D	N/A	10.420	\$ 875,838	\$ -
Rural Community Development Initiative	D	N/A	10.446	54,246	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE				<u>930,084</u>	<u>-</u>
<u>U.S. Department of Housing and Urban Development</u>					
<u>Passed through HOMEFREE - USA</u>					
Housing Counseling Grant	I	N/A	14.169	17,500	-
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				<u>17,500</u>	<u>-</u>
<u>U.S. Department of Labor</u>					
<u>Passed through Florida Non-Profit Housing, Inc.</u>					
National Farmworkers Job Program	I	N/A	17.264	112,339	-
TOTAL U.S. DEPARTMENT OF LABOR				<u>112,339</u>	<u>-</u>
<u>U.S. Department of the Treasury</u>					
<u>Passed through Neighborhood Reinvestment Corporation</u>					
National Foreclosure Mitigation Counseling Grant	I	N/A	21.000	25,529	-
Expendable Grant	I	N/A	21.000	216,751	-
Capital Grant	I	N/A	21.000	190,000	-
Total CFDA #21.000				<u>432,280</u>	<u>-</u>
<u>Passed through Community Development Financial Institutions Fund</u>					
Community Development Financial Institutions Program	I	N/A	21.020	750,000	-
TOTAL U.S. DEPARTMENT OF THE TREASURY				<u>1,182,280</u>	<u>-</u>
TOTAL FEDERAL EXPENDITURES				<u>\$ 2,242,203</u>	<u>\$ -</u>

SOURCE CODES:

- D - Direct Funding
- I - Indirect Funding

NATIONAL COUNCIL ON AGRICULTURAL LIFE AND LABOR RESEARCH, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A BASIS OF ACCOUNTING

All expenditures included in the schedule of expenditures of federal awards are presented on the basis that expenditures are reported to the respective federal grantor agencies. Accordingly, expenditures are recorded when the federal obligation is determined.

NOTE B FEDERAL EXPENDITURES

The schedule of expenditures of federal awards reflects federal expenditures for all individual grants which were active during the fiscal year.

NOTE C INDIRECT COST RATE

NCALL did not use the federal de minimis indirect cost rate of 10 percent on their federal grants for the year ended September 30, 2019.

As required by federal funding sources, in accordance with Office of Management and Budget Guidelines, NCALL maintains separate accounts to identify indirect costs. While most costs (direct costs) can be identified as pertaining to a specific program, other costs (indirect costs) actually apply to more than one program. These costs are accumulated in an "indirect cost pool," then allocated semi-monthly to grants and contracts based upon a predetermined rate of 20.5 percent for 2019 of total direct costs. This provisional indirect cost rate has been carefully developed to allocate costs in a consistent, equitable, and reasonable manner and has been approved by NCALL's cognizant agency, the U.S. Department of Interior.

**SCHEDULE OF
FINDINGS AND RECOMMENDATIONS**

NATIONAL COUNCIL ON AGRICULTURAL LIFE AND LABOR RESEARCH, INC.

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

PART A - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued [*unmodified, qualified, adverse, or disclaimer*]:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Type of auditor's report issued on compliance for major program [*unmodified, qualified, adverse, or disclaimer*]:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?

Yes No

Identification of major program:

CFDA Number

Name of Federal Program or Cluster

10.420

Self-Help Housing Technical and Management Assistance

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

Yes No

NATIONAL COUNCIL ON AGRICULTURAL LIFE AND LABOR RESEARCH, INC.

SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)

PART B - FINDINGS RELATED TO FINANCIAL STATEMENTS

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

PART C - FINDINGS RELATED TO FEDERAL AWARDS

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.