

RENAISSANCE COMMUNITY LOAN FUND, INC.

**AUDITED FINANCIAL STATEMENTS
AND SPECIAL REPORTS**

DECEMBER 31, 2016

RENAISSANCE COMMUNITY LOAN FUND, INC.

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WRIGHT, WARD, HATTEN & GUEL

PROFESSIONAL LIMITED LIABILITY COMPANY

(SUCCESSORS TO A. L. EVANS & COMPANY ESTABLISHED 1929)

Certified Public Accountants

HANCOCK BANK BUILDING

2510 - 14TH STREET

P.O. BOX 129

GULFPORT, MISSISSIPPI 39502

MICHAEL E. GUEL, CPA, CVA, PFS, CFP®
SANDE W. HENTGES, CPA, CFE

LEAH HOLLAND, CPA
CHRIS TAYLOR, CPA
CHARLENE KERKOW, CPA

MEMBERS
AMERICAN INSTITUTE OF CPAS
MISSISSIPPI SOCIETY OF CPAS

TELEPHONE (228) 863-6501
FAX NUMBER (228) 863-6544
EMAIL: THECPAFIRM@AOL.COM

INDEPENDENT AUDITORS' REPORT

March 22, 2017

To the Board of Directors
Renaissance Community Loan Fund, Inc.

We have audited the accompanying financial statements of Renaissance Community Loan Fund, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities 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 financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Renaissance Community Loan Fund, Inc. as of December 31, 2016, 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.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is 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*, is presented for purposes of additional analysis and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to 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 March 22, 2017, on our consideration of Renaissance Community Loan Fund, Inc.'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 Renaissance Community Loan Fund, Inc.'s internal control over financial reporting and compliance.

Prior Period Financial Statements and Summarized Comparative Information

The financial statements of the Renaissance Community Loan Fund, Inc. as of December 31, 2015 were audited by other auditors whose report dated March 21, 2016, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Walter Wood Gether # 1

Financial Statements

RENAISSANCE COMMUNITY LOAN FUND, INC.

Statement of Financial Position

December 31, 2016

(With Comparative Totals for 2015)

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash	\$ 9,540,357	\$ 1,560,383
Cash, restricted	61,456	827,066
Federal Home Loan Bank Stock, at cost	363,400	238,300
Investments	-	1,759,811
Grants receivable, restricted portion \$1,150,000 and \$50,000	1,150,000	50,000
Prepaid expenses	25,045	41,143
Due from affiliate	4,500	4,659
Due from closing agent and others	222,964	78,737
Equity in net assets of affiliate	2,292,935	2,448,577
Contingent receivable, REACH	1,477,153	2,031,047
Contingent receivable, My Home My Cost	99,721	678,350
Contingent receivable, temporary housing units	-	86,401
Contingent receivable, Turtle Creek lot equity	985,650	1,509,917
Notes receivable	3,004,934	1,955,921
Mortgages receivable	16,070,446	11,787,557
Non-interest bearing residential mortgage loans, net of unamortized discounts of \$4,041,822 and \$8,771,498	3,825,776	15,257,894
Allowance for doubtful accounts and loans receivable	(845,434)	(548,942)
Foreclosed assets held for sale	201,026	166,878
Property & equipment, net	181,831	195,180
Total Assets	<u>\$ 38,661,760</u>	<u>\$ 40,128,879</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 107,795	\$ 159,810
Accrued expenses	87,228	62,318
Escrows	4,564	12,222
Grant payable	667,688	779,141
Notes payable	9,995,330	6,566,446
Total Liabilities	<u>10,862,605</u>	<u>7,579,937</u>
Net Assets		
Unrestricted net assets		
Designated	12,640	3,125
Undesignated	26,575,059	31,668,751
Temporarily restricted net assets	1,211,456	877,066
Total Net Assets	<u>27,799,155</u>	<u>32,548,942</u>
Total Liabilities and Net Assets	<u>\$ 38,661,760</u>	<u>\$ 40,128,879</u>

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

REANAISSANCE COMMUNITY LOAN FUND, INC.

Statement of Activities

For the Year Ended December 31, 2016

(With Comparative Totals for December 31, 2015)

	2016			2015
	Unrestricted	Temporarily Restricted	Total	Total
SUPPORT AND REVENUE				
Contributions	\$ 4,815	\$ -	\$ 4,815	\$ 560,050
Grant revenue	14,233	1,158,937	1,173,170	141,055
Mortgage discount amortization	549,385		549,385	651,420
Loan fees	170,060		170,060	223,051
Interest income	934,930		934,930	524,760
Miscellaneous income	29,026		29,026	34,966
Gain on assets	93,753		93,753	84,001
Loss on sale of MYHOME mortgages	(2,071,971)		(2,071,971)	-
Loss on foreclosures	(12,996)		(12,996)	(136,549)
Management fee income - Bridge	39,365		39,365	-
Investment return	32,050		32,050	(38,618)
Equity in earnings of affiliate	(129,106)		(129,106)	(116,305)
Net assets released from restriction	774,547	(774,547)	-	-
Total Support and Revenue	<u>428,091</u>	<u>384,390</u>	<u>812,481</u>	<u>1,927,831</u>
EXPENSES				
Program services				
Homeownership	1,180,779		1,180,779	1,343,965
Lending	3,413,099		3,413,099	2,773,974
Land Development	68,282		68,282	80,262
Community	-		-	50,371
Supporting services				
Management and General	850,108		850,108	792,263
Total Expenses	<u>5,512,268</u>	<u>-</u>	<u>5,512,268</u>	<u>5,040,835</u>
Change in Net Assets	(5,084,177)	384,390	(4,699,787)	(3,113,004)
Net assets, beginning of year	31,671,876	877,066	32,548,942	35,661,946
Prior Period Adjustment		(50,000)	(50,000)	
Net assets, beginning of year restated	31,671,876	827,066	32,498,942	-
Net assets, end of year	<u>\$ 26,587,699</u>	<u>\$ 1,211,456</u>	<u>\$ 27,799,155</u>	<u>\$ 32,548,942</u>

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

RENAISSANCE COMMUNITY LOAN FUND, INC.

Consolidated Statement of Cash Flows

For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ (4,699,787)	\$ (3,113,004)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Bad debt	411,592	117,250
Depreciation	16,232	21,213
Mortgage discount expense	787,434	(899,180)
Mortgage discount amortization	(549,385)	(651,420)
Non-interest bearing mortgages sold	8,690,278	-
Receipts from mortgage receivable	2,481,067	3,350,969
Mortgages received	(4,622,962)	(7,960,504)
Payments on notes receivable	644,255	662,387
Notes received	(1,693,267)	(890,035)
Loss on foreclosure	12,996	136,549
(Gain)/loss on sale of assets	124,947	(48,891)
Unrealized investment (gain)/loss	-	32,299
Changes in assets and liabilities		
Grants receivable	(1,100,000)	715,576
Due from affiliate	159	283,505
Due from closing agents and others	(144,227)	35,627
Equity in net assets of affiliate	129,106	116,253
Contingent receivable, REACH	553,894	576,427
Contingent receivable, My Home My Cost	578,629	1,217,789
Contingent receivable, temporary housing units	86,401	244,929
Contingent receivable, Turtle Creek lot equity	524,267	(41,609)
Prepaid Expenses	16,098	(17,931)
Accounts payable	(52,015)	16,548
Accrued expenses	24,910	(29,158)
Escrows	(7,658)	(56,055)
Grants payable	(111,453)	(115,912)
Net Cash Used By Operating Activities	<u>2,101,511</u>	<u>(6,296,378)</u>
Cash Flows from Investing Activities		
Proceeds from sale of foreclosed assets	239,986	263,207
Proceeds from sale of assets in use	-	80,550
Purchase of property and equipment	(2,883)	(69,167)
Acquisition of foreclosed assets	(245,575)	(89,686)
Distribution from affiliate	26,536	291,512
Investments		
Purchased	(125,100)	(920,022)
Sold	1,791,005	697,419
Net Cash Used by Investing Activities	<u>1,683,969</u>	<u>253,813</u>
Cash Flows from Financing Activities		
Issuance of long-term debt	3,700,000	5,198,795
Repayments of long-term debt	(271,116)	(132,349)
Net Cash Used by Financing Activities	<u>3,428,884</u>	<u>5,066,446</u>
Net Increase (Decrease) in Cash	7,214,364	(976,119)
Cash, Beginning of Period	2,387,449	3,363,568
Cash, End of Period	<u>\$ 9,601,813</u>	<u>\$ 2,387,449</u>
Supplemental disclosure:		
Cash paid for interest	<u>\$ 253,671</u>	<u>\$ 103,167</u>

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

Notes to the Financial Statements

RENAISSANCE COMMUNITY LOAN FUND, INC.
Notes to the Financial Statements
For the Year Ended December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Introduction

The Renaissance Community Loan Fund, Inc., (the Corporation) was incorporated on November 20, 2006, as a non-profit organization. It was established to serve as the capstone organization in the rebuilding of the Mississippi Gulf Coast by removing obstacles to the redevelopment, creating partnerships, and stimulating investment in order to create vibrant, diverse, sustainable communities that offer residents the highest quality of life. Its current mission is to provide support through technical and financial assistance to facilitate the development of communities which provide safe, quality housing for the workforce and special need residents of the Mississippi Gulf Coast and economic opportunities that will add/retain jobs in the community or that create entrepreneurial opportunities.

In November 2011, Bridge Development, LLC (Bridge), a Mississippi Limited Liability Company, was formed with Renaissance Community Loan Fund, Inc. as its sole member. The accounts of Bridge are included in the December 31, 2016 and 2015 financial statements of the Corporation. Any intercompany balances have been eliminated.

B. Basis of Presentation

The Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

C. Measurement Focus and Basis of Accounting

The Corporation presents its financial statements using the accrual basis of accounting in accordance with generally accepted accounting principles. Accordingly, revenue and the related assets are recognized when earned and expenses are recognized when the obligations occur.

D. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

E. Cash and Cash Equivalents

The Corporation considers all highly liquid investments, except those held for long-term investment, with maturities of three months or less when purchased to be cash equivalents.

F. Federal Home Loan Bank Stock

The Corporation is a member of the Federal Home Loan Bank of Dallas (“FHLB”) and as such is required to maintain a minimum investment in its stock that varies with the level of FHLB advances outstanding. The stock is bought from and sold to the FHLB based on its \$100 par value. The stock does not have a readily determinable fair value and as such is classified as restricted stock, carried at cost and evaluated for impairment in accordance with GAAP.

RENAISSANCE COMMUNITY LOAN FUND, INC.
Notes to the Financial Statements
For the Year Ended December 31, 2016

G. Investments

Investments purchased by the Corporation are initially recorded at their cost. Investments held at the end of the reporting period are valued at their fair value and a corresponding unrealized gain or loss is recorded.

H. Mortgages and Notes Receivable

Non-interest bearing mortgages receivable are recorded at fair value, discounted accordingly and reported at present value. Other mortgages and notes receivable are carried at unpaid principal balances, less an allowance for loan losses.

I. Capital Assets

It is the Corporation's policy to capitalize property and equipment over \$2,500 with the exception of computer equipment. Lesser amounts are expensed. Property and equipment are recorded at cost. Donated property and equipment are recorded at their estimated fair value. Property and equipment are depreciated over their estimated useful lives using the straight-line method.

J. Fair Value Measurements

The FASB Codification establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Corporation has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

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

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

RENAISSANCE COMMUNITY LOAN FUND, INC.
Notes to the Financial Statements
For the Year Ended December 31, 2016

K. Grants payable

Unconditional grants are charged against operations when authorized. The actual payment of the grant may not necessarily occur in the year of authorization. Grants which are expected to be paid beyond one year are discounted at an appropriate rate, which management has determined to be 4%. Amortization of the present value discount rate is recorded as additional grants expense. A conditional grant is considered unconditional if the possibility that the condition will not be made is remote.

L. Income tax status and uncertain tax positions

The Corporation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Similar provisions under the Mississippi Code allow exemption of state income taxes.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Corporation may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Corporation and various positions related to the potential sources of unrelated business taxable income (UBTI). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the year ended 2016 and 2015.

The Corporation files form 990 in the U.S. federal jurisdiction and is subject to examination by the Internal Revenue Service generally for three years after the return is filed.

M. Advertising costs

The Corporation uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed when incurred.

N. Revenue recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions.

All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

RENAISSANCE COMMUNITY LOAN FUND, INC.
Notes to the Financial Statements
For the Year Ended December 31, 2016

O. Contributed services

The Corporation records various types of in-kind contributions. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment. The Corporation did not receive contributed professional services during the years ended December 31, 2016 and 2015.

P. Reclassifications

Certain reclassifications have been made to prior year figures in order for them to conform to current year presentation.

Note 2 – CONCENTRATION OF CREDIT RISK

The Corporation maintains cash balances at various financial institutions. These accounts do not exceed the federally insured limit of \$250,000.

Note 3 – INVESTMENTS

In July 2016 the Corporation closed its Hancock Bank investment account and transferred the proceeds of \$1,867,629 into its operating account.

The Corporation subsequently purchased three certificates of deposit with the Federal Home Loan Bank of Dallas. As of December 31, 2016 the value of the certificates were \$500,000.

The 2015 investment securities were carried at fair value based on quoted prices in active markets (all Level 1 Measurements).

	2015	
	Cost	Fair Value
Marketable equity securities	\$ 874,216	\$ 914,836
Marketable debt securities	863,880	844,975
Total	<u>\$ 1,738,096</u>	<u>\$ 1,759,811</u>

Return on investments for 2016 and 2015:

	2016	2015
Interest and dividends	\$ 3,800	\$ 40,870
Net realized gain (loss)	31,194	(35,110)
Net unrealized gain (loss)	-	(32,299)
Advisory fees	(2,944)	(12,079)
Total return (loss)	<u>\$ 32,050</u>	<u>\$ (38,618)</u>

RENAISSANCE COMMUNITY LOAN FUND, INC.
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 4 – GRANTS RECEIVABLE

The following is a summary of grants receivable at December 31:

	2016	2015
Small Business Administration	\$ -	\$ 50,000
Community Development Financial Institutions Fund	1,150,000	-
Total	<u>\$ 1,150,000</u>	<u>50,000</u>

Note 5 – INVESTMENT IN UNCONSOLIDATED AFFILIATE

On December 22, 2011, the Corporation, through its wholly owned subsidiary Bridge Development, LLC, acquired 33.001% of the existing membership units in Lamey Bridge Senior Development, LLC, (LBSD) a Mississippi Limited Liability Company. The Corporation accounts for its investment in this unconsolidated affiliate by the equity method. The Corporation records its share of earnings (losses) in the Statements of Activities as “Equity in earnings of affiliate” and the carrying value of the Corporation’s investment is recorded in the Statements of Financial Position as “Equity in net assets of affiliate”. As of the years ended December 31, 2016 and 2015, the Corporation’s investment in LBSD is valued at \$2,292,935 and \$2,448,577, respectively. Also, a loss of \$(129,106) and \$(116,305) has been recognized for the years ended December 31, 2016 and 2015, respectively.

The following is a synopsis of LBSD’s financial statements as of and for the years ended December 31:

Lamey Bridge Senior Development, LLC
Balance Sheet

	2016	2015
Assets	\$ <u>12,064,129</u>	\$ <u>12,605,298</u>
Liabilities	4,623,397	4,692,940
Members' equity	<u>7,440,732</u>	<u>7,912,358</u>
Total liabilities and members' equity	<u>\$ 12,064,129</u>	<u>\$ 12,605,298</u>

Statement of Operations

	2016	2015
Revenues	\$ 1,068,292	\$ 1,022,408
Operating expenses	<u>(1,459,511)</u>	<u>(1,374,834)</u>
Net Income	<u>\$ (391,219)</u>	<u>\$ (352,426)</u>

During 2015, Lamey Bridge Investments, LLC, a company owned 100% by the members of Lamey Bridge Senior Development, LLC, was formed to serve as the borrowing entity for LBSD. The current members of LBSD own Lamey Bridge Investments, LLC in the same percentages as they currently hold interest in LBSD. Therefore, the Corporation owns 33.001% of Lamey Bridge Investments, LLC.

RENAISSANCE COMMUNITY LOAN FUND, INC.
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 5 – INVESTMENT IN UNCONSOLIDATED AFFILIATE (continued)

On November 19, 2015 a loan in the amount of \$4,576,271 was executed between Lamey Bridge Investments, LLC and The First, a National Banking Association, with the members of LBSD as the guarantors on the loan. Bridge Development, LLC, as a member of Lamey Bridge Investments, LLC, is a guarantor on its prorated portion of the note payable to The First in the amount of \$1,502,691. The entire note bears interest at 4.65% is secured by First Deed of trust on property. The balance of the note at December 31, 2016 is \$4,487,627 and is included in the total liabilities of LBSD reported above.

Note 6 – CONTINGENT, MORTGAGE AND NOTES RECEIVABLE

In support of its mission, the Corporation has developed the Regional Employer Assisted Collaboration for Housing (REACH) Mississippi program. Through this program, the Corporation will assist employers in setting up an Employer Assisted Housing (EAH) program. Based upon employer determined criteria, EAH-qualified employees will be offered a predetermined amount to help them purchase homes. This amount can be a second lien position on the home structured according to the employers' specifications, but will generally be forgiven after a five-year period of employment. Under the REACH program, employees with total household income less than 120 percent of the area median income can qualify for up to a five-to-one matching funds through the Corporation to further offset the costs of home ownership. This third, interest free lien is silent, coming due only when the home is sold or refinanced within the forgiveness period. It is completely forgiven after ten years. With the conclusion of this program, the Corporation did not extend any of these matching funds during the past two years.

The MyHome MyCoast program was launched in April 2009 by the Renaissance Community Loan Fund, Inc. as a perpetual fund to assist thousands of residents and potential residents of Mississippi's six coastal counties. The long-term, stimulus-style housing program will provide homeownership opportunities to private individuals, focusing on those who have been negatively impacted by the devastation of Hurricane Katrina and/or the recent national credit crisis. Through its initial goal to bridge the gap in affordable workforce housing in the area, MyHome MyCoast also provides many benefits to South Mississippi, including stimulating the private real estate market.

The program leveraged local lenders' mortgages and offered a zero-percent interest on a second mortgage funded by Community Development Block Grant funds. The mortgages, which are 30-year, fixed-rate, have a loan-to-value position of 40 - 60 percent, with a graduating scale based upon household area median income (AMI). The program provided flexibility in lending as the local financial lenders were not burdened with selling loans in the secondary mortgage marketplace. The program included down-payment-assistance grants based on the AMI, ranging from \$14,300 to \$22,500 forgivable after 5 years if the home is not sold or refinanced during the forgiveness period and up to \$3,500 that could be used to cover closing costs. This closing cost assistance is forgiven when the loan closes. During the years ended December 31, 2016 and 2015, the Corporation did not extend any amount in zero-percent interest mortgages, down-payment-assistance, or forgiven closing costs. However, it does continue to collect on these mortgages. All of the mortgages receivable are secured by the homes sold. Because the mortgages held by the Corporation bear no interest, they have been discounted using an annual rate of 4%. These original discounted amounts are reflected in the financial statements as mortgage discount expense in the year the mortgage is closed. The annual amortization of the discount is recorded as mortgage discount amortization income.

RENAISSANCE COMMUNITY LOAN FUND, INC.
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 6 – CONTINGENT, MORTGAGE AND NOTES RECEIVABLE (continued)

The discount on the non-interest bearing loans is categorized as level two within the fair value hierarchy. The discount rate used for all closed mortgages is based on the Corporation's borrowing rate. The fair value of these non-interest bearing residential mortgage loans, net of the unamortized discount was \$3,825,776 and \$15,257,894 at December 31, 2016 and 2015, respectively.

During 2016, the Corporation sold 320 of its non-interest bearing residential mortgages. The principal amount at the time of the sale was \$13,658,005 with unamortized discount on the mortgages of \$4,967,726. The sales price of the mortgages was \$6,618,308 leaving a loss reported on the statement of activities in the amount of \$2,071,971.

The Corporation also offered Turtle Creek lot equity grants (program concluded). These grants are forgiven after five years.

Non-Interest bearing residential mortgage loans, mortgage receivables and notes receivables are evaluated quarterly and annually for impairment. In its evaluation the Corporation will assess whether there have been any foreclosures, bankruptcies, or other types of debtor impairments. If this quantitative impairment analysis indicates a possible impairment of the Corporation's receivable, the

Corporation will investigate other qualitative factors including the ability of the borrower to pay off the loan. The Corporation reserves 40% of the non-interest bearing residential mortgage loans portfolio at risk for loans delinquent greater than 90 days. This is based on the historical loss rate for this portfolio. The mortgage receivables portfolio has a loan loss reserve equal to 2.5% of the total portfolio and once a history is established for this portfolio, the reserve ratio may be changed. The notes receivable loan loss reserve is 10% of the unguaranteed portion of the note, adjusted for any loan impairments.

Loans are considered impaired if full principal or interest payments are not anticipated in accordance with the contractual terms. The Corporation's practice is to charge off any loan or portion of a loan when the loan is determined by management to be uncollectible due to the borrower's failure to meet repayment terms, the borrower's deteriorating or deteriorated financial condition, the depreciation of the underlying collateral, or for other reasons.

Loans are placed on nonaccrual 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 reversed by a charge to interest income. Interest income on nonaccrual loans is recognized only to the extent cash payments are received, after principal due was brought current. Management will return the note to accrual status if it determines that there is a strong likelihood that the borrower will be able to make consistent monthly payments and collateral value is maintained.

Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

RENAISSANCE COMMUNITY LOAN FUND, INC.
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 6 – CONTINGENT, MORTGAGE AND NOTES RECEIVABLE (continued)

The components of notes and mortgages receivable are as follows at December 31:

	2016	2015
Small business development notes	\$ 162,599	\$ 55,089
Commercial notes	2,842,335	1,900,832
Total notes receivable	<u>\$ 3,004,934</u>	<u>\$ 1,955,921</u>
Traditional mortgage loans	\$ 15,780,852	\$ 11,510,159
Temporary housing unit loans	240,693	247,472
Green loans	48,901	29,926
Total mortgages receivable	<u>\$ 16,070,446</u>	<u>\$ 11,787,557</u>

The allowance for doubtful accounts and loans receivable changed as follows at December 31:

	2016	2015
Balances, beginning of year	\$ (548,942)	\$ (610,680)
Provision for losses	(372,418)	25,826
Recoveries on loans	-	-
Loans charged off	75,926	35,912
Balances, end of year	<u>\$ (845,434)</u>	<u>\$ (548,942)</u>

At December 31, 2016 and 2015, the total recorded investment in impaired loans amounted to approximately \$499,093 and \$0, respectively.

At December 31, 2016 and 2015, the total recorded investment in loans on nonaccrual amounted to approximately \$499,093 and \$0, respectively. The total recorded investment in loans past due ninety days or more on zero coupon notes amounted to approximately \$299,632 and \$157,661, respectively. The amount of interest not recorded on nonaccrual loans was approximately \$10,656 and \$0 for the years ended December 31, 2016 and 2015, respectively.

Note 7 – FORCLOSED ASSETS HELD FOR SALE

At December 31, 2016 and 2015, the Corporation had residential real estate properties acquired through foreclosure with a carrying amount of \$201,026 and \$166,878, respectively. That amount includes all properties for which physical possession had been obtained, either through (a) legal title obtained upon completion of foreclosure proceedings, or (b) conveyance by the borrower in satisfaction of a loan through completion of a deed in lieu of foreclosure or another similar legal agreement.

RENAISSANCE COMMUNITY LOAN FUND, INC.
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 8 – CAPITAL ASSETS

The following were components of capital assets at December 31:

	Balance 01/01/16	Additions	Balance 12/31/16
Depreciable furniture, fixtures and equipment	\$ 170,653	2,883	\$ 173,536
Real estate	174,948	-	174,948
Total capital assets	345,601	2,883	348,484
Accumulated depreciation	(150,421)	(16,232)	(166,653)
Total capital assets net	\$ 195,180	(13,349)	\$ 181,831

Note 9 – GRANTS PAYABLE

Grants authorized but unpaid at year-end are reported as liabilities. Grants to be paid in more than one year are discounted using a rate of 4%. The following is a summary of grants authorized and payable at December 31, 2016:

To be paid in 2018	\$ 135,600
To be paid in 2019	135,600
To be paid in 2020	135,600
To be paid in 2021	135,600
To be paid in more than five years	399,643
Less discount on long-term grants	(274,355)
Net grants authorized but unpaid	\$ 667,688

Note 10 – NOTES PAYABLE

The following were components of notes payable at December 31:

	Balance 01/01/16	Additions	Retirements	Balance 12/31/16	Due within one year	Long- term
Opportunity Finance Network-January 2014	\$ 500,000	\$ -	\$ -	\$ 500,000	\$ -	\$ 500,000
FHLB-September 2014	977,592	-	22,991	954,601	23,589	931,012
FHLB-April 2014	984,529	-	23,662	960,867	24,220	936,647
Woodforest National Bank	130,603	-	83,609	46,994	46,994	-
FHLB-June 2015	989,516	-	21,434	968,082	22,071	946,011
FHLB-August 2015	1,985,411	-	44,552	1,940,859	45,753	1,895,106
FHLB-December 2015	1,000,000	-	21,866	978,134	22,469	955,665
FHLB-February 2016	-	2,000,000	37,815	1,962,185	46,422	1,915,763
FHLB-April 2016	-	1,000,000	15,214	984,786	23,290	961,496
Seton Enablement Fund-January 2016	-	150,000	-	150,000	17,918	132,082
Religious Communities Investment Fund-March 2016	-	200,000	-	200,000	-	200,000
SBA Microloan Program-October 2016	-	250,000	743	249,257	28,980	220,277
Adrian Dominican Sisters-December 2016	-	100,000	-	100,000	-	100,000
Less: Debt Issue Cost	(1,205)	-	(770)	(435)	(435)	-
Total capital assets net	\$ 6,566,446	\$ 3,700,000	\$ 271,116	\$ 9,995,330	\$ 301,271	\$ 9,694,059

RENAISSANCE COMMUNITY LOAN FUND, INC.
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 10 – NOTES PAYABLE (continued)

Detailed information on notes payable at December 31, 2016, is as follows:

Opportunity Finance Network, originated in January 2014 in the amount of \$500,000; interest at 4.25% per annum, unsecured; quarterly interest only payments; matures December 31, 2018 with all unpaid principal and interest due	\$ 500,000
Federal Home Loan Bank, originated in September 2014 in the amount of \$1,000,000; interest at 2.572% per annum for 10 years with a balloon payment on January 2, 2025; secured by 1 st mortgages; monthly installments of \$3,989	954,601
Federal Home Loan Bank, originated in April 2015 in the amount of \$1,000,000; interest at 2.333% per annum for 10 years with a balloon payment on May 1, 2025 secured by 1 st mortgages; monthly installments of \$3,865	960,867
Woodforest National Bank, originated in May 2015 in the amount of \$200,000; interest at 4.0% per annum; maturity May 15, 2017; secured by commercial loans; monthly interest payments, quarterly principal varies	46,994
Federal Home Loan Bank, originated in June 2015 in the amount of \$1,000,000; interest at 2.93% per annum for 10 years with a balloon payment on July 1, 2025; secured by 1 st mortgages; monthly installments of \$4,179	968,082
Federal Home Loan Bank, originated in August 2015 in the amount of \$2,000,000; interest at 2.662% per annum for 10 years with a balloon payment on September 2, 2025; secured by 1 st mortgages; installments of \$8,072	1,940,859
Federal Home Loan Bank, originated in December 2015 in the amount of \$1,000,000; interest at 2.721% per annum for 10 years with a balloon payment on January 2, 2026; secured by 1 st mortgages; monthly installments of \$4,068	978,134
Federal Home Loan Bank, originated in February 2016 in the amount of \$2,000,000; interest at 2.483% per annum for 10 years with a balloon payment on March 2, 2026; secured by 1 st mortgages; monthly installments of \$7,885	1,962,185
Federal Home Loan Bank, originated in April 2016 in the amount of \$1,000,000; interest at 2.435% per annum for 10 years with a balloon payment on May 1, 2026; secured by 1 st mortgages; monthly installments of \$3,918	984,786

RENAISSANCE COMMUNITY LOAN FUND, INC.
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 10 – NOTES PAYABLE (continued)

Seton Enablement Fund, originated in January 2016 in the amount of \$150,000; interest at 3.0% per annum; for 5 years with a balloon payment on January 1, 2021; unsecured; quarterly interest only payments in 2016; quarterly interest and principal beginning in 2017; quarterly installments of \$5,554	150,000
SBA Microloan, originated in October 2016 in the amount of \$250,000; interest at 0.375% per annum; for 10 years with the final payment on 11/1/2026; secured by SBA bank accounts and Microloan borrower notes	249,257
Religious Communities Investment Fund, originated in March 2016 in the amount of \$200,000; interest at 4.0% per annum; for 5 years with a balloon payment on March 1, 2021; unsecured; quarterly interest only payments	200,000
Adrian Dominican Sisters, originated in December 2016 in the amount of \$100,000; interest at 3.0% per annum; for 5 years with a balloon payment on December 15, 2021; unsecured; quarterly interest only payments	100,000
Debt Issue Costs	(435)
Total notes payable	<u>9,995,330</u>
Less current portion	<u>(301,271)</u>
Notes payable, long-term portion	<u>\$ 9,694,059</u>

The schedule of maturities of notes payable for the next five years and in the aggregate are as follows:

December 31,	Amount
2017	\$ 301,271
2018	760,686
2019	266,820
2020	348,118
2021	559,390
Thereafter	7,759,049
Total	<u>\$ 9,995,330</u>

Interest totaled \$253,671 and \$103,167, for the years ended December 31, 2016 and 2015, respectively.

RENAISSANCE COMMUNITY LOAN FUND, INC.
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 11 – NET ASSETS

Temporarily restricted net assets were available for the following purposes at December 31:

	2016	2015
Community Development Financial Institution lending	\$ 1,191,400	\$ 807,010
Small Business Administration Microloan lending	-	50,000
Turtle Creek Development	20,056	20,056
Totals	<u>\$ 1,211,456</u>	<u>\$ 877,066</u>

Temporarily restricted net assets are made up of the following at December 31:

	2016	2015
Cash, restricted	\$ 61,456	\$ 827,066
Grants receivable, restricted	1,150,000	50,000
Totals	<u>\$ 1,211,456</u>	<u>\$ 877,066</u>

Net assets released from restrictions by incurring expenses satisfying the restricted purpose were as follows at December 31, 2016:

	2016	2015
Community Development Financial Institution lending	\$ 765,610	\$ 1,239,747
Housing grants and loan programs	8,937	128,999
Totals	<u>\$ 774,547</u>	<u>\$ 1,368,746</u>

Loan Loss Reserve required by the Small Business Administration (SBA): The Corporation is the holder of two note receivables under the Community Advantage Pilot Loan Program with a balance of \$369,347 at December 31, 2016. 75% - 85% of the loan balances are guaranteed by the Small Business Administration (SBA). As part of its guarantee agreement, the SBA requires the Corporation to maintain cash, in a separate account, equal to 5% of the unguaranteed portion of the loan. In addition to the 5% maintained in a separate account the SBA also requires 3% of the guaranteed portion of each loan that is sold into the secondary market be maintained in a separate loan loss reserve cash account. At December 31, 2016, the required balance based on SBA requirements in this cash account is \$12,640 and is reported as designated net assets.

Note 12 – EMPLOYEE RETIREMENT PLANS

The Corporation sponsors a defined contribution retirement plan with Section 401(k) provisions. The plan is available to substantially all of the company's employees. The plan provides for participating employees to make salary reduction (elective deferral) contributions from their compensation into the plan with the Corporation making a discretionary matching employer contribution. The Corporation made no discretionary matching employer contributions for the years ended December 31, 2016 and 2015.

Note 13 – CONTINGENCIES

The Corporation is involved in various legal matters arising during the normal course of business. Management, after consulting legal counsel, is of the opinion that the ultimate resolution of these

RENAISSANCE COMMUNITY LOAN FUND, INC.
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 13 – CONTINGENCIES (continued)

matters will not have a material adverse effect on the financial condition of the Corporation.

Note 14 – OTHER COMMITMENTS

The Corporation maintains a \$1,000,000 unsecured line of credit with The First Bank. At December 31, 2016 and 2015, the outstanding loan balance on this line of credit was \$0.

Note 15 – RELATED PARTY TRANSACTIONS

In December 2011, the Corporation executed a restricted grant agreement with Lamey Bridge Senior Development, LLC (LBSD). Bridge Development, LLC is one of the members of LBSD. Under the terms of the grant agreement, the Corporation will provide to LBSD a rental subsidy grant totaling \$1,356,000, payable in equal annual installments of \$135,600. As of December 31, 2016, the Corporation has recorded grants payable in the amount of \$667,688 the present value of the liability.

On May 14, 2012, the Corporation entered into an agreement with Lamey Bridget Senior Development, LLC to provide the Company a \$250,000 line of credit. On August 24, 2016 the Corporation renewed the line of credit with LBSD. The new expiration date is August 15, 2017. The balance of this line of credit at December 31, 2016 and 2015 was \$0.

The Corporation provides management and accounting services to Lamey Bridge Senior Development, LLC. During the year, LBSD paid the Corporation \$96,317. As of December 31, 2016 and 2015, \$4,500 and \$4,659 respectively, has been accrued as due from affiliate for those services.

Note 16 – PRIOR PERIOD ADJUSTMENT

A prior period adjustment of \$50,000 was made due to erroneously reporting an SBA grant as a receivable and revenue in 2015.

Note 17 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 22, 2017, the date on which the financial statements were available to be issued.

On February 27, 2017 the Corporation received the 2016 Community Development Financial Institutions Program grant receivable of \$1,150,000.

On February 24, 2017 the Corporation sold 180 non-interest bearing mortgage receivables with an outstanding balance of \$7,081,699 and unamortized discount of \$3,894,934. The loans were sold at 45% of the balance or \$3,186,764.

Supplemental Information

RENAISSANCE COMMUNITY LOAN FUND, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016
(With Comparative Totals for 2015)

	Program Services			Support Services	2016	2015
	Home Ownership	Lending	Land Development	Management & General		
EXPENDITURES						
Salaries	\$	756,455	49,627	151,217	\$ 957,299	816,411
Employee Benefits		74,029	4,843	125,164	204,036	233,765
Payroll Taxes		52,570	3,267	19,442	75,279	70,344
Total Payroll and Related Expenses	-	883,054	57,737	295,823	1,236,614	1,120,520
Advertising		108,481		333	108,814	197,269
Bad Debt		367,970			367,970	117,250
Business Grants				500	500	2,575
Call Center	550				550	600
Counseling Fees					-	1,005
Depreciation				16,232	16,232	21,213
Donations/Pledges		123		6,100	6,223	7,175
Down Payment Assistance- Amortization	532,457	578,629			1,111,086	1,688,934
Down Payment Assistance- Turtle Creek	524,267				524,267	518,392
Dues and Subscriptions		3,631		16,942	20,573	14,122
Loan Servicing Fees		53,670		5,781	59,451	65,525
Food and Beverage		1,164		4,061	5,225	7,829
Housing Assistance Grants		150,117	10,545		160,662	930,324
Insurance		43,633		11,111	54,744	58,791
Interest				253,671	253,671	103,167
Legal and Professional	315	82,593		157,464	240,372	179,264
MDA NHP Flood Insurance Program	1,750			1,058	2,808	4,020
Mortgage Discount Amortization		787,434			787,434	(899,180)
Office Supplies and Expense		22,753		20,763	43,516	41,854
Postage		2,795		2,040	4,835	10,805
Printing		4,407		4,713	9,120	6,336
Professional Development		9,624		8,016	17,640	14,063
Property Management		43,647			43,647	148,299
Refinance Costs-MyHome MyCoast		179,032			179,032	281,126
Rent		58,593		20,097	78,690	62,200
Rental Home Expense	10,892	5,166			16,058	19,003
Restricted Grant Expense	24,147				24,147	19,689
Supplies		8,004		5,824	13,828	22,317
Temporary Housing Units Grant Amortization	86,401				86,401	234,647
Travel		9,617		12,110	21,727	30,404
Utilities		8,962		7,469	16,431	11,297
Total Functional Expenses	\$ 1,180,779	3,413,099	68,282	850,108	5,512,268	5,040,835

The notes are an integral part of these financial statements.

Schedule of Expenditures of Federal Awards

RENAISSANCE COMMUNITY LOAN FUND, INC.
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
U.S. Department of the Treasury Community Development Financial Institutions Program	21.020	765,610
Small Business Administration Microloan Program	59.046	<u>4,957</u>
Total financial awards, all programs		<u><u>770,567</u></u>

The following notes are an integral part of this schedule.

Note A - Basis of Presentation

The above schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Renaissance Community Loan Fund, Inc. under programs of the Federal government for the year ended December 31, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.C. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of Renaissance Community Loan Fund, Inc., it is not intended to and does not present the financial position or changes in net assets of Renaissance Community Loan Fund, Inc..

Note B - Summary of Significant Accounting Policies

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

See independent auditors' report.

Special Reports

WRIGHT, WARD, HATTEN & GUEL

PROFESSIONAL LIMITED LIABILITY COMPANY

(SUCCESSORS TO A. L. EVANS & COMPANY ESTABLISHED 1929)

Certified Public Accountants

HANCOCK BANK BUILDING

2510 - 14TH STREET

P.O. BOX 129

GULFPORT, MISSISSIPPI 39502

MICHAEL E. GUEL, CPA, CVA, PFS, CFP®
SANDE W. HENTGES, CPA, CFE

LEAH HOLLAND, CPA
CHRIS TAYLOR, CPA
CHARLENE KERKOW, CPA

MEMBERS
AMERICAN INSTITUTE OF CPAS
MISSISSIPPI SOCIETY OF CPAS

TELEPHONE (228) 863-6501
FAX NUMBER (228) 863-6544
EMAIL: THECPAFIRM@AOL.COM

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

March 22, 2017

The Board of Directors
Renaissance Community Loan Fund, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Renaissance Community Loan Fund, Inc. (a non-profit organization) which comprise the statement of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated March 22, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Renaissance Community Loan Fund Inc.'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of Renaissance Community Loan Fund, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Renaissance Community Loan Fund, Inc.'s internal control.

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

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

Compliance and Other Matters

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

Walter Wood 7/26/16 * Jemp

WRIGHT, WARD, HATTEN & GUEL

PROFESSIONAL LIMITED LIABILITY COMPANY

(SUCCESSORS TO A. L. EVANS & COMPANY ESTABLISHED 1929)

Certified Public Accountants

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2510 - 14TH STREET

P.O. BOX 129

GULFPORT, MISSISSIPPI 39502

MICHAEL E. GUEL, CPA, CVA, PFS, CFP®
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LEAH HOLLAND, CPA
CHRIS TAYLOR, CPA
CHARLENE KERKOW, CPA

MEMBERS
AMERICAN INSTITUTE OF CPAS
MISSISSIPPI SOCIETY OF CPAS

TELEPHONE (228) 863-6501
FAX NUMBER (228) 863-6544
EMAIL: THECPAFIRM@AOL.COM

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

March 22, 2017

The Board of Directors
Renaissance Community Loan Fund, Inc.

Report on Compliance for Each Major Federal Program

We have audited Renaissance Community Loan Fund, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Renaissance Community Loan Fund, Inc.'s major federal programs for the years ended December 31, 2016 and 2015. Renaissance Community Loan Fund, Inc.'s major federal program is identified in the Summary of Auditor's Results section of the accompanying schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Renaissance Community Loan Fund, Inc.'s major federal programs 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 Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of 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 Renaissance Community Loan Fund, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Renaissance Community Loan Fund, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Renaissance Community Loan Fund complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

Report on Internal Control Over Compliance

Management of Renaissance Community Loan Fund, Inc. 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 Renaissance Community Loan Fund, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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 Renaissance Community Loan Fund, Inc.'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.

Walter Wood Guthrie & Group

RENAISSANCE COMMUNITY LOAN FUND, INC.
 Schedule of Findings and Questioned Costs
 For the Year Ended December 31, 2016

Section 1: Summary of Auditors' Results

Financial Statements

Type of auditors' report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiencies identified that are Not considered to be material weakness?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiencies identified that are Not considered to be material weakness?	No

Type of auditor's report issued on compliance For major programs:	Unmodified
--	------------

Any audit findings disclosed that are required to be Reported in accordance with section 510(a) Of Circular A-133?	No
--	----

Identification of major programs:	
<u>CFDA Number</u>	<u>Name of Federal Program</u>
21.020	Community Development Financial Institutions Program

Dollar threshold used to distinguish Between type A and type B programs:	\$750,000
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Auditee qualified as low-risk auditee?	Yes
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Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____315(b) of OMB Circular A-133?	No
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Section 2: Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

Section 3: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to the federal awards.

RENAISSANCE COMMUNITY LOAN FUND, INC.
Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2016

No prior year audit findings.