

RENAISSANCE COMMUNITY LOAN FUND, INC.

**AUDITED FINANCIAL STATEMENTS
AND SPECIAL REPORTS**

DECEMBER 31, 2017

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

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INDEPENDENT AUDITORS' REPORT

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, 2017, 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, 2017, 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

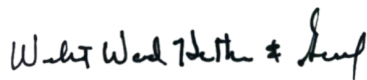
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations 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. The accompanying Schedule of Adjusted Net Worth Computation, required by HUD and described in the Consolidated Audit Guide for Audits of HUD Programs, is presented for purposes of additional analysis and is also not a required part of the basic 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, 2018, 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.

Report on Summarized Comparative Information

We have previously audited the Renaissance Community Loan Fund, Inc.'s 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 22, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Wright, Ward, Hatten & Guel
Gulfport, MS
March 22, 2018

(Except for Note 17, as to which date is April 27, 2018)

Financial Statements

RENAISSANCE COMMUNITY LOAN FUND, INC.

Statement of Financial Position

December 31, 2017

(With Comparative Totals for 2016)

ASSETS

	<u>2017</u>	<u>2016</u>
Cash	\$ 12,351,442	\$ 9,540,357
Cash, restricted	680,318	61,456
Federal Home Loan Bank Stock, at cost	224,600	363,400
Grants receivable, restricted portion \$976,500 and \$1,150,000	976,500	1,150,000
Prepaid expenses	19,905	25,045
Due from affiliate	9,146	4,500
Due from closing agent and others	428,022	222,964
Equity in net assets of affiliate	2,129,381	2,292,935
Contingent receivable, REACH	-	1,477,153
Contingent receivable, My Home My Coast	-	99,721
Contingent receivable, Turtle Creek lot equity	-	985,650
Notes receivable	4,713,140	3,004,934
Mortgages receivable, restricted portion \$598,500 and \$0	17,450,356	16,070,446
Non-interest bearing residential mortgage loans, net of unamortized discounts of \$0 and \$4,041,822	625,374	3,825,776
Allowance for doubtful accounts and loans receivable	(2,419,804)	(845,434)
Foreclosed assets held for sale	238,682	201,026
Capital assets, net	60,530	181,831
Total Assets	<u>\$ 37,487,592</u>	<u>\$ 38,661,760</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	\$ 146,630	\$ 107,795
Accrued expenses	135,943	87,228
Escrows	133,017	4,564
Deferred origination fees	96,000	-
Grant payable	560,521	667,688
Notes payable	8,567,993	9,995,330
Total Liabilities	<u>9,640,104</u>	<u>10,862,605</u>
Net Assets		
Unrestricted net assets		
Designated	105,676	12,640
Undesignated	25,486,494	26,575,059
Temporarily restricted net assets	2,255,318	1,211,456
Total Net Assets	<u>27,847,488</u>	<u>27,799,155</u>
Total Liabilities and Net Assets	<u>\$ 37,487,592</u>	<u>\$ 38,661,760</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, 2017

(With Comparative Totals for December 31, 2016)

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
SUPPORT AND REVENUE				
Contributions	\$ 2,516	\$ (20,056)	\$ (17,540)	\$ 4,815
Grant revenue	31,947	2,253,566	2,285,513	1,173,170
Mortgage discount amortization	-	-	-	549,385
Loan fees	230,872	-	230,872	170,060
Interest income	1,224,405	-	1,224,405	934,930
Miscellaneous income	13,683	-	13,683	29,026
Settlement of claim	3,500,000	-	3,500,000	-
Gain on assets	69,385	-	69,385	93,753
Loss on sale of MYHOME mortgages	-	-	-	(2,071,971)
Loss on foreclosures	(34,354)	-	(34,354)	(12,996)
Management fee income - Bridge	46,128	-	46,128	39,365
Investment return	6,200	-	6,200	32,050
Equity in earnings of affiliate	(137,738)	-	(137,738)	(129,106)
Net assets released from restriction	1,189,648	(1,189,648)	-	-
Total Support and Revenue	6,142,692	1,043,862	7,186,554	812,481
EXPENSES				
Program services				
Homeownership	2,425,375	-	2,425,375	1,180,779
Lending	3,522,733	-	3,522,733	3,413,099
Land development	78,091	-	78,091	68,282
Supporting services				
Management and general	1,112,022	-	1,112,022	850,108
Total Expenses	7,138,221	-	7,138,221	5,512,268
Change in Net Assets	(995,529)	1,043,862	48,333	(4,699,787)
Net assets, beginning of year	26,587,699	1,211,456	27,799,155	32,548,942
Prior period adjustment	-	-	-	(50,000)
Net assets, beginning of year restated	26,587,699	1,211,456	27,799,155	32,498,942
Net assets, end of year	\$ 25,592,170	\$ 2,255,318	\$ 27,847,488	\$ 27,799,155

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, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Change in Net Assets	\$ 48,333	\$ (4,699,787)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Bad debt	1,716,475	411,592
Depreciation	10,818	16,232
Mortgage discount expense	-	787,434
Mortgage discount amortization	-	(549,385)
Non-interest bearing mortgages sold	3,186,765	8,690,278
Receipts from mortgage receivable	1,319,690	2,481,067
Mortgages received	(2,165,106)	(4,622,962)
Payments on notes receivable	815,624	644,255
Notes received	(2,650,342)	(1,693,267)
Loss on foreclosure	-	12,996
(Gain)/loss on sale of assets	-	124,947
Changes in assets and liabilities		
Grants receivable	(425,000)	(1,100,000)
Due from affiliate	(4,646)	159
Due from closing agents and others	(216,435)	(144,227)
Contingent receivable, REACH	1,477,153	553,894
Contingent receivable, My Home My Cost	99,721	578,629
Contingent receivable, temporary housing units	-	86,401
Contingent receivable, Turtle Creek lot equity	985,650	524,267
Prepaid expenses	5,140	16,098
Accounts payable	104,708	(52,015)
Accrued expenses	(17,158)	24,910
Escrows	128,453	(7,658)
Deferred origination fees	96,000	-
Grants payable	(107,167)	(111,453)
Net Cash Provided By Operating Activities	4,408,676	1,972,405
Cash Flows from Investing Activities		
Proceeds from sale of foreclosed assets	387,327	239,986
Proceeds from sale of assets in use	120,528	-
Purchase of property and equipment	(10,045)	(2,883)
Acquisition of foreclosed assets	(351,556)	(245,575)
Distribution from affiliate	25,816	26,536
Equity in net assets of affiliate	137,738	129,106
Investments		
Purchased	(6,200)	(125,100)
Sold	145,000	1,791,005
Net Cash Provided by Investing Activities	448,608	1,813,075
Cash Flows from Financing Activities		
Issuance of long-term debt	1,900,000	3,700,000
Repayments of long-term debt	(3,327,337)	(271,116)
Net Cash Provided (Used) by Financing Activities	(1,427,337)	3,428,884
Net Increase (Decrease) in Cash	3,429,947	7,214,364
Cash, Beginning of Period	9,601,813	2,387,449
Cash, End of Period	\$ 13,031,760	\$ 9,601,813
Supplemental disclosure:		
Cash paid for interest	\$ 252,653	\$ 253,671

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, 2017

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 the Corporation as its sole member. The accounts of Bridge are included in the December 31, 2017 and 2016 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, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2017 and 2016.

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, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2017 and 2016.

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 – GRANTS RECEIVABLE

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

	2017	2016
Community Development Financial Institutions Fund	\$ 976,500	\$ 1,150,000

Note 4 – 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, 2017 and 2016, the Corporation’s investment in LBSD is valued at \$2,129,381, and \$2,292,935, respectively. Also, a loss of \$(137,740) and \$(129,106) has been recognized for the years ended December 31, 2017 and 2016, respectively.

RENAISSANCE COMMUNITY LOAN FUND, INC.
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 4 – INVESTMENT IN UNCONSOLIDATED AFFILIATE (continued)

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

	2017	2016
Assets	\$ 11,500,009	\$ 12,064,129
Liabilities	4,570,761	4,623,397
Members' equity	6,929,248	7,440,732
Total liabilities and members' equity	\$ 11,500,009	\$ 12,064,129

Statement of Operations

	2017	2016
Revenues	\$ 1,124,999	\$ 1,068,292
Operating expenses	(1,542,379)	(1,459,511)
Net Loss	\$ (417,380)	\$ (391,219)

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.

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, (The First) 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, 2017 is \$4,384,235 and is included in the total liabilities of LBSD reported above.

Note 5 – 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,

RENAISSANCE COMMUNITY LOAN FUND, INC.
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 5 – CONTINGENT, MORTGAGE AND NOTES RECEIVABLE (continued)

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, 2017 and 2016, 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.

The Neighbor Works program was launched in 2017 to provide \$10,500 in down payment assistance to qualified applicants. This loan is available to applicants at or below AMI for the county in which the home will be purchased. The funds are secured as a subordinate lien on the home which is deferred for the life of ownership. The loan is called due upon sale or when the borrower no longer occupies the home as his/her primary residence. This is a non-interest-bearing loan.

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 \$0 and \$3,825,776 at December 31, 2017 and 2016, respectively. The Corporation terminated the discount on these non-interest-bearing loans in 2017.

During 2017, the Corporation sold \$7,081,698 of its non-interest bearing residential mortgages. The principal amount at the time of the sale was \$7,081,698 with unamortized discount on the mortgages of \$3,894,934. The sales price of the mortgages was \$3,186,764 leaving a loss reported on the statement of activities in the amount of \$0.

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

RENAISSANCE COMMUNITY LOAN FUND, INC.
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 5 – CONTINGENT, MORTGAGE AND NOTES RECEIVABLE (continued)

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 current portfolio and once a history is established for this portfolio, the reserve ratio may be changed. The Corporation also reserves of 40% for loans delinquent greater than 90 days when factors indicate the loan may default. The notes receivable loan loss reserve is 10% of the unguaranteed portion of the note, adjusted for any loan impairments. The corporation reserves 100% of the down payment assistance portfolio as the structure of the loan makes payment unlikely.

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.

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

	2017	2016
Small business development notes	\$ 476,479	\$ 162,599
Commercial notes	4,236,661	2,842,335
Total notes receivable	<u>\$ 4,713,140</u>	<u>\$ 3,004,934</u>
Traditional mortgage loans	\$ 17,180,228	\$ 15,780,852
Temporary housing unit loans	223,808	240,693
Green loans	46,320	48,901
Total mortgages receivable	<u>\$ 17,450,356</u>	<u>\$ 16,070,446</u>

RENAISSANCE COMMUNITY LOAN FUND, INC.
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 5 – CONTINGENT, MORTGAGE AND NOTES RECEIVABLE (continued)

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

	2017	2016
Balances, beginning of year	\$ (845,434)	\$ (548,942)
Provision for losses	(1,828,027)	(372,418)
Recoveries on loans	-	-
Loans charged off	253,657	75,926
Balances, end of year	\$ <u>(2,419,804)</u>	\$ <u>(845,434)</u>

At December 31, 2017 and 2016, the total recorded investment in impaired loans amounted to approximately \$277,665 and \$499,093, respectively.

At December 31, 2017 and 2016, the total recorded investment in loans on nonaccrual amounted to approximately \$277,765 and \$499,093, respectively. The total recorded investment in loans past due ninety days or more on zero coupon notes amounted to approximately \$86,716 and \$299,632, respectively. The amount of interest not recorded on nonaccrual loans was approximately \$7,275 and \$10,656 for the years ended December 31, 2017 and 2016, respectively.

Note 6 – FORCLOSED ASSETS HELD FOR SALE

At December 31, 2017 and 2016, the Corporation had residential real estate properties acquired through foreclosure with a carrying amount of \$238,682 and \$201,026, 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.

Note 7 – CAPITAL ASSETS

The following were components of capital assets at December 31:

	Balance 01/01/17	Additions	Disposals/ Adjustments	Balance 12/31/17
Depreciable furniture, fixtures and equipment	\$ 173,536	\$ 10,045	\$ -	\$ 183,581
Real estate	174,948	-	(139,235)	35,713
Total capital assets	348,484	10,045	(139,235)	219,294
Accumulated depreciation	(166,653)	(10,818)	18,707	(158,764)
Total capital assets net	\$ <u>181,831</u>	\$ <u>(773)</u>	\$ <u>(120,528)</u>	\$ <u>60,530</u>

RENAISSANCE COMMUNITY LOAN FUND, INC.
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 8 – 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, 2017:

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 2022		135,600
To be paid in more than five years		128,443
Less discount on long-term grants		<u>(245,922)</u>
Net grants authorized but unpaid	\$	<u><u>560,521</u></u>

Note 9 – NOTES PAYABLE

The following were components of notes payable at December 31:

	Balance 01/01/17	Additions	Retirements	Balance 12/31/17	Due within one year	Long-term
Opportunity Finance Network-January 2014	\$ 500,000	\$ -	\$ -	\$ 500,000	\$ 500,000	\$ -
FHLB-September 2014	954,601	-	23,589	931,012	24,203	906,809
FHLB-April 2014	960,867	-	629,304	331,563	39,060	292,503
Woodforest National Bank	46,994	-	46,994	-	-	-
FHLB-June 2015	968,082	-	22,070	946,012	22,726	923,286
FHLB-August 2015	1,940,859	-	45,753	1,895,106	46,986	1,848,120
FHLB-December 2015	978,134	-	22,469	955,665	23,088	932,577
FHLB-February 2016	1,962,185	-	1,962,185	-	-	-
FHLB-April 2016	984,786	-	529,408	455,378	36,325	419,053
Seton Enablement Fund-January 2016	150,000	-	17,918	132,082	18,462	113,620
Religious Communities Investment Fund-March 2016	200,000	-	-	200,000	-	200,000
SBA Microloan Program-October 2016	249,257	-	28,082	221,175	28,980	192,195
SBA Microloan Program-June 2017	-	300,000	-	300,000	27,777	272,223
Adrian Dominican Sisters-December 2016	100,000	-	-	100,000	-	100,000
The First-November 2017	-	1,600,000	-	1,600,000	-	1,600,000
Less: Debt Issue Cost	(435)	-	(435)	-	-	-
Total capital assets net	\$ <u>9,995,330</u>	\$ <u>1,900,000</u>	\$ <u>3,327,337</u>	\$ <u>8,567,993</u>	\$ <u>767,607</u>	\$ <u>7,800,386</u>

Detailed information on notes payable at December 31, 2017, 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 1st mortgages; monthly installments of \$3,989

931,012

RENAISSANCE COMMUNITY LOAN FUND, INC.
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 9 – NOTE PAYABLE (continued)

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	331,563
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	946,012
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	1,895,106
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	955,665
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	455,378
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	132,082
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 November 1, 2026; secured by SBA bank accounts and Microloan borrower notes	221,175
SBA Microloan, originated in June 2017 in the amount of \$500,000; interest at 0.625% per annum; for 10 years with the final payment on June 7, 2027; secured by SBA bank accounts and Microloan borrower notes	300,000
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

RENAISSANCE COMMUNITY LOAN FUND, INC.
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 9 – NOTES PAYABLE (continued)

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

The First, originated in November 2017 in the amount of \$1,600,000; interest at 2.86% per annum; for 13 months with a balloon payment on December 3, 2018; secured by a Certificate of Deposit with The First; monthly interest only payments. It is the intention of the Corporation to extend this line of credit for another year to December 3, 2019. 1,600,000

Total notes payable	8,567,993
Less current portion	<u>(767,607)</u>
Notes payable, long-term portion	<u>\$ 7,800,386</u>

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

December 31,	Amount
2018	\$ 767,607
2019	1,900,967
2020	306,699
2021	667,390
2022	297,818
Thereafter	<u>4,627,512</u>
Total	<u>\$ 8,567,993</u>

Interest totaled \$252,653 and \$253,671, for the years ended December 31, 2017 and 2016, respectively.

Note 10 – NET ASSETS

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

	<u>2017</u>	<u>2016</u>
Community Development Financial Institution lending	\$ 995,318	\$ 1,191,400
Turtle Creek Development	-	20,056
Neighborworks America	<u>1,260,000</u>	-
Totals	<u>\$ 2,255,318</u>	<u>\$ 1,211,456</u>
	<u>2017</u>	<u>2016</u>
Cash, restricted	\$ 680,318	\$ 61,456
Grants receivable, restricted	976,500	1,150,000
Mortgages receivable, restricted	598,500	-
Totals	<u>\$ 2,255,318</u>	<u>\$ 1,211,456</u>

RENAISSANCE COMMUNITY LOAN FUND, INC.
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 10 – NET ASSETS (continued)

Net assets released from restrictions by incurring expenses satisfying the restricted purpose were as follows at December 31, 2017:

	2017		2016
Community Development Financial Institution lending	\$ 1,172,582	\$	765,610
Housing grants and loan programs	17,066		8,937
Totals	<u>\$ 1,189,648</u>	\$	<u>774,547</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 \$326,884 at December 31, 2017. 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, 2017, the required balance based on SBA requirements in this cash account is \$11,176 and is reported as designated net assets.

Note 11 – EMPLOYEE RETIREMENT PLANS

The Corporation sponsors a defined contribution retirement plan with Section 401(k) provisions. The plan is available to substantially all 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, 2017 and 2016.

Note 12 – LEGAL SETTLEMENT

In December of 2017, the Corporation received a settlement in the amount of \$3,500,000; this settlement was related to an incident which occurred in 2010. Attorney's and expert's fees related to this claim of \$337,750 are included in Legal and Professional fees on the Schedule of Functional Expenses on page 19.

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 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. At December 31, 2017 and 2016, the outstanding loan balance on this line of credit was \$0.

The Corporation obtained an additional line of credit with The First on November 3, 2017. This line of credit is secured by a certificate of deposit with the bank in the amount of \$3,000,000. The amount drawn on this line of credit is \$1,600,000 as of December 31, 2017.

RENAISSANCE COMMUNITY LOAN FUND, INC.
Notes to the Financial Statements
For the Year Ended December 31, 2017

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, 2017, the Corporation has recorded grants payable in the amount of \$560,521 the present value of the liability.

On May 14, 2012, the Corporation entered into an agreement with Lamey Bridge Senior Development, LLC to provide the Company a \$250,000 line of credit. On August 15, 2017 the Corporation renewed the line of credit with LBSD. The new expiration date is August 15, 2018. The balance of this line of credit at December 31, 2017 and 2016 was \$0.

The Corporation provides management and accounting services to Lamey Bridge Senior Development, LLC. During the year, LBSD paid the Corporation \$100,703. As of December 31, 2017 and 2016, \$8,696 and \$4,500 respectively, has been accrued as due from affiliate for those services.

In August of 2017, the Corporation prefunded its .01% investment in Renaissance Community Fund Development Entity I, LLC. The primary purpose of which is to act in a manner that will insure qualification of the Company as a “qualified community development entity” pursuant to and as defined for the purposes of Section 45D of the Code and the Treasury Regulations and Guidance. The investment in this entity is \$450 as of December 31, 2017.

Note 16 – SUBSEQUENT EVENTS

Events that occur after the Statement of Financial Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Financial Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after date require disclosure in the accompanying notes.

Management has evaluated the activity of the Renaissance Community Loan Fund, Inc. through March 22, 2018 (the date the financial statements were available to be issued) and determined that there are no material subsequent events that require disclosure in the notes to the financial statements.

Note 17 – Dual Dated Report

Independent auditors’ report on Compliance for each major HUD program and report on internal control over compliance required by the *Consolidated Audit Guide for Audits of HUD Programs* was added to the audit report (page 27) and the Schedule of Findings, Questioned Costs and Recommendations - HUD Programs (page 30) was also added subsequent to the issuance of the original date of March 22, 2018. The report and schedule pertain to the compliance requirements tested for the HUD Title II program. Our original opinion has not been modified with respect to the addition of the report and schedule.

Supplemental Information

Schedule of Functional Expenses

RENAISSANCE COMMUNITY LOAN FUND, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017
(With Comparative Totals for 2016)

	Program Services			Support Services	2017	2016
	Home Ownership	Lending	Land Development	Management & General		
EXPENDITURES						
Salaries	\$ -	\$ 910,522	\$ 50,814	\$ 65,375	\$ 1,026,711	\$ 957,299
Employee Benefits	-	83,738	5,777	150,590	240,105	204,036
Payroll Taxes	-	63,896	3,384	18,252	85,532	75,279
Total Payroll and Related Expenses	-	1,058,156	59,975	234,217	1,352,348	1,236,614
Advertising	-	135,125	-	2,725	137,850	108,814
Bad Debt	-	1,819,751	-	-	1,819,751	367,970
Business Grants	-	-	-	-	-	500
Call Center	600	-	-	-	600	550
Depreciation	-	-	-	10,818	10,818	16,232
Donations/Pledges	-	250	-	8,559	8,809	6,223
Down Payment Assistance- Amortization	1,404,653	99,721	-	-	1,504,374	1,111,086
Down Payment Assistance- Turtle Creek	985,650	-	-	-	985,650	524,267
Dues and Subscriptions	-	10,978	-	18,711	29,689	20,573
Loan Servicing Fees	-	25,239	-	433	25,672	59,451
Food and Beverage	-	-	-	1,147	1,147	5,225
Housing Assistance Grants	-	59,308	18,116	-	77,424	160,662
Insurance	-	43,254	-	8,399	51,653	54,744
Interest	-	-	-	252,653	252,653	253,671
Legal and Professional	558	96,943	-	493,643	591,144	240,372
MDA NHP Flood Insurance Program	-	-	-	-	-	2,808
Mortgage Discount Amortization	-	(146,888)	-	-	(146,888)	787,434
Office Supplies and Expense	-	31,436	-	35,251	66,687	43,516
Postage	-	5,416	-	1,988	7,404	4,835
Printing	-	6,488	-	5,696	12,184	9,120
Professional Development	-	20,475	-	3,008	23,483	17,640
Property Management	-	112,693	-	-	112,693	43,647
Refinance Costs-MyHome MyCoast	-	-	-	-	-	179,032
Rent	-	84,261	-	4,092	88,353	78,690
Rental Home Expense	5,481	2,105	-	-	7,586	16,058
Restricted Grant Expense	28,433	-	-	-	28,433	24,147
Supplies	-	13,922	-	8,292	22,214	13,828
Grant Amortization	-	-	-	-	-	86,401
Travel	-	29,782	-	14,666	44,448	21,727
Utilities	-	14,318	-	7,724	22,042	16,431
Total Functional Expenses	<u>\$ 2,425,375</u>	<u>\$ 3,522,733</u>	<u>\$ 78,091</u>	<u>\$ 1,112,022</u>	<u>\$ 7,138,221</u>	<u>\$ 5,512,268</u>

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, 2017

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	\$ 1,172,582
Small Business Administration Microloan Program	59.046	<u>41,802</u>
Total financial awards, all programs		\$ <u><u>1,214,384</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, 2017. 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.

Schedule of Adjusted Net Worth Computation

RENAISSANCE COMMUNITY LOAN FUND, INC.
Schedule of Adjusted Net Worth Computation
Year Ended December 31, 2017

FHA Lenders With Title II Authority – Adjusted Net Worth Computation

Stockholders; equity (net worth) Per balance sheet	<u>\$27,847,488 (a)</u>
Less unacceptable assets	<u>\$ - (b)</u>
Adjusted net worth for HUD purposes (c) = (a)-(b)	<u>\$27,847,488 (c)</u>
Less minimum net worth required	<u>\$ 1,000,000 (d)</u>
Adjusted net worth above or (below) minimum net worth required (e) = (c)-(d)	<u>\$26,847,488 (e)</u>

RENAISSANCE COMMUNITY LOAN FUND, INC.
Schedule of Adjusted Net Worth Computation
Year Ended December 31, 2017

Title II Single Family Program Lenders' Adjusted Net Worth Computation

FHA servicing portfolio* at (end of fiscal year under audit)		
*HUD FHA-insured single-family mortgages only. Include HEMCs at maximum claim amount.	<u> -</u>	(a)
FHA originations – FHA – insured Title II loan originations during the fiscal year	<u> 273,837</u>	(b)
FHA purchases – FHA – insured Title II third-party originator purchases during the fiscal year	<u> -</u>	(c)
Total FHA loan activity [(d) = (a)+(b)+(c)]	<u> 273,837</u>	(d)
FHA – insured Title II loan originations retained at the fiscal yearend	<u> -</u>	(e)
FHA – insured Title II third-party originator purchases retained at the end of the fiscal year	<u> -</u>	(f)
Adjustments[(g) = (e)+(f)]	<u> -</u>	(g)
Total adjusted FHA loan activity [(h) = (d)-(g)]	<u> 273,837</u>	(h)
Net worth required		
If (h) ≤ \$25 million, skip lines (j) and (k) and insert (i) on line (o).	\$ <u> 1,000,000</u>	(i)
Additional net worth required		
If (h) > \$25,000,000, then (j) = (h)-(\$25,000,000)*(1%).	<u> -</u>	(j)
Total net worth [(k) = (i)+(j)]		
If line (k) < \$2,500,000, insert line (k) on line (o).		
If line (k) > \$2,500,000, insert \$2,500,000 on line (o).	<u> -</u>	(k)
Stockholders' equity (net worth) per balance sheet	<u> 27,847,488</u>	(l)
Less unacceptable assets	<u> -</u>	(m)
Adjusted net worth [(n) = (l)-(m)]	<u> 27,847,488</u>	(n)
Minimum net worth required	<u> 1,000,000</u>	(o)
Adjusted net worth above or below required minimum amount [(p) = (n)-(o)]	<u> 26,847,488</u>	(p)

Special Reports

WRIGHT, WARD, HATTEN & GUEL

PROFESSIONAL LIMITED LIABILITY COMPANY

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

Certified Public Accountants

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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, 2018

To 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, 2017, 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, 2018.

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 Guthrie & Co. LLP

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PROFESSIONAL LIMITED LIABILITY COMPANY

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

March 22, 2018

To 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 year ended December 31, 2017. 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 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 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 types of 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, 2017.

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 7/26/18 # 1

WRIGHT, WARD, HATTEN & GUEL

PROFESSIONAL LIMITED LIABILITY COMPANY

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

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR HUD PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE *CONSOLIDATED AUDIT GUIDE FOR AUDITS OF
HUD PROGRAMS*

April 27, 2018

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

We have audited Renaissance Community Loan Fund, Inc.'s compliance with the compliance requirements described in the *Consolidated Audit Guide for Audits of HUD Programs* (the audit guide) that could have a direct and material effect on each of Renaissance Community Loan Fund, Inc.'s major U.S. Department of Housing and Urban Development (HUD) programs for the year ended December 31, 2017. Renaissance Community Loan Fund's major HUD programs and the related direct and material compliance requirements are as follows:

Name of Major HUD Programs	Direct and Material Compliance Requirements
HUD Title II Program	<ul style="list-style-type: none"> • Quality Control Plan • Sponsor Responsibilities for Third – Party Originators • Branch Office Operations • Loan Origination • Loan Servicing • Federal Financial and Activity Reports • Lender Annual Recertification, Adjusted Net worth, Liquidity, and Licensing • Loan Settlements • Escrow Accounts • Kickbacks

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Renaissance Community Loan Fund, Inc.'s major HUD programs based on our audit of the 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 guide. Those standards and the audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major HUD 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 HUD program. However, our audit does not provide a legal determination of Renaissance Community Loan Fund, Inc.'s compliance.

Walter Wood 7/26/18 # 1

RENAISSANCE COMMUNITY LAON FUND, INC.
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2017

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
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Any audit findings disclosed that are required to be Reported in accordance with 2 CFR 200.516(a)?	No
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Identification of major program:	
<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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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.
Schedule of Findings, Questioned Costs and Recommendations
HUD Programs
For the Year Ended December 31, 2017

Our audit disclosed no findings that are required to be reported herein under the HUD Consolidated Audit Guide.

RENAISSANCE COMMUNITY LOAN FUND, INC.
Summary Schedule of Prior Year Audit Findings
For the Year Ended December 31, 2017

No prior year audit findings related to the financial statements.

No prior year audit findings related to federal awards including the HUD Title II Program.