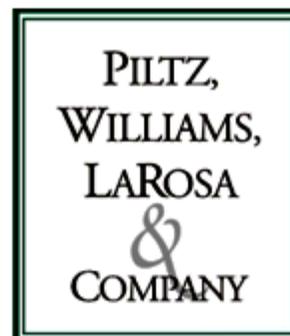


Financial Statements

**Renaissance Community Loan Fund, Inc.
Gulfport, Mississippi**

**Year Ended December 31, 2018
(With Summarized Financial Information
for the Year Ended December 31, 2017)**



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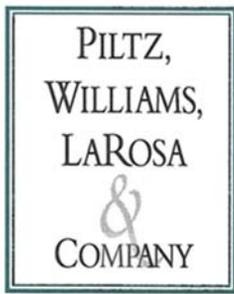
Renaissance Community Loan Fund, Inc.
Gulfport, Mississippi

Financial Statements

Year Ended December 31, 2018
(With Summarized Financial Information
for the Year Ended December 31, 2017)

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Independent Auditors' Report

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

Report on the Financial Statements

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, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' 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, 2018, 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 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 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 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 28, 2019, 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 the effectiveness of Renaissance Community Loan Fund, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Renaissance Community Loan Fund, Inc.'s internal control over financial reporting and compliance.

Report on Summarized Comparative Information

The financial statements of Renaissance Community Loan Fund, Inc. as of December 31, 2017, were audited by other auditors whose report dated March 22, 2018, 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, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Certified Public Accountants

Section I

General Purpose Financial Statements

Renaissance Community Loan Fund, Inc.
Statements of Financial Position

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Assets	December 31,	
	2018	2017
Cash	\$ 11,836,917	\$ 12,351,442
Cash, restricted	9,585	680,318
Federal Home Loan Bank Stock, at cost	132,000	224,600
Grants receivable	1,006,893	976,500
Prepaid expenses	34,362	19,905
Due from affiliate	10,507	9,146
Due from closing agents and others	247,677	428,022
Equity in net assets of affiliate	1,997,918	2,129,381
Notes receivable	5,166,319	4,713,140
Mortgages receivable	20,524,798	17,450,356
Non-interest bearing residential mortgage loans	594,579	625,374
Allowance for doubtful accounts and loans receivable	(3,482,625)	(2,419,804)
Foreclosed assets held for sale	94,095	238,682
Property & equipment, net	1,596,993	60,530
Totals	\$ 39,770,018	\$ 37,487,592
Liabilities & Net Assets		
Liabilities		
Accounts payable	\$ 125,168	\$ 146,630
Contracts payable	1,074,735	-
Accrued expenses	123,394	135,943
Escrows	40,898	133,017
Deferred origination fees	-	96,000
Grant payable	457,476	560,521
Notes payable	9,775,722	8,567,993
Total liabilities	11,597,393	9,640,104
Net assets		
Without donor restrictions	28,172,625	27,185,988
With donor restrictions	-	661,500
Total net assets	28,172,625	27,847,488
Totals	\$ 39,770,018	\$ 37,487,592

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

Renaissance Community Loan Fund, Inc.
Statements of Activities

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	Year Ended December 31,			2017
	2018		Total	
	Without Donor Restrictions	With Donor Restrictions		
Support and revenue				
Contributions	\$ -	\$ -	\$ -	\$ (17,540)
Grant revenue	1,913,575		1,913,575	2,285,513
Loan fees	431,634		431,634	230,872
Interest income	1,320,121		1,320,121	1,224,405
Miscellaneous Income	461,497		461,497	13,683
Settlement of claim			-	3,500,000
Gain on assets	154,433		154,433	69,385
Loss on foreclosures	-		-	(34,354)
Management fee income - Bridge	42,456		42,456	46,128
New Market Tax Credit fees	385,507		385,507	-
Investment return	4,500		4,500	6,200
Equity in earnings of affiliate	(101,355)		(101,355)	(137,738)
Net assets released from restrictions				
Restrictions satisfied by loans made	661,500	(661,500)		
 Total support and revenue	5,273,868	(661,500)	4,612,368	7,186,554
 Expenses				
Program services	3,243,156		3,243,156	6,026,199
Supporting services:				
Management and general	1,044,075		1,044,075	1,112,022
 Total expenses	4,287,231	-	4,287,231	7,138,221
 Change in net assets	986,637	(661,500)	325,137	48,333
 Net assets, beginning of year,	27,185,988	661,500	27,847,488	27,799,155
 Net assets, end of year	\$ 28,172,625	\$ -	\$ 28,172,625	\$27,847,488

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

Renaissance Community Loan Fund, Inc.
Statement of Functional Expenses
Year Ended December 31, 2018

	Program Services	Support Services Management & General	Total
Salaries	\$ 1,179,350	\$ 127,359	\$ 1,306,709
Employee benefits	101,747	149,174	250,921
Payroll taxes	83,111	20,653	103,764
Total payroll and related expenses	<u>1,364,208</u>	<u>297,186</u>	<u>1,661,394</u>
Advertising	224,883	1,000	225,883
Bad debt	1,119,064	-	1,119,064
Call center	600	-	600
Depreciation	-	34,142	34,142
Donations/pledges	250	17,348	17,598
Dues & subscriptions	9,732	23,608	33,340
Food and beverage	5,440	3,224	8,664
Housing assistance grants	32,061	-	32,061
Insurance	43,024	8,603	51,627
Interest	-	242,469	242,469
Legal & professional	111,346	320,757	432,103
Loan servicing fees	26,198	(151)	26,047
Office supplies & expense	35,266	53,140	88,406
Postage	4,121	1,931	6,052
Printing	7,562	6,312	13,874
Professional development	18,982	9,156	28,138
Property management	40,105	-	40,105
Rent	90,649	64	90,713
Rental home expense	6,810	-	6,810
Restricted grant expense	32,555	-	32,555
Supplies	13,737	8,171	21,908
Travel	42,095	8,969	51,064
Utilities	14,468	8,146	22,614
Total functional expenses	<u>\$ 3,243,156</u>	<u>\$ 1,044,075</u>	<u>\$ 4,287,231</u>

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

Renaissance Community Loan Fund, Inc.
Statement of Functional Expenses
Year Ended December 31, 2017

	Program Services	Support Services Management & General	Total
Salaries	\$ 961,336	\$ 65,375	\$ 1,026,711
Employee benefits	89,515	150,590	240,105
Payroll taxes	67,280	18,252	85,532
Total payroll and related expenses	<u>1,118,131</u>	<u>234,217</u>	<u>1,352,348</u>
Advertising	135,125	2,725	137,850
Bad debt	1,819,751	-	1,819,751
Call center	600	-	600
Depreciation	-	10,818	10,818
Donations/pledges	250	8,559	8,809
Down payment assistance amortization	1,504,374	-	1,504,374
Down payment assistance - Turtle Creek	985,650	-	985,650
Dues & subscriptions	10,978	18,711	29,689
Food and beverage	-	1,147	1,147
Housing assistance grants	77,424	-	77,424
Insurance	43,254	8,399	51,653
Interest	-	252,653	252,653
Legal & professional	97,501	493,643	591,144
Loan servicing fees	25,239	433	25,672
Mortgage discount expense	(146,888)	-	(146,888)
Office supplies & expense	31,436	35,251	66,687
Postage	5,416	1,988	7,404
Printing	6,488	5,696	12,184
Professional development	20,475	3,008	23,483
Property management	112,693	-	112,693
Rent	84,261	4,092	88,353
Rental home expense	7,586	-	7,586
Restricted grant expense	28,433	-	28,433
Supplies	13,922	8,292	22,214
Travel	29,782	14,666	44,448
Utilities	14,318	7,724	22,042
Total functional expenses	<u>\$ 6,026,199</u>	<u>\$ 1,112,022</u>	<u>\$ 7,138,221</u>

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

Renaissance Community Loan Fund, Inc.
Statements of Cash Flows

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	Year Ended December 31,	
	2018	2017
Cash flows from operating activities		
Change in net assets	\$ 325,137	\$ 48,333
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Bad debt	1,062,821	1,716,475
Depreciation	34,142	10,818
Non-interest bearing mortgages sold	-	3,186,765
Receipts from mortgages receivable	4,031,217	1,319,690
Mortgages received	(7,074,864)	(2,165,106)
Payments on notes receivable	1,257,384	815,624
Notes received	(1,710,563)	(2,650,342)
(Gain)/loss on sale of assets	(154,433)	-
Changes in assets and liabilities:		
Grants receivable	(30,393)	(425,000)
Due from affiliate	(1,361)	(4,646)
Due from closing agents and others	180,345	(216,435)
Contingent receivable, REACH	-	1,477,153
Contingent receivable, My Home My Coast	-	99,721
Contingent receivable, Turtle Creek lot equity	-	985,650
Prepaid expenses	(14,457)	5,140
Accounts payable	(21,462)	104,708
Contracts payable	1,074,735	-
Accrued expenses	(12,549)	(17,158)
Escrows	(92,119)	128,453
Deferred origination fees	(96,000)	96,000
Grants payable	(103,045)	(107,167)
Net cash provided by (used in) operating activities	(1,345,465)	4,408,676
Cash flows from investing activities		
Proceeds from sale of foreclosed assets	299,020	387,327
Proceeds from sale of assets in use	-	120,528
Purchase of property and equipment	(1,570,605)	(10,045)
Acquisition of foreclosed assets	-	(351,556)
Distribution from affiliate	28,791	25,816
Equity in net assets of affiliate	102,672	137,738
Investments:		
Purchased	(4,500)	(6,200)
Sold	97,100	145,000
Net cash provided by (used in) investing activities	(1,047,522)	448,608
Cash flows from financing activities		
Issuance of long-term debt	3,300,000	1,900,000
Repayments of long-term debt	(2,092,271)	(3,327,337)
Net cash provided by (used in) financing activities	1,207,729	(1,427,337)
Net increase (decrease) in cash	(1,185,258)	3,429,947
Cash, beginning of year	13,031,760	9,601,813
Cash, end of year	\$ 11,846,502	\$ 13,031,760
Supplemental disclosure of cash flows information:		
Cash paid during the year for interest	\$ 242,469	\$ 252,653

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

Note 1 – Description of Organization and Significant Accounting Policies

The organization - 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, 2018 and 2017 financial statements of the Corporation. Any intercompany balances have been eliminated.

In February 2018, Renaissance Investments, LLC (Investments), a Mississippi Limited Liability Company, was formed with Renaissance Community Loan Fund, Inc. as its sole member. The accounts of investments are included in the December 31, 2018 financial statements of the Corporation. Any intercompany balances have been eliminated.

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.

Basis of presentation - The Corporation is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

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.

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.

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.

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.

Renaissance Community Loan Fund, Inc.
Notes to Financial Statements
(Continued)

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Property and equipment - 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. Donations of property and equipment are recorded at their estimated fair value. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Property and equipment are depreciated over their estimated useful lives using the straight-line method.

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 measurements) 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.

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.

Income taxes - The Corporation is a not-for-profit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. Similar provisions under the Mississippi Code allow exemption of state income taxes.

Renaissance Community Loan Fund, Inc.
Notes to Financial Statements
(Continued)

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.

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

Contributions - Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions.

Contributed services - No amounts have been reflected in the financial statements for donated services. The Corporation generally pays for services requiring specific expertise. However, when received, contributed services are recognized at fair value if the services (a) create or enhance long lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically be purchased if not provided by donation. Any amounts reflected in the financial statements as in-kind contributions would be offset by like amounts in expenses.

Cost allocation – The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. These expenses are allocated on the basis of estimates of time and effort.

Note 2 – Concentration of Credit Risk

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

Note 3 – Grants Receivable

The following is a summary of grants receivable at:

	December 31,	
	2018	2017
Community Development Financial Institutions Fund	\$ 950,000	\$ 976,500
Enterprise Community Partners, Inc.	42,661	-
U.S. Small Business Administration	14,232	-
Totals	\$ 1,006,893	\$ 976,500

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 (loss) 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, 2018 and 2017, the Corporation’s investment in LBSD is valued at \$1,997,918 and \$2,129,381, respectively. Also, a gain (loss) of

Renaissance Community Loan Fund, Inc.
Notes to Financial Statements
(Continued)

\$(101,355) and \$(137,738) has been recognized for the years ended December 31, 2018 and 2017, respectively.

The following is a synopsis of LBSD's financial statements as of and for the years ended December 31, 2018 and 2017.

Lamey Bridge Senior Development, LLC Synopsis
Balance Sheet

	December 31,	
	2018	2017
Assets	\$ 10,901,938	\$ 11,500,009
Liabilities	\$ 4,367,057	\$ 4,570,761
Members' equity	6,534,881	6,929,248
Total liabilities and members' equity	\$ 10,901,938	\$ 11,500,009

Statement of Operations

	December 31,	
	2018	2017
Revenues	\$ 1,072,031	\$ 1,124,999
Operating expenses	(1,379,156)	(1,542,379)
Net income	\$ (307,125)	\$ (417,380)

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, with the members of LBSD as the guarantors on the loan. The loan bore interest at 4.65% and is secured by First Deed of trust on property. Bridge Development, LLC, as a member of Lamey Bridge Investments, LLC, is a guarantor on its pro rate portion of the note payable to The First in the amount of \$1,402,827. In May 2018, the loan was modified so that the entire note now bears interest at 3.75%. The balance of the note at December 31, 2018 is \$4,250,862 and is included in the total liabilities of LBSD reported above.

Renaissance Community Loan Fund, Inc.
Notes to Financial Statements
(Continued)

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Note 5 – Contingent, Mortgage and Note Receivables

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, 2018 and 2017, 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 those mortgages not previously sold. All of the mortgages receivable are secured by the homes sold. Because the mortgages held by the Corporation bore no interest, they had been discounted using an annual rate of 4%, and this discount was categorized as level two within the fair value hierarchy. The original discounted amounts were reflected in the financial statements as mortgage discount expense in the year the mortgage was closed. The annual amortization of the discount was recorded as mortgage discount amortization income. The Corporation terminated the discount on its remaining non-interest bearing loans in 2017. The balance of non-interest bearing residential mortgage loans was \$594,579 and \$625,374 at December 31, 2018 and 2017, respectively.

Renaissance Community Loan Fund, Inc.
Notes to Financial Statements
(Continued)

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 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 100% 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.

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 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 repayment 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.

Renaissance Community Loan Fund, Inc.
Notes to Financial Statements
(Continued)

The components of notes and mortgages receivable are as follows:

	December 31,	
	2018	2017
Small business development notes	<u>\$ 589,555</u>	\$ 476,479
Commercial notes	<u>4,576,764</u>	4,236,661
Total notes receivable	<u>\$ 5,166,319</u>	<u>\$ 4,713,140</u>
Traditional mortgage loans	<u>\$ 20,157,480</u>	\$ 16,005,309
Temporary housing unit loans	<u>206,691</u>	223,808
Home Improvement Loans	<u>160,627</u>	46,320
Total mortgages receivable	<u>\$ 20,524,798</u>	<u>\$ 16,275,437</u>

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

	December 31,	
	2018	2017
Balances, beginning of year	<u>\$ (2,419,804)</u>	\$ (845,434)
Provision for losses	<u>(1,119,064)</u>	(1,828,027)
Loans charged off	<u>56,243</u>	253,657
Balances, end of year	<u>\$ (3,482,625)</u>	<u>\$ (2,419,804)</u>

At December 31, 2018 and 2017, the total recorded investment in impaired loans amounted to approximately \$547,295 and \$277,665, respectively

At December 31, 2018 and 2017, the total recorded investment in loans on nonaccrual amounted to approximately \$547,295 and \$277,665, respectively. The total recorded investment in loans past due ninety days or more and still accruing interest amounted to approximately \$149,055 and \$86,716, respectively, and the amount of interest not recorded on nonaccrual loans was approximately \$30,921 and \$7,275, for the years ended December 31, 2018 and 2017, respectively.

Note 6 – Property and Equipment

The following is a summary of property and equipment at:

	December 31,	
	2018	2017
Furniture and fixtures	<u>\$ 225,907</u>	\$ 183,581
Real estate	<u>35,713</u>	35,713
Land	<u>286,861</u>	-
Constuction in progress	<u>1,131,300</u>	-
Less accumulated depreciation	<u>82,788</u>	158,764
Totals	<u>\$ 1,596,993</u>	<u>\$ 60,530</u>

Renaissance Community Loan Fund, Inc.
Notes to Financial Statements
(Continued)

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Note 7 – Foreclosed Assets Held for Sale

At December 31, 2018 and 2017, the Corporation had residential real estate properties acquired through foreclosure with a carrying amount of \$94,095 and \$238,682, 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. In addition, the Corporation had an interest in consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings were in process at December 31, 2018. The carrying amount of those loans, included in Mortgages Receivable, was \$0 at December 31, 2018.

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, 2018:

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 2023	128,443
Less discount on long-term grants	(213,367)
Net grants authorized but unpaid	<u><u>\$ 457,476</u></u>

Renaissance Community Loan Fund, Inc.
Notes to Financial Statements
(Continued)

Note 9 – Notes Payable

A summary of notes payable as of December 31, 2018, is as follows:

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 1st mortgages; monthly installments of \$4,179	\$ 516,770
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 1st mortgages; monthly installments of \$8,072	1,848,121
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 1st mortgages; monthly installments of \$4,068	932,577
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	113,620
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	192,983
SBA Microloan, originated in June 2017 in the amount of \$500,000; interest at 1.875 per annum; for 10 years with the final payment on 06/07/2027, secured by SBA bank accounts and Microloan borrower notes	472,906
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
The First - CD LOC, originated in November 2017 in the amount of \$3,000,000; interest at 2.86% per annum; for 13 months; secured by CD with The First; monthly interest payments; restructure to a term loan in 2019 with principal and interest payments	3,000,000
CDFI Community Investment Fund I, LLC, originated in February 2018 in the amount of \$400,000; interest at 3.0% per annum; unsecured; quarterly interest only payments; matures March 31, 2023 with all unpaid principal and interest due	400,000

Renaissance Community Loan Fund, Inc.
Notes to Financial Statements
(Continued)

Summary of notes payable (continued)

Bank of America LOC; originated in July 2018 in the amount of \$3,000,000; interest at 2.50% per annum; for 5 years; funds may be advanced until July 19, 2019; secured by Deposit account; quarterly interest payments; annual principal payments beginning July 19, 2021 in the amount of \$375,000	1,000,000
Opportunity Finance Network, originated in December 2018 in the amount of \$1,000,000; interest at 4.25% per annum; unsecured; quarterly interest only payments; matures December 31, 2023 with all unpaid principal and interest due	1,000,000
Debt issue costs	(1,256)
Total notes payable	9,775,722
Less current portion	460,176
Notes payable, long-term portion	<u>\$ 9,315,546</u>

The schedule of maturities of notes payable at December 31, 2018 is as follows:

December 31,	Amount
2019	<u>\$ 460,176</u>
2020	486,812
2021	1,220,305
2022	848,484
2023	2,126,751
Thereafter	4,633,194
Total	<u>\$ 9,775,722</u>

Interest totaled \$242,469 and \$252,653, for the years ended December 31, 2018 and 2017, respectively.

Renaissance Community Loan Fund, Inc.
Notes to Financial Statements
(Continued)

Note 10 – Net Assets

The detail of the Corporation’s net asset categories is as follows:

	December 31,	
	2018	2017
Without donor restrictions:		
Designated for SBA loan loss reserve	\$ 9,585	\$ 11,176
Invested in property, plant, and equipment, net of debt	616,353	299,212
Designated for debt service	3,000,000	3,000,000
Required Federal Home Loan Bank stock investment	132,000	224,600
Undesignated	24,414,687	23,651,000
Total without donor restrictions	28,172,625	27,185,988
With donor restrictions:		
Unexpended grants	-	661,500
Total with donor restrictions	-	661,500
Total net assets	\$ 28,172,625	\$ 27,847,488

During 2018, the Corporation adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. As a result, it was determined that certain net assets previously reported as temporarily restricted will now be reported as net assets without donor restrictions, as presented above.

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 \$280,733 at December 31, 2018. 75% to 85% of the loan balances are guaranteed by the 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, 2018, the required balance based on SBA requirements in this account is \$9,585 and is included in designated net assets without donor restrictions.

Renaissance Community Loan Fund, Inc.
Notes to Financial Statements
(Continued)

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Note 11 – Liquidity and Availability of Financial Assets

The following reflects the Corporation's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of the assets nature or contractual restrictions.

	December 31, 2018
Financial assets at year-end	<u>\$ 39,529,275</u>
Less those unavailable for general expenditures within one year due to:	
Notes and mortgages receivable due in more than one year	26,113,039
Certificate of deposit pledged as collateral	3,000,000
Loan loss reserve amount per SBA requirement	9,585
Required Federal Home Loan Bank stock investment	<u>132,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 10,274,651</u></u>

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, 2018 and 2017.

Note 13 – Legal Settlement

In the prior year, 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 Statement of Functional expenses for the year ended December 31, 2017.

Note 14 – 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 15 – Other Commitments

The Corporation maintains a \$1,000,000 unsecured line of credit with The First. At December 31, 2018 and 2017, the outstanding loan balance on this line of credit was \$0 and \$0, respectively.

In November 2018, the Corporation opened a \$1,000,000 line of credit, secured by loans made, with Flagstar. At December 31, 2018, the outstanding loan balance on this line of credit was \$0.

Renaissance Community Loan Fund, Inc.
Notes to Financial Statements
(Continued)

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In April 2018, the Corporation entered into a project management/construction contract for construction of its new office building. The \$1,131,300 contract required a 5% down payment with the remaining balance due upon completion. The contract balance of \$1,074,735 has been recorded as contracts payable as of December 31, 2018. The Corporation moved into its new offices in January 2019.

Note 16 – 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, 2018, the Corporation has recorded grants payable in the amount of \$457,476 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, with a variable rate of interest. This credit line expired on August 15, 2018, and the Corporation did not renew the line of credit with LBSD. The balance of this line of credit at December 31, 2017 was \$0. The Corporation provides management and accounting services to Lamey Bridge Senior Development, LLC. During the year, LBSD paid the Corporation \$97,756. As of December 31, 2018 and 2017, \$10,057 and \$9,585, respectively, has been accrued as due from affiliate for those services.

In August of 2017, the Corporation prefunded is 0.01% investment in Renaissance Community Fund Development Entity I, LLC. The primary purpose of which is to act in a manner that will insure qualification as 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 both years ended December 31, 2018 and 2017.

In February 2018, Renaissance Investments, LLC (Investments) was created to own the property and building in which the offices of the Corporation now reside. The building was completed early in 2019. As previously stated, the Corporation is the sole member of Investments, therefore the accounts of Investments are included in the December 31, 2018 financial statements of the Corporation and all intercompany balances have been eliminated.

Note 17 – Subsequent Events

Management has evaluated subsequent events through March 28, 2019, the date on which the financial statements were available to be issued.

Section II

Supplemental Information

Renaissance Community Loan Fund, Inc.
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2018

Federal Grantor	Catalog of Federal Domestic Assistance	Federal Grant Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of the Treasury				
Community Development Financial Institutions Program	21.020		\$ -	\$ 672,897
Small Business Administration				
Microloan Program	59.046	SBAHQ17Y0120	-	25,746
Microloan Program	59.046	SBAHQ18Y0017	-	39,982
Total			<u>-</u>	<u>65,728</u>
U.S. Department of Housing and Urban Development				
Capacity Building for Community Development and Affordable Housing Grants	14.252	16SG0398	-	42,661
Capacity Building for Community Development and Affordable Housing Grants	14.252	17SG0808	-	2,403
Total			<u>-</u>	<u>45,064</u>
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 783,689</u>

See accompanying notes to schedule of expenditures of federal awards.

Renaissance Community Loan Fund, Inc.
Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2018

Note 1 - 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, 2018. 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, changes in net assets, or cash flows of Renaissance Community Loan Fund, Inc.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A0122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Indirect Cost Rate

Renaissance Community Loan Fund, Inc. has elected to use the 10% de minimus indirect cost rate allowed under the Uniform Guidance.

Renaissance Community Loan Fund, Inc.
Schedule of Adjusted Net Worth Computation
Year Ended December 31, 2018

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FHA Lenders with Title II Authority - Adjusted Net Worth Computation

Stockholders; equity (net worth) Per balance sheet	<u>\$ 28,172,625 (a)</u>
Less unacceptable assets	<u>\$ - (b)</u>
Adjusted net worth for HUD purposes (c) = (a) - (b)	<u>\$ 28,172,625 (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>\$ 27,172,625 (e)</u>

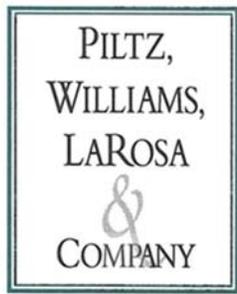
Renaissance Community Loan Fund, Inc.
Schedule of Adjusted Net Worth Computation
Year Ended December 31, 2018

Title II Single Family Program Lenders' Adjusted Net Worth Computation

FHA servicing portfolio* at (end of year under audit)	-	(a)
<small>*HUD FHA-insured single-family mortgages only. Include HEMCs at maximum claim amount</small>		
FHA originations - FHA-insured Title II loan originations during the fiscal year	481,482	(b)
FHA purchases - FHA-insured Title II third-party originator purchases during the fiscal year	-	(c)
Total FHA loan activity [(d) = (a)+(b)+(c)].	481,482	(d)
FHA-insured Title II loan originations retained at the fiscal year end.	-	(e)
FHA-insured Title II third-party originator purchases retained at the end of the fiscal year.	-	(f)
Adjustments [(g) = (e)+(f)].	-	(g)
Total adjusted FHA loan activity [(h) = (d)-(g)].	481,482	(h)
Net worth required		
If (h) < \$25 million, skip lines (j) and (k) and insert (i) on line (o).	1,000,000	(i)
Additional net worth required		
If (h) > \$25,000,000, then (j) = (h)-(\$25,000,000*(1%)).	-	(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).	-	(k)
Stockholders' equity (net worth) per balance sheet	28,172,625	(l)
Less unacceptable assets	-	(m)
Adjusted net worth [(n) = (l)-(m)]	28,172,625	(n)
Minimum net worth required	1,000,000	(o)
Adjusted net worth above or below required minimum amount [(p) = (n)-(o)]	27,172,625	(p)

Section III

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



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Stephen P. Theobald, CPA, CVA

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

The Board of Directors
Renaissance Community Loan Fund, Inc.
Gulfport, Mississippi

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) as of and for the year ended December 31, 2018, and the related notes to the financial statements, and have issued our report thereon dated March 28, 2019.

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.

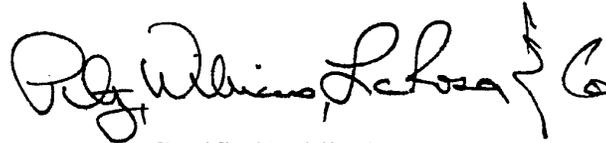
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

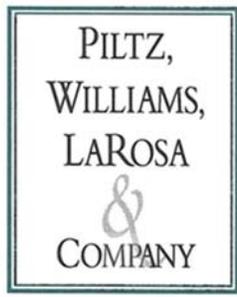
A handwritten signature in black ink, appearing to read "R. Williams, CPA". The signature is stylized and includes a large, decorative flourish on the right side.

Certified Public Accountants

Biloxi, Mississippi
March 28, 2019

Section IV

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



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Stephen P. Theobald, CPA, CVA

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

The Board of Directors
Renaissance Community Loan Fund, Inc.
Gulfport, Mississippi

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, 2018. 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.

Auditors' 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 for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, Inc. 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, 2018.

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.



Certified Public Accountants

Biloxi, Mississippi
March 28, 2019

Renaissance Community Loan Fund, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2018

Section 1 – Summary of Auditors' Results

Financial Statements Section

1. An unmodified opinion was issued on the financial statements.
2. There were no significant deficiencies in internal control disclosed by the audit of the financial statements.
3. The audit did not disclose any noncompliance which is material to the basic financial statements.

Federal Awards Section

4. The audit did not disclose any significant deficiencies in internal control over major programs.
5. An unmodified opinion was issued on compliance for major programs.
6. The audit did not disclose any audit findings that are required to be reported under 2 CFR 200.516(a).
7. The program tested as a major program was the Community Financial Institutions Program, CFDA No. 21.020.
8. The dollar threshold for distinguishing Types A and B programs was \$750,000.
9. The auditee does qualify as a low-risk auditee.

Section 2 – Findings Relating to the Financial Statements

None

Section 3 – Findings and Questioned Costs for Federal Awards

None

Renaissance Community Loan Fund, Inc.
Schedule of Findings and Questioned Costs, and Recommendations
HUD Programs
For the Year Ended December 31, 2018

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 Audit Findings
For the Year Ended December 31, 2018

No prior year audit findings related to the financial statements.

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