

**NEWWEST COMMUNITY CAPITAL, INC.**  
**FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NEWWEST COMMUNITY CAPITAL, INC.**  
**SEPTEMBER 30, 2019**

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Mahlke Hunsaker & Company PLLC

C e r t i f i e d P u b l i c A c c o u n t a n t s

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
NewWest Community Capital, Inc.  
Boise, Idaho 83711

### Report on the Financial Statements

We have audited the accompanying financial statements of NewWest Community Capital, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2019, 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 the 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 whether the financial statements are free of 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 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 purposes 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 NewWest Community Capital, Inc. as of September 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2020, on our consideration of NewWest Community Capital, Inc. 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 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 NewWest Community Capital, Inc.'s internal control over financial reporting and compliance.

*Mahlke Hunsaker & Co.*

Mahlke Hunsaker & Company pllc  
January 15, 2020

**NEWWEST COMMUNITY CAPITAL, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2019**

**Assets**

**Current Assets**

Cash and Cash Equivalents, Unrestricted	\$ 7,425,608
Cash and Cash Equivalents, Reserve Accounts	404,537
Prepaid Expenses	10,153
Accrued Interest Receivable	102,602
Current Portion of Notes Receivable	621,913
<b>Total Current Assets</b>	<b>8,564,813</b>

**Property and Equipment**

Equipment	5,204
Less: Accumulated Depreciation	(5,204)
<b>Total Property and Equipment</b>	<b>-</b>

**Other Assets**

Notes Receivable, Net of Current Portion	29,457,135
Allowance for Loan Loss	(998,501)
<b>Total Net Notes Receivable</b>	<b>28,458,634</b>

Investment in FHLB	218,100
<b>Total Other Assets</b>	<b>28,676,734</b>

<b>Total Assets</b>	<b>\$ 37,241,547</b>
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**Liabilities and Net Assets**

**Current Liabilities**

Accounts Payable	\$ 2,919
Accrued Interest Payable	26,019
Reserve Accounts	404,537
Current Portion of Long-Term Debt	250,000
<b>Total Current Liabilities</b>	<b>683,475</b>

<b>Long-Term Debt, Net of Current Portion</b>	<b>28,109,168</b>
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<b>Total Liabilities</b>	<b>28,792,643</b>
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**Net Assets**

Net Assets, Unrestricted	8,448,904
<b>Total Net Assets</b>	<b>8,448,904</b>

<b>Total Liabilities and Net Assets</b>	<b>\$ 37,241,547</b>
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See accompanying notes and accountants' report.

**NEWWEST COMMUNITY CAPITAL, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<b>Without Donor Restriction</b>
<b>Support &amp; Revenues</b>	
Loan Interest Income	\$ 2,426,011
Contributions and Grants	450,350
Servicing Fees and Other Income	144,698
Investment Income	127,325
<b>Total Support &amp; Revenues</b>	<b>3,148,384</b>
 <b>Expenses</b>	
<b>Program Services</b>	
Advertising and Marketing	6,450
Bank Service Charges	21,804
Dues and Subscriptions	239
Depreciation Expense	98
Employee Benefits	75,859
Insurance	2,394
Interest Expense	1,465,957
Miscellaneous	11,995
Payroll and Payroll Taxes	370,159
Postage and Delivery	638
Professional Fees	91,082
Provision for Loan Loss	136,947
Service Fees	85,481
Telephone	8,336
Travel and Entertainment	10,277
<b>Total Expenses</b>	<b>2,287,716</b>
<b>Increase (Decrease) in Net Assets</b>	<b>860,668</b>
<b>Net Assets as of September 30, 2018</b>	<b>7,588,236</b>
<b>Net Assets as of September 30, 2019</b>	<b>\$ 8,448,904</b>

See accompanying notes and accountants' report.

**NEWWEST COMMUNITY CAPITAL, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

**Cash Flows from Operating Activities**

Change in Net Assets	\$ 860,668
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation Expense	98
Provision for Loan Loss	136,947
Increase in Accrued Interest Receivable	(9,995)
Increase in Investment in FHLB	(62,500)
Increase in Accounts Payable	222
Decrease in Accrued Interest Payable	(486)
Increase in Reserve Accounts	28,719
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>953,673</b>

**Cash Flows from Investing Activities**

Impaired loan recovery	59,342
Principal Payments on Notes Receivable	737,421
Loans Made to Clients	(2,480,000)
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>(1,742,579)</b>

**Cash Flows from Financing Activities**

Proceeds from Long-Term Debt Restricted to Re-lending	2,730,000
Principal Payments on Long-Term Debt	(2,346,917)
<b>Net Cash Provided (Used) by Financing Activities</b>	<b>383,083</b>

**Net Increase (Decrease) in Cash** (405,823)

**Cash and Cash Equivalents, October 1, 2018** 8,235,968

**Cash and Cash Equivalents, September 30, 2019** \$ 7,830,145

**Supplemental Schedule of Non-Cash Investing and Financing Activities**

Interest Paid for the Year Ended September 30, 2019	\$ 1,439,938
Taxes Paid for the Year Ended September 30, 2019	-

**NEWWEST COMMUNITY CAPITAL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements.

**Organization and Nature of Activities**

NewWest Community Capital, Inc. formerly known as Idaho-Nevada Community Development Financial Institution, Inc. (The Organization) is a certified community development financial institution with a mission to increase access to capital for affordable housing and community facilities, halt community deterioration and create jobs throughout the economically disadvantaged areas of the western United States.

**Method of Accounting**

The financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities. The Organization elected to adopt Statement of Financial Accounting Standards (SFAS) No. 117, “Financial Statements of Not-for-Profit Organizations”. Under SFAS No. 117, the organization 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.

**Property and Equipment**

Acquisitions of property and equipment in excess of \$1,000 are stated at cost. Depreciation is recorded on a straight-line basis over the estimated useful life of the assets. Expenditures for major renewals and betterments that extend the useful lives of the property are capitalized. Other expenditures for maintenance and repairs are charged to expense as incurred.

**Notes Receivable**

Notes receivable are carried at unpaid principal balances, less an allowance for loan losses and net deferred loan fees and unearned discounts. Interest on notes is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding. Management’s periodic evaluation of the adequacy of any allowance for loan losses is based on the past loan loss experience, specific impaired loans, adverse situations that may affect the borrower’s ability to repay, estimated value of any underlying collateral, and current economic conditions. Past due status is determined based on contractual terms. Loans are considered impaired if full principal or interest payments are not anticipated in accordance with the contractual terms. The Organization’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. For fiscal year 2019 the expense for the Provision for Loan loss was set at \$136,947.

**Use of Estimates**

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



**NEWWEST COMMUNITY CAPITAL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**Income Taxes**

The Organization is exempt from income taxes under the Internal Revenue Code Section 501(c)(3), and did not conduct unrelated business activities. Therefore, no provision for income taxes has been made in the accompanying financial statements.

**Restricted Assets**

The Organization has received loan proceeds, which have been restricted to re-lending in specific geographic locations. The Organization considers these requirements fulfilled when funds are re-invested in the designated areas. Loan proceeds which request re-lending are reported as unrestricted net assets, as the Organization intends to only operate within those requested locations.

**Liquidity and Availability of Assets**

As part of the Organization’s liquidity management plan, cash in excess of daily requirements is invested in short-term investments and money market funds.

**NOTE 2 – CASH AND CASH EQUIVALENTS**

For purposes of the statement of cash flows, the Organization considers all highly liquid investments held by the bank in the form of checking or savings to be cash equivalents. Fair value approximates carrying amounts. The Organization’s cash and cash equivalents at September 30, 2019 were:

Bank of the West	\$	231,707
Banner Bank		5,912
Bank of Nevada		45,238
Charles Schwab Bank		6,795
Farm Bureau Bank		101,052
Federal Home Loan Bank		27,199
First Federal		366,909
First Independent Bank of Nevada		64,748
Mountain West Bank		97,481
Nevada State Bank		26,600
UBS Financial		839
Umpqua Bank		10,136
US Bank		431,033
Washington Federal Bank		27,741
Washington Trust Bank		8,775
Wells Fargo		6,377,980
		6,377,980
	<b>\$</b>	<b>7,830,145</b>

At September 30, 2019, \$6,425,922 of the organization’s cash balances were not FDIC insured.

**NEWEST COMMUNITY CAPITAL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 3 – PROPERTY & EQUIPMENT**

	Beginning Balance	Additions	Retirements	Ending Balance
Equipment	\$ 5,204		\$ -	\$ 5,204
Accum Depreciation	(5,106)	(98)	-	(5,204)
Property & Equip. net	<u>\$ 98</u>	<u>\$ (98)</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTE 4 – IMPAIRED LOAN**

Management considers a loan impaired when based on current information or factors (such as payment history, value of collateral, and assessment of the customer’s current creditworthiness), it is probable that the principal and interest payments will not be collected according to the loan agreement.

The carrying amount of the loan receivable is reduced by an allowance for loan loss which is maintained at a level which, in management’s judgement, is adequate to absorb credit losses inherent in the loan portfolio.

During the fiscal year September 30, 2018 one loan was determined to be impaired. This loan was paid in full including disposition cost of \$33,517, which is included in the other income line of the state of activities.

**NOTE 5 – LONG-TERM DEBT**

<u>Lender</u>	<u>* Due Date</u>	<u>Interest Terms</u>	<u>Amount Due</u>
Banner Bank	2024	Paid Quarterly	800,000
Charles Schwab Bank	2022	Paid Quarterly	9,056,000
Community Foundation of West Nevada	2022	Paid Quarterly	800,000
Dignity Health	2022	Paid Quarterly	1,000,000
Dignity Health	2021	Paid Quarterly	1,000,000
Eaglemark Savings	2021	Paid Quarterly	500,000
Federal Home Loan Bank	2021	Paid Monthly	2,771,168
Federal Home Loan Bank	2029	Paid Monthly	1,600,000
First Federal Bank	2023	Paid Quarterly	100,000
First Interstate Bank	2022	Paid Quarterly	250,000
Key Community Development	2019	Paid Quarterly	500,000
Mountain West Bank	2027	Paid Quarterly	2,450,000
Nevada State Bank	2025	Paid Quarterly	500,000
Religious Communities Impact Fund, Inc.	2021	Paid Quarterly	250,000
Toyota Financial	2029	Paid Quarterly	500,000
Trinity Health	2023	Paid Quarterly	750,000
U.S. Bancorp	2023	Paid Quarterly	1,400,000
Umpqua Bank	2021	Paid Quarterly	300,000
Washington Federal Bank	2020	Paid Quarterly	750,000
Washington Trust	2023	Paid Quarterly	250,000
Wells Fargo	2021	Paid Quarterly	1,782,000
Western Alliance Bank	2026	Paid Quarterly	750,000
Zions First National Bank	2021	Paid Quarterly	300,000
			<u>\$ 28,359,168</u>

\*Due date includes provisions for automatic extensions.

**NEWEST COMMUNITY CAPITAL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 5 – LONG-TERM DEBT – Continued**

Changes in long-term debt during the year are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Bank of the West	500,000	-	500,000	-
Banner Bank	800,000	-	-	800,000
Charles Schwab Bank	9,056,000	-	-	9,056,000
Community Foundation of West Nevada	500,000	300,000	-	800,000
Dignity Health	2,000,000	-	-	2,000,000
Eaglemark Bank	500,000	-	-	500,000
Farm Bureau Bank	40,000	-	40,000	-
Federal Home Loan Bank	2,824,412	-	53,244	2,771,168
Federal Home Loan Bank - Line of Credit	-	1,600,000	-	1,600,000
First Federal Savings	100,000	-	-	100,000
First Financial Bank	1,223,673	-	1,223,673	-
First Interstate Bank	250,000	-	-	250,000
Key Bank	500,000	-	-	500,000
Mountain West	2,450,000	-	-	2,450,000
Nevada State Bank	500,000	-	-	500,000
Religious Communities Impact Fund, Inc.	250,000	-	-	250,000
Toyota Financial	-	500,000	-	500,000
Trinity Health	750,000	-	-	750,000
U.S. Bank	1,400,000	-	-	1,400,000
Umpqua Bank	300,000	-	-	300,000
Washington Federal Bank	750,000	-	-	750,000
Washington Trust Bank	250,000	-	-	250,000
Wells Fargo Bank	1,782,000	-	-	1,782,000
Western Alliance Bank	750,000	-	-	750,000
Zions First National Bank	500,000	-	200,000	300,000
Totals	<u>\$ 27,976,085</u>	<u>\$ 2,400,000</u>	<u>\$ 2,016,917</u>	<u>\$ 28,359,168</u>

The annual requirements for payment of long-term debt are as follows:

Year Ended Sept. 30,

2020	250,000
2021	7,103,168
2022	1,800,000
2023	3,300,000
2024	9,056,000
2025-2029	6,850,000
Total	<u><u>\$ 28,359,168</u></u>

**NEWEST COMMUNITY CAPITAL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 6 – FAIR VALUE OF FINANCIAL INSTRUMENTS**

Statement of Financial Accounting Standards No. 107, “Disclosure about Fair Value of Financial Instruments,” requires disclosure of an estimate of fair value of certain financial instruments. The Organization’s significant financial instruments are cash, notes receivable and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

**NOTE 7 – CONCENTRATION OF CREDIT RISK**

Financial instruments that are exposed to concentrations of credit risk consist of cash, and notes receivable. The cash is in high quality institutions and companies with high credit ratings. Note receivables are principally with community development organizations within the western United States. Realization of these items is dependent on various individual economic conditions. The Organization performs ongoing credit evaluations of the financial condition of all borrowers. Note receivables are carried at estimated net realizable values.

**NOTE 8 – RETIREMENT PLAN**

The Organization sponsors a 401(k) retirement plan. The organization contributes 7.5% of eligible employee’s earnings to the plan.

**NOTE 9 – SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through January 15, 2020, the date which the financial statements were available to be issued.



Mahlke Hunsaker & Company PLLC

C e r t i f i e d P u b l i c A c c o u n t a n t s

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

Board of Directors  
NewWest Community Capital, Inc.  
Boise, Idaho 83711

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 NewWest Community Capital, Inc. as of and for the year ended September 30, 2019, and the related notes to the financial statements and have issued our report thereon dated January 15, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the NewWest Community Capital, 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of NewWest Community Capital, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness NewWest Community Capital, 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 NewWest Community Capital, 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Mahlke Hunsaker & Co.*

MAHLKE HUNSAKER & COMPANY, pllc

January 15, 2020