

DLP LENDING FUND, LLC

FINANCIAL REPORT

December 31, 2015

BUCKNO
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& COMPANY

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A Professional Corporation

Certified Public Accountants | Business Consultants

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Certified Public Accountants | Business Consultants

INDEPENDENT AUDITORS' REPORT

To Management and Members
DLP Lending Fund, LLC

Report on the Financial Statements

We have audited the accompanying financial statements of DLP Lending Fund, LLC, which comprise the balance sheet as of December 31, 2015, and the related statements of income, change in members' equity, 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. 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 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 auditors' 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 DLP Lending Fund, LLC. as of December 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Buckno Lisicky & Company

Allentown, Pennsylvania
September 27, 2016

DLP LENDING FUND, LLC

BALANCE SHEET
December 31, 2015

ASSETS

Cash	\$ 658,041
Loans receivable, net	5,332,707
Other receivable	150
Accrued interest	<u>41,291</u>
Total assets	<u>\$ 6,032,189</u>

LIABILITIES AND MEMBERS' EQUITY

LIABILITIES

Distribution payable	\$ 62,857
Accrued expenses and other liabilities	58,418
Deferred revenue	57,068
Notes payable, members	<u>2,288,000</u>
Total liabilities	<u>2,466,343</u>

MEMBERS' EQUITY

Total members' equity	<u>3,565,846</u>
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Total liabilities and members' equity	<u>\$ 6,032,189</u>
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See Notes to Financial Statements.

DLP LENDING FUND, LLC
STATEMENT OF INCOME
For the Year Ended December 31, 2015

Revenues	
Interest income	\$ 461,128
Inspection fees	1,050
Late fees	546
Loan fees	<u>78,585</u>
Total revenues	<u>541,309</u>
Expenses:	
Bank charges	605
Fund administration	9,833
Professional fees	8,864
Provision for loan losses	8,259
Interest expense	21,990
Management fees	32,513
Loan servicing	213
Taxes	477
Performance fees	<u>79,846</u>
Total expenses	<u>162,600</u>
Net income	<u><u>378,709</u></u>

See Notes to Financial Statements.

DLP LENDING FUND, LLC

STATEMENT OF CHANGE IN MEMBERS' EQUITY
For the Year Ended December 31, 2015

Beginning Members' Equity	\$ 515,965
Net income for the year	378,709
Capital contributed	3,064,847
Capital withdrawn	<u>(393,675)</u>
Ending Members' Equity	<u>\$ 3,565,846</u>

See Notes to Financial Statements.

DLP LENDING FUND, LLC

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

Net income	\$ 378,709
Adjustments to reconcile net income to net cash used in operating activities:	
Provision for loan losses	8,259
Increase in assets:	
Loans receivable, net	(4,219,920)
Other receivable	(150)
Accrued interest	(31,156)
Increase (decrease) in liabilities:	
Accrued expenses and other liabilities	49,090
Deferred revenue	47,617
Distribution payable	62,857
Due to client trust	(19,407)
Trust, pending subscriptions	<u>(350,302)</u>
Net cash used in operating activities	<u>(4,074,403)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from note payable, members	1,652,302
Capital contributions, net	<u>2,671,172</u>
Net cash provided by financing activities	<u>4,323,474</u>
Net increase in cash	249,071

Cash:

Beginning	<u>408,970</u>
Ending	<u>\$ 658,041</u>

SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION

Cash payments for:	
Interest	<u>\$ 16,659</u>

See Notes to Financial Statements.

DLP LENDING FUND, LLC

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Business

The Fund specializes in short term loan funding, primarily for the purchase and renovation of residential real estate. It also funds other real estate related projects on a case-by-case basis.

Note 2. Summary of Significant Accounting Policies

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 reporting period. Accordingly, actual results could differ from those estimates.

Cash:

The Fund classifies an investment with original maturities of three months or less as cash and cash equivalents.

Loans receivable:

Loans receivable are reported at amounts management expects to collect on balances outstanding at year end, net of unfunded draws and the allowance for loan losses. Interest income is accrued on the unpaid principal balances. Management's periodic review of the adequacy of the allowance for loan losses is based on its evaluation of the borrower's ability to repay, the estimated value of any underlying collateral, and the other relevant factors. The Fund has established an allowance to provide for reserve for loan losses. Management's policy is to periodically review specific individual accounts to determine collectability and to charge any amounts deemed unrecoverable to the reserve, at which time the accrual of interest is generally discontinued or fully provided for in the allowance for loan losses. Subsequent resumption of the accrual of interest would begin only after the borrower demonstrates its ability to make principal and interest payments when due. These evaluations are inherently subjective as they require estimates that are susceptible to significant revision as more information becomes available.

Amortization of loan fees:

Nonrefundable amortization of loan fees and related direct costs are deferred and the net amount is amortized as a yield adjustment over the life of the loan.

DLP LENDING FUND, LLC

NOTES TO FINANCIAL STATEMENTS

Income taxes:

The Fund has elected to be taxed as a partnership, in which all elements of income and deductions are included in the tax returns of the members fund. Accordingly, the accompanying financial statements do not contain a provision for income taxes.

The income tax returns for 2014 and 2015 are subject to examination by the IRS, generally three years after they were filed.

The Fund continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law, and new authoritative rulings in determining any uncertain tax positions.

Date of management's review:

The Fund has evaluated subsequent events through September 27, 2016, the date on which the financial statements were available to be issued.

Note 3. Loans Receivable

Loans receivable are being collected over 6-12 months, at interest rates that are agreed upon at the time of the loan agreement, usually 14.99%.

The following table presents the classes of the loan portfolio summarized by the payment activity within the Fund's internal risk rating system as of December 31, 2015.

	<u>Residential Loans</u>
Performing	\$ 5,907,300
Non-performing	<u>-</u>
Total loans receivable	5,907,300
Less allowance for loan losses	(8,686)
Less unfunded draws	<u>(565,907)</u>
Total net loan receivable	<u>\$ 5,332,707</u>

DLP LENDING FUND, LLC

NOTES TO FINANCIAL STATEMENTS

Changes in allowance for loan losses for the year ended December 31, 2015 are summarized as follows:

	Residential Loans
Balance, beginning	\$ 427
Charge offs	-
Provision for loan losses	8,259
Recoveries	-
	\$ 8,686

The following table summarizes the recorded investment in loans receivable by loan class as of December 31, 2015 and related information in regards to the allowance for loan losses.

	Loans Receivable			Allowance for Loan Losses		
		Balance Related to Loans	Balance Related to Loans		Balance Related to Loans	Balance Related to Loans
	Balance December 31, 2015	Individually Evaluated for Loss	Collectively Evaluated for Loss	Balance December 31, 2015	Individually Evaluated for Loss	Collectively Evaluated for Loss
Residential Loans	\$ 5,907,300	\$ -	\$ 5,907,300	\$ 8,686	\$ -	\$ 8,686

The following table presents the classes of loan portfolio summarized by past due status as of December 31, 2015:

	Total Balance	Current	Past Due and Accruing	Past Due Not Accruing
December 31, 2015 Residential Loans	\$ 5,907,300	\$ 5,907,300	\$ -	\$ -
Total	\$ 5,907,300	\$ 5,907,300	\$ -	\$ -

DLP LENDING FUND, LLC

NOTES TO FINANCIAL STATEMENTS

Note 4. Pending Subscriptions

Pending subscriptions consists of investment monies contributed by future members. The money will stay in the Fund's Subscription account where they will remain until they are needed to make an investment. No interest or return is paid on the funds during this time.

Note 5. Notes Payable, Members

Member notes consist of capital contributions prior to attaining an equity share in the partnership. When funds are deployed, the member is subscribed into a temporary note bearing interest at the Fund's preferred return rate of 8%. At the end of each calendar quarter the total amounts so deployed are then used to purchase membership units in the fund at \$1,000 per unit effective as of the first day of the new quarter.

Note 6. Related Party Transactions

The Fund pays performance and management fees to a related party. The amount of these fees for the year ended December 31, 2015 were \$79,846 and \$32,513 respectively.

There is no accounts payable due to related parties as of December 31, 2015.

The Fund has loans receivable to related parties, entities fully or partially owned by an officer of the Fund, in the amount of \$935,412 at year end. These loans are given at the same terms as other unrelated loans.

Note 7. Major Borrowers

There were two major borrowers that accounted for 11% and 23% of all outstanding loans at year end.

Note 8. Concentration of Credit Risk

The Fund maintains its cash in one bank deposit account which at times exceed the federal insured limits. At year end the Fund had an uninsured cash balance of \$398,892. The Fund has not experienced any losses in such accounts.