

2015 ANNUAL REPORT



MISSION STATEMENT

NeighborWorks Capital delivers the flexible capital needed by NeighborWorks America affiliates to provide affordable homes and strengthen communities.

Strategic Goals 2014-2018

Goals & Results

1. TRIPLE CUMULATIVE LENDING VOLUME TO \$350 MILLION

With focus on serving NeighborWorks organizations with flexible loans we accomplished significant growth in our lending program.

- **Goal:** Loan Originations of \$82.8 million (\$201.8M cumulative)
- **Result:** Loan Originations of \$79 million (\$198M cumulative)

Originated 77 loans to 33 customers

Added 4 new Loan Products to meet customer demand—

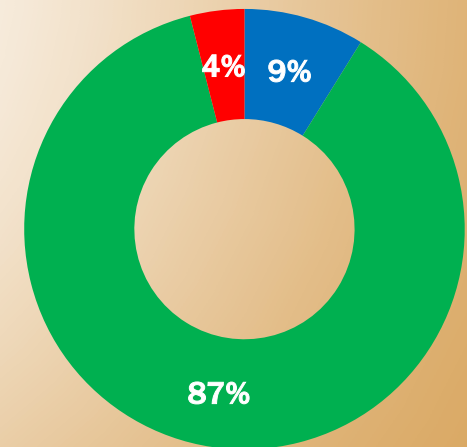
- *Small Multifamily Permanent Loan*
- *Single Family Revolving Line of Credit*
- *Multifamily Line of Credit*
- *Strategic Growth Fund*

Increased Loan Sizes to \$7 million

For more info on our loan products go to:

<http://neighborworkscapital.org/lending/loan-products>

Loans By Use



■ For Sale ■ Rental ■ Commercial

Strategic Goals 2014-2018

Goals & Results

2. GROW LENDING CAPITAL TO \$100 MILLION ON BALANCE SHEET

Goal: Grow Capital to \$84.9 million

Results: Grew Capital to \$87.9 million

Activities:

With the strong performance of our loan portfolio NeighborWorks Capital was successful in gaining several new investors and the renewal and increased support from existing investors. NC thanks the new and renewing investor partners and their commitment to the NeighborWorks organizations we finance:

NeighborWorks America - \$4,238,000

CDFI Fund - \$2,850,000

Charles Schwab Bank - \$7,500,000

Deutsche Bank - \$5,000,000

HSBC Bank - \$3,000,000

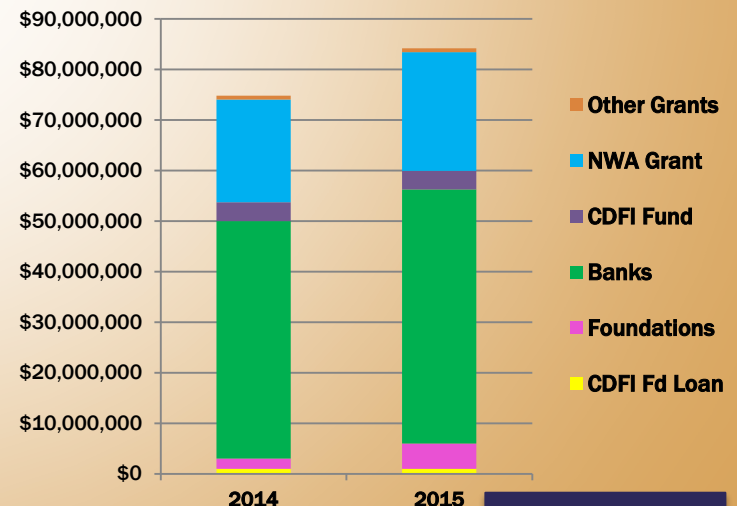
Wells Fargo Bank increase \$3,000,000

TD Bank increase - \$1,500,000

Ally Bank renewal - \$5,000,000

Kresge Foundation (Strategic Growth Fund) - \$5,000,000

Diverse & Growing Capital Capacity



Strategic Goals 2014-2018

Goals & Results

3. IMPACT

NeighborWorks Capital exceeded its business plan goals by providing flexible loans that made a critical difference to the communities that NeighborWorks affiliates serve. NeighborWorks Capital measures its lending impact by several criteria:

Goal: 2,300 Housing units created or preserved

Result: 3,633 Housing units created or preserved



Customer: Federation of Appalachian Housing Enterprises
Project: Midway School
Location: Midway, KY
Loan Amount: \$376,800
Loan Type: Mini-Perm
Project: Refinance and rehab loan of a 24-unit affordable rental housing development for seniors.



Customer: Affordable Housing Alliance
Project: Bayshore Bungalows
Location: Union County, NJ
Loan Amount: \$1,500,000
Loan Type: Single-Family Line of Credit
Project: Purchase, delivery and installation of NextStep factory-built homes for qualified homebuyers in areas of northern New Jersey impacted by Superstorm Sandy.

Strategic Goals 2014-2018

Goals & Results

3. IMPACT UNITS (continued)



Customer: AHC Inc.
Project: St. James Plaza
Location: Arlington, VA
Loan Amount: \$6,500,000
Loan Type: Acquisition
Project: Land acquisition for a two phase development of 225 units of multifamily market and affordable housing.



Customer: DHIC, Inc.
Project: The Ten at South Person Street
Location: Raleigh, NC
Loan Amount: \$2,240,000
Loan Type: Construction
Project: New construction of 10 units of attached single-family for-sale housing in downtown Raleigh, NC.



Customer: Little Tokyo Service Center
Project: Daimaru Hotel
Location: Los Angeles, CA
Loan Amount: \$3,064,000
Loan Type: Property Acquisition
Project: Acquisition and redevelopment of an existing, operating mixed-used property consisting of 48 SRO residential units and three commercial units.

Strategic Goals 2014-2018

Goals & Results

3. IMPACT (continued)

NeighborWorks Capital also offers financing for non-housing community projects that support revitalization of neighborhoods and job creation.

Goal: 60,000 SF Commercial

Results: 93,559 SF Commercial



Customer: New Jersey Community Capital
Project: Paulsboro Plaza
Location: Paulsboro, NJ
Loan Amount: \$1,590,000
Loan Type: Construction to Mini-Perm
Project: Participation loan to NJCC to finance joint venture redevelopment of abandoned shopping center to revitalize business district in low-income community.



Customer: Mountain Housing Opportunities
Project: Glen Rock Commercial
Location: Asheville, NC
Loan Amount: \$1,158,000
Loan Type: Mini-Perm
Project: Refinancing of commercial loan supports for 9,100 square feet of commercial space in seven separate retail spaces in an emerging downtown shopping district.

Strategic Goals 2014-2018

Goals & Results

3. IMPACT (continued)

NeighborWorks Capital exceeded its goals to provide capital to more members in each of the NeighborWorks regions. With these new customers NeighborWorks Capital has provided loan capital to over 105 NeighborWorks organizations.

Goal: 10 new customers

Results: 14 new customers

AHC Inc.
(Arlington, VA)

A Community of Friends
(Los Angeles, CA)

Tierra Del Sol
(Las Cruces, NM)

Housing Partnership Inc.
(Louisville, KY)

HOPE Enterprise
(Jackson, MS)

CPDC
(Silver Spring, MD)

Mennonite Housing
(Wichita, KS)

Avesta Housing
(Portland, ME)

CHIP
(Chico, CA)

MANNA
(District of Columbia)

CDC of North Richmond
(Richmond, CA)

Eden Housing
(Hayward, CA)

Little Tokyo Service Center
(Los Angeles, CA)

Affordable Housing Alliance
(Eatontown, NJ)

Strategic Goals 2014-2018

Goals & Results

4. ORGANIZATIONAL - FINANCIAL

NeighborWorks Capital notably exceeded its goals to increase our unrestricted net assets to fund our planned growth with more flexible lending capital and reserves. NC achieved its goal of improving its Aeris Rating to AA2 to attract new investor capital.

Goals: 94% Self Sufficiency, 3% Net Income, Aeris Rating Increase

Results: 129% Self Sufficiency, 22% Net Income, Aeris Rating Increased

ORGANIZATIONAL – STAFF

NeighborWorks Capital Board approved a Succession Plan for the CEO.

With the doubling of NC's lending volume and portfolio size combined with expanded products additional positions have been added including a Senior Loan Officer, a Senior Portfolio Manager and a Director of Accounting & Financial Reporting. This brings NC's staff size to 9 FTEs.

NeighborWorks Capital now have staff located in two additional locations – Charlotte and Denver - to attract experienced staff and to cover our national customer footprint. Investments have been made to enhance our communications and technology to support this expansion. More info on the NC team can be found at:

<http://neighborworkscapital.org/about-us/people>

Strategic Goals 2014-2018

Goals & Results

4. ORGANIZATIONAL - GOVERNANCE

NeighborWorks Capital amended its By-Laws to expand the Board of Directors from 9 to 11. The Board is comprised of 8 CEOs and CFOs of NeighborWorks organizations and 3 CDFI lending and investing veterans.



Jeanne Pinado
President

CEO
Madison Park
Development



Rick Goodemann
Vice President

Executive Director
Southwest Minnesota
Housing Partnership



Kristin Faust
Treasurer

President
NHS of Chicago



Rosa Rios Valdez
Secretary

Executive Director
BCL of Texas



Peter Daly

Executive Director
Cambridge
Neighborhood &
Apartment Housing



Chris Kui

Executive Director
Asian Americans For
Equality



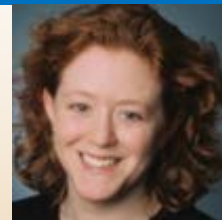
Rebecca Regan

President, Capital
Markets
Housing Partnership
Network



Jeff Reed

Chief Financial Officer
Community Housing
Partners



Megan Teare

Senior Vice President
Wells Fargo Bank



Michael Carroll

Loan Fund Director
Rural Community
Assistance Corp.



Caroline Horton

Chief Financial
Officer

Financial Results

Condensed Statement of Financial Position

	2015		2014		%
ASSETS	\$	%	\$	%	Change
Cash, Cash Reserves and Equivalents	\$ 11,384,660		\$ 11,289,611		1%
Loans Receivable (net of Allowance)	\$ 52,715,386		\$ 56,369,018		-6%
Capital Assets (net)	\$ 19,143		\$ 24,164		-21%
Other Assets	\$ 266,014		\$ 855,063		-69%
Total Assets	\$64,385,203	100%	\$68,537,856	100%	-6%
LIABILITIES					
Notes Payable	\$ 30,314,000		\$ 37,488,045		-19%
Equity Equivalent Investments	\$ 1,000,000		\$ 1,000,000		0%
Other Liabilities	\$ 301,505		\$ 345,480		-13%
Total Liabilities	\$31,615,505	49%	\$38,833,525	57%	-19%
NET ASSETS					
Unrestricted	\$ 6,757,785		\$ 5,321,540		27%
Temporarily Restricted	\$ 2,479,191		\$ 2,812,034		-12%
Permanently Restricted	\$ 23,532,722		\$ 21,570,757		9%
Total Net Assets	\$32,769,698	51%	\$29,704,331	43%	10%
Total Liabilities and Net Assets	\$64,385,203	100%	\$68,537,856	100%	-6%

Financial Results

Operating Income Statement: FY 2015 v FY 2014

	2015	2014	% Change
REVENUE			
Loan Interest	\$ 3,178,084	\$ 2,304,721	38%
Debt Service Expense (COF)	1,086,894	743,935	46%
Net Interest Income	2,091,190	1,560,786	34%
Grant Income	150,000	200,000	-25%
Loan Fees	229,813	421,623	-45%
Investment Income and Other Fees	34,388	28,808	19%
Satisfaction of Program Restrictions	55,301	31,016	78%
Total Fee & Grant Income	469,502	681,447	-31%
Total Revenue	2,560,692	2,242,233	14%
EXPENSE			
Grant Expense	34,301	31,016	11%
Personnel & Benefits	1,005,775	934,105	8%
Consulting / Professional	156,841	162,047	-3%
Other Operating	404,802	295,728	37%
Total Expenses	1,601,719	1,422,896	13%
Net Operating Surplus (Deficit)*	\$ 958,973	\$ 819,337	17%

*Excludes provision for loan loss as well as Temp/Perm restricted grants.

For more information about our impact, products and financial results please go to:

www.neighborworkscapital.org

 <p>U.S. DEPARTMENT OF THE TREASURY CERTIFIED CDFI CDFI FUND Financial Institutions Fostering Community Growth</p>	<p><i>A member of the</i> OPPORTUNITY FINANCE NETWORK</p>	 <p>National NeighborWorks Association</p>
 <p>AERIS RATED AA 2 powered by CARS®</p>	 <p>CDFI COALITION OF COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS</p>	 <p>Home Matters.</p>
	 <p>DISABILITY CDFI COALITION</p>	