

2016 ANNUAL REPORT



MISSION STATEMENT

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

2016 Annual Report

Goals & Results - 2014-2016

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 by Year 3.

- **Goal:** Loan Originations of \$134 million (\$245M cumulative)
- **Result:** Loan Originations of \$123 million (\$232M cumulative)

Originated 102 loans to 44 customers

Added 4 new Loan Products to meet customer demand—

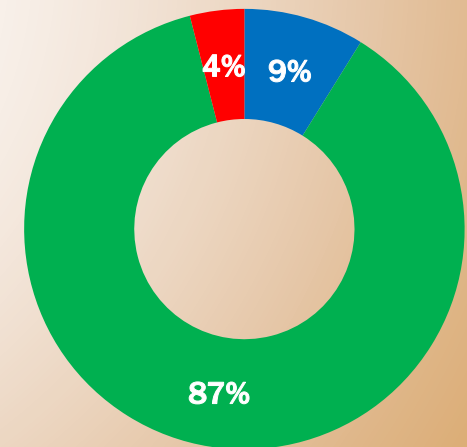
- *Small Multifamily Permanent Loan*
- *Single Family Revolving Line of Credit*
- *Multifamily Line of Credit*
- *Strategic Growth Fund*

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

2016 Annual Report

Goals & Results - 2014-2016

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

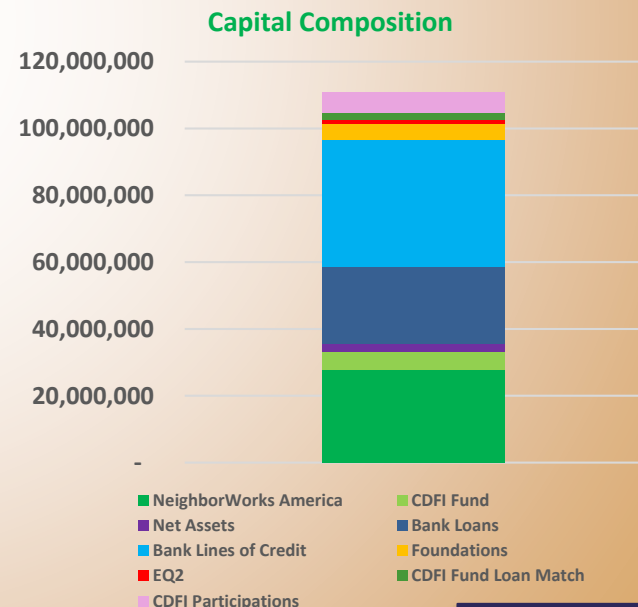
Goal: Grow Capital to \$93 million

Results: Grew Capital to \$97.2 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 - \$6,388,000
- CDFI Fund - \$3,700,000
- Charles Schwab Bank - \$10,000,000
- Deutsche Bank - \$7,000,000
- HSBC Bank - \$3,000,000
- Wells Fargo Bank increase - \$3,000,000
- BB&T Bank increase - \$2,000,000
- PNC Bank increase \$2,000,000
- TD Bank increase - \$1,500,000
- Ally Bank renewal - \$5,000,000
- Kresge Foundation (Strategic Growth Fund) - \$5,000,000



2016 Annual Report

Goals & Results - 2014-2016

3. IMPACT

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

Goal: 3,600 Housing units created or preserved

Result: 6,241 Housing units created or preserved



Customer: Mutual Housing of Greater Hartford
Project: Summit Park Apartments, Phase 2
Location: Hartford, CT
Loan Amount: \$500,000
Loan Type: Predevelopment
Project: Predevelopment costs for the construction of 62 units of multifamily using 9% LIHTC



Customer: Tenderloin Neighborhood Development Corp.
Project: 500 Turk Street
Location: San Francisco, CA
Loan Amount: \$3,900,000
Loan Type: Land Acquisition and Predevelopment
Project: Land acquisition for a 122-unit apartment building for low-income families, including homeless individuals. Permanent financing includes tax-exempt bonds and 4% LIHTC and subsidies from the City of San Francisco. NC participated with lead CDFI Enterprise CLF. Total loan of \$12.25MM.

2016 Annual Report

Goals & Results – 2014-2016

3. IMPACT UNITS (continued)



Customer: Hispanic Housing Development Corporation (HHDC)
Project: Multifamily Subordinate Line of Credit
Locations: Chicago metro, Michigan, Wisconsin
Loan Amount: \$7,000,000
Loan Type: Multifamily Subordinate Line of Credit
Project: Acquisition of rental preservation properties in their expanding market area. HHDC has access to senior debt from local/regional banks and needs additional debt to achieve a 95% LTV. NC negotiated a standard subordination agreement to streamline the financing process.



Customer: Nuestra Comunidad
Project: Alaska Street
Location: Boston (Roxbury), MA
Loan Amount: \$844,000
Loan Type: Construction
Project: New Construction and related development costs of 2 for-sale townhomes for homebuyers earning between 95-115% AMI.



Customer: Fifth Ward CDC
Project: Lyons Village Apartments
Location: Houston, TX
Loan Amount: \$1,400,000
Loan Type: Permanent Multifamily
Project: Refinance of 24 unit expiring Year 15 LIHTC project and to fund a replacement reserve and repay a GP Loan to Fifth Ward CDC.

2016 Annual Report

Goals & Results – 2014-2016

3. IMPACT (continued)

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

Goal: 110,000 SF Commercial

Results: 367,396 SF Commercial



Customer: Asian Americans For Equality (AAFE)
Project: Hardesty Renaissance
Location: Kansas City, MO
Loan Amount: \$5,900,000
Loan Type: Property Acquisition
Project: Acquisition and predevelopment funding of an existing storage facility to be adaptively re-used for 500 units of family and student housing and 232,000 SF of commercial and university use.



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.

2016 Annual Report

Goals & Results – 2014-2016

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 116 NeighborWorks organizations.

Goal: 15 new customers

Results: 24 new customers

AHC Inc.

Affordable Homes of South Texas

ANDP

Affordable Housing Alliance

Avesta Housing

A Community of Friends

CDC of North Richmond

Chinatown CDC

CHIP

Champlain Housing Trust

CPDC

EBALDC

Eden Housing

Fifth Ward CDC

Hispanic Housing

Homewise

HOPE Enterprise

Little Tokyo Service Center

Manna

Mennonite Housing

NW Blackstone River Valley

Tenderloin Neighborhood Dev.

Tierra Del Sol

Way Finders

2016 Annual Report

Goals & Results – 2014-2016

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 Aerie Rating to *** AA to attract new investor capital.*

Goals: 110% Self Sufficiency, 19% Net Income, Aerie Rating Increase

Results: 122% Self Sufficiency, 21% Net Income, Aerie Rating Increased

ORGANIZATIONAL – STAFF

NeighborWorks Capital Board approved a Succession Plan for the CEO.

With expanded product offerings and increased size and diversity of portfolio additional positions have been added including Chief Credit Officer, Senior Loan Officer, Portfolio Manager, Portfolio Analyst and an Accountant. This brings NC's staff size to 10.8 FTEs.

NeighborWorks Capital now have staff located in two additional locations – Charlotte, NC and Irvine, CA - to recruit 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>

2016 Annual Report

Goals & Results - 2014-2016

4. ORGANIZATIONAL - GOVERNANCE

NeighborWorks Capital has expanded the Board of Directors to 11, 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

2016 Annual Report

Financial Results

Condensed Statement of Financial Position

	2016		2015		%
	\$	%	\$	%	Change
ASSETS					
Cash, Cash Reserves and Equivalents	\$4,459,629		\$11,384,660		-61%
Loans Receivable (Net of Allowance)	\$60,614,171		\$52,715,386		15%
Capital Assets (net)	\$48,749		\$19,143		155%
Other Assets	\$258,588		\$204,828		26%
Total Assets	\$65,381,137	100%	\$64,324,017	100%	2%
LIABILITIES					
Notes Payable	\$27,862,944		\$30,252,814		-8%
Equity Equivalent Investments	\$1,000,000		\$1,000,000		0%
Other Liabilities	\$263,126		\$301,505		-13%
Total Liabilities	\$29,126,070	45%	\$31,554,319	49%	-8%
NET ASSETS					
Unrestricted	\$8,075,973		\$6,757,785		20%
Temporarily Restricted	\$2,580,550		\$2,479,191		4%
Permanently Restricted	\$25,598,544		\$23,532,722		9%
Total Net Assets	\$36,255,067	55%	\$32,769,698	51%	11%
Total Liabilities and Net Assets	\$65,381,137	100%	\$64,324,017	100%	2%

2016 Annual Report


Financial Results

Operating Income Statement: FY 2016 v FY 2015

	<u>2016</u>	<u>2015</u>	<u>% Change</u>
REVENUE			
Loan Interest	\$2,880,300	\$3,178,084	-9%
Debt Service Expense (COF)	800,812	1,114,114	-28%
Net Interest Income	2,079,488	2,063,970	1%
Grant Income	150,000	150,000	0%
Loan Fees	358,580	229,813	56%
Investment Income and Other Fees	22,822	34,388	-34%
Satisfaction of Program Restrictions	82,819	31,016	167%
Total Fee & Grant Income	614,221	445,217	38%
Total Revenue	2,693,709	2,509,187	7%
EXPENSE			
Grant Expense	19,838	34,301	-42%
Personnel & Benefits	1,215,379	1,005,774	21%
Consulting / Professional	229,669	156,840	46%
Other Operating	426,457	377,854	13%
Loan Loss Reserves	84,178	126,035	-33%
Total Expenses	1,975,521	1,700,804	16%
Net Operating Surplus (Deficit)	\$718,188	\$808,383	-11%

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>A member of the OPPORTUNITY FINANCE NETWORK</p>	 <p>National NeighborWorks Association</p>
 <p>AERIS RATED ★★★ AA</p>	 <p>CDFI COALITION OF COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS</p>	 <p>HOME Matters.</p>