2019
ANNUAL REPORT
LETTER FROM CEO/BOARD PRESIDENT

Dear Friends,

As we reflect on 2019, the Board of Directors and team at NeighborWorks Capital want to thank the customers, partners, investors, and committee volunteers who have supported us in our mission to provide flexible capital to communities across the NeighborWorks network. 2019 marked the completion of the first year of our 2019-2023 Strategic Plan and we are pleased with the progress we have made and the results and impact on communities across the country!

In fact, 2019 was our biggest year in our history, closing a record number of 32 loans totaling more than $56 million. We also welcomed 12 new NeighborWorks customers and expanded our financing solutions in a number of areas, with additional resources and an increased focus on rural and enterprise lending, and lines of credit. NeighborWorks Capital is working with organizations in 44 states. Rental and for-sale properties continue to be a substantial and important part of our lending, which created and preserved nearly 1,400 affordable homes.

By the end of the year, we made progress toward these strategic goals:

- Increased lending impact by $56 million
- Increased loan capital available by $10.4 million

As we continue to see increased demand for flexible financing solutions, we remain focused on providing excellent value and customer service. And NeighborWorks Capital’s investors remain confident in our performance and growth. In 2019, they committed more than $10 million in new and increased capital for our lending.

Now with 11 straight years of self-sufficiency, NeighborWorks Capital continues to grow financially stronger, concluding 2019 with $102 million in total assets, an increase of $16 million (19%). Our lending impact, strong capital deployment, and portfolio management has allowed us to expand our capacity to assist more NWO projects with more loan products.

We are proud to have a committed and experienced Board of Directors and committee members that understand community development at the grassroots level and the range of financing tools needed to achieve that. NeighborWorks Capital continues to be a valuable source of financing solutions in a constantly changing affordable housing finance sector. We remain committed to being flexible, creative, and a partner to the NeighborWorks network as it addresses local community development needs.

Kristin Faust
Board Chair

Jim Ferris
Chief Executive Officer
### PRODUCTION

#### ACQUISITION
- **10 loans**
- **460 homes**
- **$18,930,502**

#### CONSTRUCTION
- **2 loans**
- **58 homes**
- **$16,444,000**

#### PERMANENT
- **3 loans**
- **198 homes/25,000 SF commercial**
- **$5,267,143**

#### PREDEVELOPMENT
- **5 loans**
- **180 homes/12,332 SF commercial**
- **$3,075,000**

#### LINE OF CREDIT
- **4 loans**
- **250 homes**
- **$4,700,000**

#### ENTERPRISE CAPITAL
- **8 loans**
- **272 homes**
- **$7,740,000**
2019 Impact

TOTAL
- 1,418 Homes
- 30 Loans
- $56M Invested

BREAKDOWN

HOMES

NUMBER OF LOANS

INVESTMENTS

NEW BORROWERS

$16M

$16.4M

$5.4M

REPEAT BORROWERS

Rental

For Sale

Enterprise

Commercial

$3.6M

$3.2M

$3.4M

$8.1M

16 Enterprise Loans

9 Rental Loans

4 For Sale Loans

1 Commercial Loan
STORIES

ACQUISITION: LAS HACIENDAS
To address an affordable housing shortage, network member Community HousingWorks (CHW), located in San Diego, requested two loans for their new Las Haciendas development: a $3.65 million land acquisition, and a $1.2 million predevelopment loan with up to 105 percent LTV. The predevelopment budget includes standard predevelopment expenses, such as legal, architect/engineering, and tax-credit application related costs and fees. “Working with NeighborWorks Capital was an incredibly streamlined process backed by a strong team of origination, underwriting, and closing professionals. In addition to the land acquisition financing, the predevelopment loan option allows us to draw down funds as we incur costs prior to construction close,” said Stephen Swiecicki, Acquisitions Manager for CHW. READ MORE

CONSTRUCTION: FLOGROVE
To help fulfill the great need for single-family construction in rural Oregon, we provided DevNW a $3 million loan for 18 new homes in two locations 80 miles apart. The organization broke ground in January 2020 for its FloGrove development, which will cater to families below 80 percent AMI ($51,900 for a family of four) and includes 1-, 2-, and 3-bedroom homes. “It was quite a feat to get FloGrove fully funded,” said Erin Dey, Director of Real Estate Development for DevNW. “When we first started, this project was risky, new, and innovative, because it was a new funding source. NeighborWorks Capital got behind the project and was willing to work with us. We were definitely a team throughout the process,” Dey said. READ MORE

PERMANENT: KENSINGTON VILLAGE
NeighborWorks Capital provided a $1.5 million mezzanine loan to Community Housing Partners (CHP) to acquire the Kensington Village property in Winston-Salem, NC, which included CHP’s assumption of an existing $4.6M Freddie Mac mortgage. Kensington Village features 142 affordable 1-, 2-, and 3-bedroom apartments. “As the project financing changed, NeighborWorks Capital was able to remain flexible to enable us to get the financing to acquire this property,” said Kirsten Anderson, Vice President of Asset Management for CHP. “NeighborWorks Capital understands the mission of what we’re doing. Affordable housing isn’t always as understood in the commercial banking world. NeighborWorks Capital is very supportive of the mission and very easy to work with.” READ MORE
STORIES

PREDEVELOPMENT: FIFTH AVENUE COMMITTEE

Fifth Avenue Committee (FAC) is bringing 84 affordable apartments for seniors to Brooklyn’s Sunset Park, where the median income for those 65 and older is $26,700 and market rents are $2,000 per month for a studio. “The housing crisis is especially acute for low-income seniors, so we wanted to focus on providing homes for them,” said FAC Project Manager Vincent DeCesare. FAC reached out to NeighborWorks Capital for a $400,000 loan for predevelopment costs for the new construction and rehab project, in advance of securing an LIHTC allocation. This project has significant support, and FAC has also secured major financing from NYC HPD, NYC School Construction funds, and has a permanent loan commitment from CPC. READ MORE

ENTERPRISE CAPITAL: CAPNA

NeighborWorks Capital develops deep partnerships with the organizations we invest in and we’re betting on them. Our knowledge of the borrower and previous experience with them means we know their track record, and have confidence in their ability to deliver. Our short-term bridge loans help organizations with liquidity needed to complete their projects, so they can increase their pace of development, which leads to more affordable housing for families in the areas that need it most. When Alabama’s leading nonprofit affordable housing developer, Community Action Program of North Alabama (CAPNA) secured LIHTCs for two projects, it turned to NeighborWorks Capital to bridge the gap created by predevelopment costs and state-required 15% deposits. NeighborWorks Capital provided working capital through an $800,000 enterprise loan. READ MORE
At end of 2019 NeighborWorks Capital loan portfolio data:

- Total portfolio managed grew by almost 24% to $97.4 million with an additional $48.8 million in loan commitments (Lines of Credit and Construction)
- 89 loans to 53 NWOs
- Average loan size of $1.1 million
- No loan charge-offs in last four years
- Strong credit quality: P-1 (1%), P-2 (45%), P-3 (50%), Questionable (4%)

### Portfolio by Region

- **Western**: 40%
- **Northeast**: 30%
- **Southern**: 21%
- **Midwest**: 9%

### Portfolio by Loan Type

- **For Sale**: $7,480,531 (8%)
- **Rental**: $62,813,369 (63%)
- **Commercial**: $7,871,019 (8%)
- **Organization**: $21,013,661 (21%)

### Portfolio by Use

- **Rental**: 63%
- **For Sale**: 8% ($7,480,531)
- **Commercial**: 8% ($7,871,019)
- **Organization**: 21% ($21,013,661)

- **Acquisition-Land**: $62,813,369
- **Bridge**: $14,377,382
- **Building Acquisition**: $20,685,562
- **Enterprise Growth**: $1,481,504
- **Mezzanine/Equity**: $3,142,969
- **Predevelopment**: $13,337,500
- **Perment**: $25,315,950
- **Mini-Perm**: $20,685,562
- **Mini-Perm**: $25,315,950

### Portfolio by Use

- **Rental**: $62,813,369 (63%)
- **For Sale**: $7,480,531 (8%)
- **Commercial**: $7,871,019 (8%)
- **Organization**: $21,013,661 (21%)

- **Acquisition-Land**: $62,813,369
- **Bridge**: $14,377,382
- **Building Acquisition**: $20,685,562
- **Enterprise Growth**: $1,481,504
- **Mezzanine/Equity**: $3,142,969
- **Predevelopment**: $13,337,500
- **Perment**: $25,315,950
- **Mini-Perm**: $20,685,562
## Condensed Statement of Financial Position

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>%</th>
<th>2018</th>
<th>%</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Investments</td>
<td>$7,403,680</td>
<td>-24%</td>
<td>$9,707,778</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Loans Receivable (Net of Allowance)</td>
<td>93,990,155</td>
<td>24%</td>
<td>75,879,441</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Capital Assets (net)</td>
<td>88,940</td>
<td>322%</td>
<td>21,068</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Other Assets</td>
<td>484,762</td>
<td>20%</td>
<td>403,565</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$101,967,537</td>
<td>100%</td>
<td>$86,011,852</td>
<td>100%</td>
<td>19%</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notes Payable</td>
<td>$53,719,749</td>
<td>32%</td>
<td>$40,699,958</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Equity Equivalent Investments</td>
<td>2,000,000</td>
<td>0%</td>
<td>2,000,000</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Other Liabilities</td>
<td>546,188</td>
<td>22%</td>
<td>447,076</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>$56,265,937</td>
<td>55%</td>
<td>$43,147,034</td>
<td>50%</td>
<td>30%</td>
</tr>
<tr>
<td><strong>NET ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Without Donor Restriction</td>
<td>$17,649,142</td>
<td>19%</td>
<td>$14,857,360</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>With Donor Restriction</td>
<td>28,052,458</td>
<td>0%</td>
<td>28,007,458</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Total Net Assets</strong></td>
<td>$45,701,600</td>
<td>45%</td>
<td>$42,864,818</td>
<td>50%</td>
<td>7%</td>
</tr>
<tr>
<td><strong>Total Liabilities and Net Assets</strong></td>
<td>$101,967,537</td>
<td>100%</td>
<td>$86,011,852</td>
<td>100%</td>
<td>19%</td>
</tr>
</tbody>
</table>

## Statement of Activities - Operations

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th></th>
<th>2018</th>
<th></th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan Interest</td>
<td>$4,508,465</td>
<td>13%</td>
<td>$3,989,561</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Interest Expense</td>
<td>1,616,341</td>
<td>23%</td>
<td>1,313,963</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Net Interest Income</strong></td>
<td>$2,892,124</td>
<td>8%</td>
<td>$2,675,598</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>GRANT</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan Fees</td>
<td>676,456</td>
<td>52%</td>
<td>445,082</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Investment Income and Misc Revenue</td>
<td>64,677</td>
<td>71%</td>
<td>37,931</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Satisfaction of Program Restrictions</td>
<td>30,000</td>
<td>100%</td>
<td>75,117</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Total Fee &amp; Grant Income</td>
<td>771,133</td>
<td>9%</td>
<td>708,130</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>$3,663,257</td>
<td>8%</td>
<td>$3,383,728</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>EXPENSE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel &amp; Benefits</td>
<td>1,624,837</td>
<td>9%</td>
<td>1,496,221</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Consulting / Professional</td>
<td>430,901</td>
<td>39%</td>
<td>311,013</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Other Operating</td>
<td>558,872</td>
<td>-9%</td>
<td>611,144</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>$2,614,610</td>
<td>8%</td>
<td>$2,418,378</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Net Operating Surplus (Deficit)</strong></td>
<td>$1,048,647</td>
<td>9%</td>
<td>$965,350</td>
<td>-</td>
<td></td>
</tr>
</tbody>
</table>

**Memo:** Revenue excludes NWA grants $2,400,000 $2,150,000

**Memo:** Expenses excludes loan loss reserve contributions $656,865 $311,256

**Memo:** Revenue excludes other restricted grants $75,000 $-
NeighborWorks Capital would like to thank the continued strong commitment and growth from our equity and debt investors. In 2019, NC’s available capital to lend increased 13% to $136.5 million.
OUR TEAM

STAFF
Jim Ferris, Chief Executive Officer
Brent Bozman, Controller
Jarrod Brennet* , Portfolio Manager
Joshua Chatman* , Business Analyst
Adam Coile, Senior Portfolio Manager
Emily Dorfman, Senior Loan Officer
Mieva Herbert, Accountant
Jack Holtgreive, Senior Portfolio Analyst
Versia Lewis*, Office Manager
Leila Lucas, Manager, Loan Closings
Dana Moore, Chief Financial Officer
Beth O’Leary, Chief Portfolio Officer
Steve Peelor, Chief Lending Officer
Tamar Sarkisian, Senior Loan Officer
*new staff

BOARD OF DIRECTORS
Kristin Faust, President | President, NHS of Chicago
Jeanne Pinado, Vice President | Chief Executive Officer, Madison Park Development Corp.
Jeff Reed, Treasurer | President, Community Housing Partners
Peter Daly | Executive Director, Cambridge Neighborhood Apartment & Housing Services
Michael Carroll | Director of Lending, Rural LISC
Caroline Horton | Chief Financial Officer, Aeon
Megan Teare | Senior Vice President, Community Lending and Investing, Wells Fargo Bank
Rosa Rios Valdez, Executive Director, BCL of Texas

COMMITTEES
Finance Committee
Peter Daly, Executive Director, Cambridge Neighborhood Apartment & Housing Services
Kristin Faust, President, NHS of Chicago
Caroline Horton, Chief Financial Officer, Aeon
Jeff Reed, Treasurer, President, Community Housing Partners
Megan Teare, Senior Vice President, Community Lending and Investing, Wells Fargo Bank

Loan Committee
Michael Carroll, Director of Lending, Rural LISC
Fred Dodson, Chief Operating Officer and EVP, Charlotte-Mecklenberg Housing Partnership
Tommy FitzGibbon, Jr, Principal, BSI
Peter Quigley, Principal, Law Offices of Peter C. Quigley
Tayani Suma, Vice President, Real Estate, Atlanta Neighborhood Development Partnership
Rosa Rios Valdez, Executive Director, BCL of Texas
VISION:
America is a nation of vibrant and diverse communities where everyone is proud to have a place to call home.

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