



2020 ANNUAL REPORT





LETTER FROM CEO/BOARD PRESIDENT

Dear Friends,

In 2020, nothing was more important than staying closely connected to our customers and their communities impacted by the pandemic. As we reflect on the past year, we cannot understate the personal and economic challenges we experienced. Yet we remained resilient and optimistic. We are committed to being part of the solution to address the racial equity and affordable housing imbalances in partnership with our customers and partners.

This was supposed to be a year of celebration, marking NeighborWorks Capital's 20th Anniversary. We had planned to observe this momentous milestone at the May NeighborWorks Training Institute in Los Angeles with our partners, customers and investors in the Neighborworks Network. Over the last 20 years, we have provided over \$397 million in financing to buy, build and preserve more than 43,000 affordable rental and for-sale homes, in partnership with 130 borrowers. Instead of celebrating this impact, we engineered a pivot to remote work that would allow us to keep supporting affordable housing in uncertain times.

In an ongoing effort to provide relevant financial product, we added a new financing solution. In May, we launched the Stabilization loan product, crafted to assist NWOs experiencing financial strains due to new community programs and lost rental income. A market analysis led us to revise our Permanent Loan product so we can assist our customers with long-term fixed rate loans for smaller preservation and acquisition projects in communities where mainstream products are scarce or unavailable. We have secured board approval and we began offering this Permanent Loan this Spring.

In addition, we reviewed our governance and brought more diversity, perspectives and expertise into the organization. We recruited four new directors with passion for and commitment to affordable housing and community development finance. And we added two new positions to support our growth in lending and portfolio management. Our success is guided by our Strategic Plan and the role undertaken by both the Board of Directors and staff to move it forward.

Our partnership with NeighborWorks America remains strong and our investors continue to support our growth and resilience. Without their financial investment we could not continue our strategy of bringing more capital and impact to the NeighborWorks network. NeighborWorks Capital continues to be a valuable source of financing solutions in a constantly changing affordable housing finance sector. No matter what challenges we experience individually and collectively, we remain committed to being your partner.



Jeanne Pinado
President, Board of Directors



Jim Ferris
Chief Executive Officer

2020

NeighborWorks® CAPITAL Impact

TOTAL



1,544
HOMES



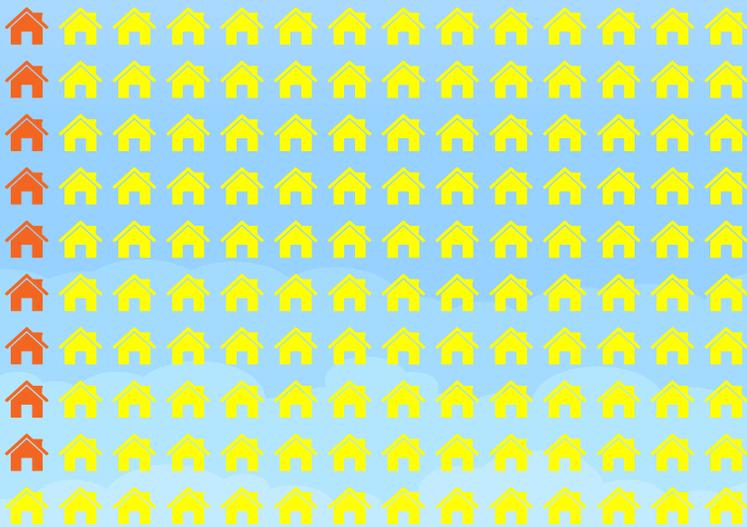
25
LOANS



\$27M
INVESTED

BREAKDOWN

HOMES



For Sale

Rental

NUMBER OF LOANS



4 ORGANIZATION
LOANS



17 RENTAL
LOANS



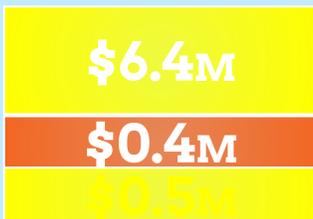
2 FOR SALE
LOANS



2 COMMERCIAL
LOANS

INVESTMENTS

NEW BORROWERS



REPEAT BORROWERS



Rental



For Sale



Organization



Commercial



STORIES



ENTERPRISE: NEIGHBORWORKS BLACKSTONE RIVER VALLEY

When the COVID-19 pandemic shut down construction all over New England in March 2020, NeighborWorks Blackstone River Valley suffered a cascade of cash flow issues. A six-month stoppage to phase 3 of their Fernwood Self-Help development meant that phase 4 would be delayed. Their predevelopment investment in phase 4 would be frozen until construction started sometime in late 2021. This was exactly the kind of situation NeighborWorks Capital anticipated when we created the Stabilization Loan in April 2020 to provide low-cost, unsecured working capital loans to NWOs caught in the sudden shut-downs and demand-shifts of the pandemic. NeighborWorks Capital was proud to help NWBRV with a

\$425,000 unsecured loan to provide the cash flow they needed to sustain their operations and carry development costs through the delay. "The delays that COVID-19 caused in several of our projects put some real financial stress on our organization – carrying costs continue even when development stops. Most importantly, keeping our staff employed was paramount. The Stabilization Loan took the financial pressure off and got us back to positive cash flow when our budgeted developer fees were delayed into 2021. NC's response to the acute challenges of COVID-19 makes them a valuable partner," said Joe Garlick, Executive Director of NWBRV.



ACQUISITION: VERONA VILLAGE

Affordable apartments for seniors are hard to find in Ovid, New York. It's a problem that plagues so many rural areas in America, and this community between the Finger Lakes is no exception. To make certain that 46 apartments stayed affordable, Ithaca Neighborhood Housing Services (INHS) looked to acquire and renovate Verona Village, the only affordable senior housing within 15 miles. The closing took a while, with slow approval of a renewed Section 8 HAP contract for all 46 apartments. NeighborWorks Capital provided INHS a \$2.4 million acquisition loan and a \$484,000 predevelopment loan in late March 2020. "The mix of acquisition financing and a predevelopment loan to help with the cost of developing a refinancing/renovation strategy was key," said Joe Bowes, INHS Director of Real Estate Development.

"The design, engineering, and third-party reports necessary to apply to New York can cost between \$250,000-\$500,000 so having a predevelopment loan from NeighborWorks Capital to cover those costs was critical."



PRODUCTION



ACQUISITION

7 loans
675 homes

\$14,205,000



CONSTRUCTION

1 loan
28 homes

\$500,000



PERMANENT

4 loans
204 homes/
40,500 SF commercial

\$3,637,217



PREDEVELOPMENT

4 loans
41 homes/

\$1,924,000



LINE OF CREDIT

4 loans
521 homes

\$4,700,000



ENTERPRISE CAPITAL

5 loans
75 homes

\$2,275,000



STORIES



CONSTRUCTION: DANVILLE HOMES



The housing market was one of the few bright spots in the pandemic economy. CDC of Tampa had continued working with potential home buyers, shifting from classroom-based to virtual homebuyer counseling and training. They also expanded their partnerships with public agencies, including Pinellas County, which donated land for five new homes for moderate-income buyers in Largo, Florida. All CDC of Tampa needed was a lender that would help them pivot from acquisitions and rehabs to new construction. NC's construction line of credit was the tool they were looking for. We renewed our \$1 million commitment enabling them

to break ground in May, finish construction in October, and sell all the homes by December. "Having the line of credit helps us get real estate development done in our area. These funds make a big difference to us. We are thankful for NeighborWorks Capital for making it possible for us to provide affordable homes," said CDC of Tampa CEO Ernest Coney.



PERMANENT: ALLEN STREET



During the COVID-19 pandemic, preventing dislocation for the lowest-income seniors played a vital role in keeping them safe and healthy. Mutual Housing Association of Greater Hartford, Inc. (MHAGH) worked throughout 2020 to secure approval from HUD for a renewed rental assistance contract. Their goal: to purchase and preserve 10 affordable apartments in New Britain, CT. This handful of homes was vitally important to the 10 seniors and their families who knew they would be safe there. In the more than 10 months it took for HUD to approve the request, NeighborWorks Capital never gave up on MHAGH. When the

approval came through, we were ready to close our \$494,000 permanent loan in December 2020. "Mutual Housing Association of Greater Hartford (MHAGH) is grateful to NeighborWorks Capital for the recent acquisition loan for our 233 Allen Street. This financing helped MHAGH build its portfolio in New Britain CT, and allowed us to payoff rather than assume the original HUD mortgage, reducing the interest by more than 260 basis points. The additional cash flow will let us make some necessary energy improvements and improve the quality of life for the seniors that live in the development." Catherine T. MacKinnon, Executive Director of MHAGH.

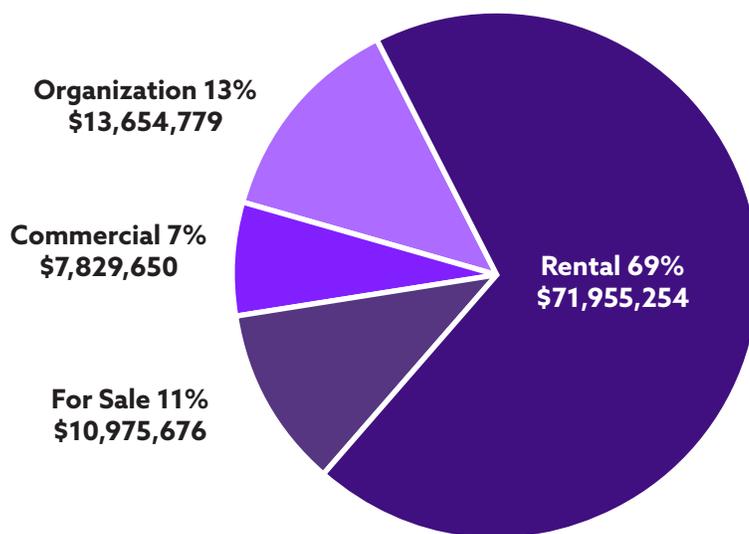


LOAN PORTFOLIO

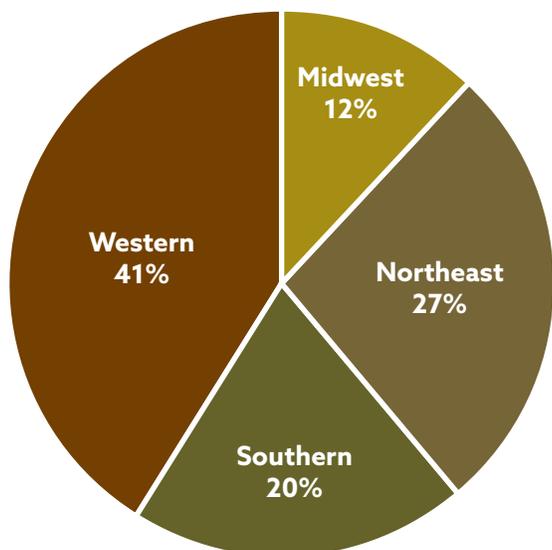
At the end of 2020 NeighborWorks Capital's loan portfolio ...

- Grew by almost 7% to \$104.4 million with an additional \$44.9 million in loan commitments (Lines of Credit and Construction)
- Included 90 loans to 58 NWOs
- Had an average loan size of \$1.66 million, a 50% increase from 2019

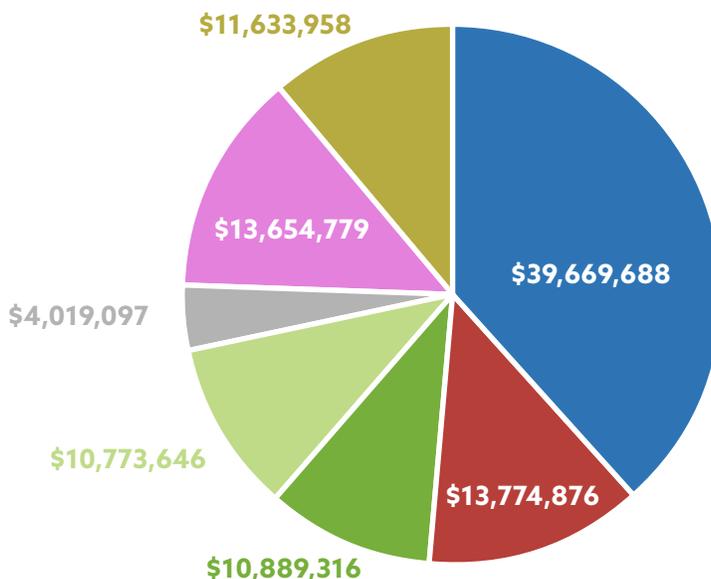
Portfolio by Use



Portfolio by Region



Portfolio by Loan Type



- ACQUISITION
- MINI-PERM
- ENTERPRISE GROWTH
- CONSTRUCTION
- PREDEVELOPMENT
- LINE OF CREDIT
- PERMANENT



STORIES



PREDEVELOPMENT: ST. MARY



Ten thousand Americans turn 65 each day. St. Mary Development Corp. works to meet the growing demand for affordable senior homes throughout Ohio. Moving developments through the process to secure scarce and competitive funding requires readily available, sometimes significant, resources. Fees, designs, studies, attorneys, and other expenses add up long before ground can be broken on a project. To help St. Mary expand their real estate development capacity and advance their strategic plan, NeighborWorks Capital provided a \$1.7 million predevelopment line of credit that will fund predevelopment expenses for St. Mary's growing pipeline of LIHTC projects. "The line of credit is so valuable. It helps make this process seamless. We are fully responsible

for predevelopment costs, so if we had to continuously invest in that and close out development deals, it would be a lot tighter. This is very helpful in allowing us to continue to move forward," said St. Mary Executive Vice President Wesley Young.



ACQUISITION: BUELLTON



Santa Barbara County is one of the most expensive areas in the US. Despite the wealth of the county, more than 40% of households are very low or low income, and nearly as many pay 30% or more of their income for rent or a mortgage. This inequality is exacerbated by limitations on sites where developers can build new affordable housing. When a site in Buellton, in the agricultural center of the Santa Ynez valley, finally became available, People's Self-Help Housing (PSSH) needed to close quickly and needed a responsive lender for the acquisition financing. NeighborWorks Capital helped PSSH move swiftly, providing a \$1,275,000 secured acquisition loan and a \$500,000 unsecured predevelopment loan. The resulting development will build 75 one-, two-, and

three-bedroom apartments for very-low and low-income families. "Knowing we have the backing of NeighborWorks Capital gives us the ability to act on opportunities when they present themselves, and this site is a great example of that," said Morgen Benevedo, Director of Multi-Family Housing Development for PSSH.

FINANCIALS

Condensed Statement of Financial Position

	2020	2019	% Change
ASSETS			
Cash and Investments	\$7,080,036	\$7,403,680	-4%
Loans Receivable (Net of Allowance)	98,415,360	93,990,155	5%
Capital Assets (net)	89,297	88,940	0%
Other Assets	684,372	484,762	41%
Total Assets	\$106,269,065	\$101,967,537	4%
LIABILITIES			
Notes Payable	\$55,879,734	\$53,719,749	4%
Equity Equivalent Investments	4,000,000	2,000,000	100%
Other Liabilities	508,390	546,188	-7%
Total Liabilities	\$60,388,124	\$56,265,937	7%
NET ASSETS			
Without Donor Restriction	\$18,765,258	\$17,649,142	6%
With Donor Restriction	27,115,683	28,052,458	-3%
Total Net Assets	\$45,880,941	\$45,701,600	0%
Total Liabilities and Net Assets	\$106,269,065	\$101,967,537	4%

Statement of Activities - Operations

	2020	2019	% Change
REVENUE			
Loan Interest	\$5,528,498	\$4,508,465	23%
Interest Expense	1,642,234	1,616,341	2%
Net Interest Income	\$3,886,264	\$2,892,124	34%
GRANT			
	\$0	\$0	0%
Loan Fees	251,336	676,456	-63%
Investment Income and Misc Revenue	49,361	64,677	-24%
Satisfaction of Program Restrictions	-	30,000	-100%
Total Fee & Grant Income	\$300,697	\$771,133	-61%
Total Revenue	\$4,186,961	\$3,663,257	14%
EXPENSE			
Personnel & Benefits	\$2,114,067	\$1,624,837	30%
Consulting / Professional	400,631	430,901	-7%
Other Operating	565,114	558,872	1%
Total Expenses	\$3,079,812	\$2,614,610	18%
Net Operating Surplus (Deficit)	\$1,107,149	\$1,048,647	6%
<i>Memo: Revenue excludes NWA grants</i>	\$2,400,000	\$2,400,000	
<i>Memo: Expenses excludes loan loss reserve contributions</i>	\$3,427,805	\$656,865	
<i>Memo: Revenue excludes other restricted grants</i>	\$0	\$75,000	



INVESTORS

NeighborWorks Capital would like to thank the continued strong commitment and growth from our equity and debt investors. In 2020, our investors increased their commitments to NC by \$13 million.



Morgan Stanley



THE KRESGE FOUNDATION



charles SCHWAB BANK





OUR TEAM

STAFF

Jim Ferris | Chief Executive Officer

Brent Bozman | Controller

Jarrold Brennet* | Portfolio Manager

Joshua Chatman* | Business Analyst

Adam Coile | Senior Portfolio Manager

Tiana Coll* | Senior Portfolio Analyst

Carly Driggs* | Underwriting Analyst

Emily Dorfman | Senior Loan Officer

Mieva Herbert | Accountant

Versia Lewis | Office Administrator

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

Jeanne Pinado, President | Senior Advisor,
Madison Park Development Corp.

Rosa Rios Valdez, Vice President & Secretary |
Executive Director, BCL of Texas

Jeff Reed, Treasurer | President, Community
Housing Partners

Michael Carroll | Director of Lending, Rural LISC

Grace Chionuma | Executive Director, Morgan
Stanley

Charlotte Crow | Senior Vice President, Enterprise
Community Loan Fund

Peter Daly | Executive Director, Cambridge
Neighborhood Apartment & Housing Services

Fred Dodson | COO & EVP, DreamKey Partners

Caroline Horton | Chief Financial Officer, Aeon

Tayani Suma | VP Real Estate, Atlanta
Neighborhood Development Partnership

Megan Teare | Senior Vice President, Community
Lending and Investing, Wells Fargo Bank

COMMITTEES

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Grace Chionuma

Charlotte Crow

Peter Daly

Caroline Horton

Jeanne Pinado

Megan Teare

LOAN COMMITTEE

Rosa Rios Valdez, Chair

Michael Carroll

Fred Dodson

Tommy FitzGibbon, Jr |
Principal, BSI

Peter Quigley | Principal, Law
Offices of Peter C. Quigley

Tayani Suma

GOVERNANCE COMMITTEE

Jeanne Pinado, Chair

Michael Carroll

Caroline Horton

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.



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