

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

NEIGHBORWORKS[®] CAPITAL CORPORATION

DECEMBER 31, 2009 AND 2008

NeighborWorks[®] Capital Corporation

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	3
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	5
STATEMENTS OF ACTIVITIES	7
STATEMENTS OF CASH FLOWS	9
NOTES TO FINANCIAL STATEMENTS	10
SUPPLEMENTAL INFORMATION	
SCHEDULES OF FUNCTIONAL EXPENSES	25
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	26
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS	27
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <u>GOVERNMENT AUDITING STANDARDS</u>	28
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	30
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	32

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
NeighborWorks[®] Capital Corporation

We have audited the accompanying statements of financial position of NeighborWorks[®] Capital Corporation as of December 31, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of NeighborWorks[®] Capital Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NeighborWorks[®] Capital Corporation as of December 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 23, 2010, on our consideration of NeighborWorks[®] Capital Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion of the basic financial statements of NeighborWorks[®] Capital Corporation taken as a whole. The accompanying supplemental information on page 25 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of

federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, “Audits of States, Local Governments, and Non-Profit Organizations” and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Reznick Group, P.C.

Bethesda, Maryland
March 23, 2010

NeighborWorks® Capital Corporation

STATEMENTS OF FINANCIAL POSITION

December 31, 2009 and 2008

ASSETS

	2009				2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Current assets:								
Cash and cash equivalents								
Cash - operations	\$ 972,750	\$ 4,425	\$ -	\$ 977,175	\$ 1,442,437	\$ 100,000	\$ -	\$ 1,542,437
Cash - operating reserve	355,000	-	-	355,000	350,401	-	-	350,401
Cash - loan capital	752,972	-	3,983,171	4,736,143	6,558,460	-	3,599,490	10,157,950
Cash - loan loss reserve	-	928,882	299,042	1,227,924	35,797	1,199,903	-	1,235,700
Accounts receivable	6,582	-	-	6,582	248	-	-	248
Loans receivable, net	1,380,171	-	2,134,423	3,514,594	782,480	-	2,703,246	3,485,726
Interest receivable	54,596	-	-	54,596	160,123	-	-	160,123
Prepaid expenses	9,114	-	-	9,114	8,672	-	-	8,672
Total current assets	<u>3,531,185</u>	<u>933,307</u>	<u>6,416,636</u>	<u>10,881,128</u>	<u>9,338,618</u>	<u>1,299,903</u>	<u>6,302,736</u>	<u>16,941,257</u>
Property and equipment								
Office furniture and equipment, net	23,269	-	-	23,269	26,314	-	-	26,314
Leasehold improvements, net	9,401	-	-	9,401	11,965	-	-	11,965
Total property and equipment	<u>32,670</u>	<u>-</u>	<u>-</u>	<u>32,670</u>	<u>38,279</u>	<u>-</u>	<u>-</u>	<u>38,279</u>
Other assets:								
Loans receivable, net	5,961,947	-	5,669,832	11,631,779	692,617	-	4,065,088	4,757,705
Deposits	7,500	-	-	7,500	7,500	-	-	7,500
Deferred loan fees, net	7,241	-	-	7,241	-	-	-	-
Total other assets	<u>5,976,688</u>	<u>-</u>	<u>5,669,832</u>	<u>11,646,520</u>	<u>700,117</u>	<u>-</u>	<u>4,065,088</u>	<u>4,765,205</u>
Total assets	<u>\$ 9,540,543</u>	<u>\$ 933,307</u>	<u>\$ 12,086,468</u>	<u>\$ 22,560,318</u>	<u>\$ 10,077,014</u>	<u>\$ 1,299,903</u>	<u>\$ 10,367,824</u>	<u>\$ 21,744,741</u>

(continued)

NeighborWorks[®] Capital Corporation

STATEMENTS OF FINANCIAL POSITION - CONTINUED

December 31, 2009 and 2008

LIABILITIES AND NET ASSETS

	2009				2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Current liabilities:								
Accounts payable and accrued liabilities	\$ 21,223	\$ -	\$ -	\$ 21,223	\$ 190,828	\$ -	\$ -	\$ 190,828
Accrued interest	12,938	-	-	12,938	4,205	-	-	4,205
Interest reserve	2,875	-	-	2,875	12,933	-	-	12,933
Notes payable, current portion	2,233,333	-	-	2,233,333	500,000	-	-	500,000
Total current liabilities	2,270,369	-	-	2,270,369	707,966	-	-	707,966
Notes payable, net of current portion	6,666,667	-	-	6,666,667	8,900,000	-	-	8,900,000
Total liabilities	8,937,036	-	-	8,937,036	9,607,966	-	-	9,607,966
Commitments and Contingencies	-	-	-	-	-	-	-	-
Net assets								
Unrestricted:								
Operating	1,077,389	-	-	1,077,389	1,218,951	-	-	1,218,951
Board designated - operating reserve	355,000	-	-	355,000	350,000	-	-	350,000
Board designated - lending capital	100,000	-	-	100,000	100,000	-	-	100,000
Loan loss reserve	(928,882)	-	-	(928,882)	(1,199,903)	-	-	(1,199,903)
Total unrestricted net assets	603,507	-	-	603,507	469,048	-	-	469,048
Temporarily restricted	-	933,307	-	933,307	-	1,299,903	-	1,299,903
Permanently restricted	-	-	12,086,468	12,086,468	-	-	10,367,824	10,367,824
Total net assets	603,507	933,307	12,086,468	13,623,282	469,048	1,299,903	10,367,824	12,136,775
Total liabilities and net assets	\$ 9,540,543	\$ 933,307	\$ 12,086,468	\$ 22,560,318	\$ 10,077,014	\$ 1,299,903	\$ 10,367,824	\$ 21,744,741

See notes to financial statements

NeighborWorks[®] Capital Corporation

STATEMENTS OF ACTIVITIES

Year ended December 31, 2009

	Unrestricted				Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	Operations	Operating Reserve	Lending Capital	Loan Loss Reserve				
Revenue								
NeighborWorks [®] America grants	\$ 350,000	\$ -	\$ -	\$ -	\$ 350,000	\$ 7,500	\$ 2,150,000	\$ 2,507,500
Community Development Financial Institution Fund grants	95,624	-	-	-	95,624	-	-	95,624
Loan fee income, net of participation	80,375	-	-	-	80,375	-	-	80,375
Interest income - loans	593,323	-	-	-	593,323	-	-	593,323
Interest income - investments	34,359	-	-	-	34,359	-	-	34,359
Net assets released from restrictions: Satisfaction of program restrictions	103,075	-	-	702,377	805,452	(374,096)	(431,356)	-
Total revenue	1,256,756	-	-	702,377	1,959,133	(366,596)	1,718,644	3,311,181
Expenses								
Program services								
Interest	298,724	-	-	-	298,724	-	-	298,724
Bad debt expense	40,833	-	-	431,356	472,189	-	-	472,189
Direct program expenses	746,121	-	-	-	746,121	-	-	746,121
Total program services	1,085,678	-	-	431,356	1,517,034	-	-	1,517,034
Support services								
Management and general	262,792	-	-	-	262,792	-	-	262,792
Fundraising	44,848	-	-	-	44,848	-	-	44,848
Total support services	307,640	-	-	-	307,640	-	-	307,640
Total expenses	1,393,318	-	-	431,356	1,824,674	-	-	1,824,674
Transfers	(5,000)	5,000	-	-	-	-	-	-
(Decrease) increase in net assets	(141,562)	5,000	-	271,021	134,459	(366,596)	1,718,644	1,486,507
Net assets, beginning of year	1,218,951	350,000	100,000	(1,199,903)	469,048	1,299,903	10,367,824	12,136,775
Net assets, end of year	\$ 1,077,389	\$ 355,000	\$ 100,000	\$ (928,882)	\$ 603,507	\$ 933,307	\$ 12,086,468	\$ 13,623,282

(continued)

NeighborWorks[®] Capital Corporation

STATEMENTS OF ACTIVITIES - CONTINUED

Year ended December 31, 2008

	Operations	Operating Reserve	Unrestricted Lending Capital	Loan Loss Reserve	Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue								
NeighborWorks [®] America grants	\$ 421,740	\$ -	\$ -	\$ -	\$ 421,740	\$ 100,000	\$ 1,700,000	\$ 2,221,740
Loan fee income, net of participation	64,073	-	-	-	64,073	-	-	64,073
Interest income - loans	444,805	-	-	-	444,805	-	-	444,805
Interest income - investments	161,785	-	-	-	161,785	-	-	161,785
Other	100	-	-	-	100	-	-	100
Net assets released from restrictions:								
Satisfaction of program restrictions	-	-	-	-	-	614,864	(614,864)	-
Total revenue	1,092,503	-	-	-	1,092,503	714,864	1,085,136	2,892,503
Expenses								
Program services								
Interest	261,651	-	-	-	261,651	-	-	261,651
Bad debt expense	-	-	-	614,864	614,864	-	-	614,864
Direct program expenses	758,621	-	-	-	758,621	-	-	758,621
Total program services	1,020,272	-	-	614,864	1,635,136	-	-	1,635,136
Support services								
Management and general	236,972	-	-	-	236,972	-	-	236,972
Fundraising	46,748	-	-	-	46,748	-	-	46,748
Total support services	283,720	-	-	-	283,720	-	-	283,720
Total expenses	1,303,992	-	-	614,864	1,918,856	-	-	1,918,856
Transfers	(160,217)	160,217	-	-	-	-	-	-
(Decrease) increase in net assets	(371,706)	160,217	-	(614,864)	(826,353)	714,864	1,085,136	973,647
Net assets, beginning of year	1,590,657	189,783	100,000	(585,039)	1,295,401	585,039	9,282,688	11,163,128
Net assets, end of year	\$ 1,218,951	\$ 350,000	\$ 100,000	\$ (1,199,903)	\$ 469,048	\$ 1,299,903	\$ 10,367,824	\$ 12,136,775

See notes to financial statements

NeighborWorks® Capital Corporation

STATEMENTS OF CASH FLOWS

Years ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities		
Changes in net assets	\$ 1,486,507	\$ 973,647
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	9,908	8,133
Allowance for loan loss	431,356	614,864
Changes in operating assets and liabilities		
Grant receivable	-	35,000
Accounts receivable	(6,334)	(248)
Interest receivable	105,527	(49,737)
Prepaid expenses	(442)	(4,608)
Accounts payable and accrued liabilities	(169,605)	54,806
Accrued interest	8,733	(6,880)
Interest reserve	(10,058)	(88,844)
Deposits	-	(5,831)
	<u>1,855,592</u>	<u>1,530,302</u>
Net cash provided by operating activities		
Cash flows from investing activities		
Advances on loans receivable	(10,826,688)	(3,856,265)
Repayments of loans receivable	3,492,390	3,142,222
Purchases of property and equipment	(4,299)	(37,559)
	<u>(7,338,597)</u>	<u>(751,602)</u>
Net cash (used in) investing activities		
Cash flows from financing activities		
Repayments on short-term borrowings	-	(926,469)
Proceeds from notes payable	-	5,500,000
Payment of deferred loan fees	(7,241)	-
Repayments on notes payable	(500,000)	(1,115,000)
	<u>(507,241)</u>	<u>3,458,531</u>
Net cash (used in) provided by financing activities		
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(5,990,246)	4,237,231
Cash and cash equivalents, beginning	<u>13,286,488</u>	<u>9,049,257</u>
Cash and cash equivalents, end	<u>\$ 7,296,242</u>	<u>\$ 13,286,488</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	<u>\$ 289,991</u>	<u>\$ 268,531</u>
Significant noncash investing and financing activity:		
Loans receivable written off	<u>\$ 702,377</u>	<u>\$ -</u>

See notes to financial statements

NeighborWorks[®] Capital Corporation

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE 1 - ORGANIZATION

On December 28, 2007, Neighborhood Capital Corporation of Cleveland, Ohio merged with RNA Community Builders of Rutland, Vermont and changed its name to NeighborWorks[®] Capital Corporation (the Organization). The Organization retained the Federal Tax Identification Number of Neighborhood Capital Corporation. Shortly thereafter, NeighborWorks[®] Capital Corporation relocated its offices from Cleveland, Ohio to Silver Spring, Maryland. NeighborWorks[®] Capital Corporation has retained all of the assets, liabilities and obligations of Neighborhood Capital Corporation and has assumed all of the assets, liabilities and obligations of RNA Community Builders.

The mission of NeighborWorks[®] Capital Corporation is to serve NeighborWorks[®] America organizations (NWOs) by developing and offering loan capital for important community development projects in their respective communities. NeighborWorks[®] Capital Corporation fulfills its mission by providing NWOs with low-cost capital for which they would not otherwise have access. NeighborWorks[®] Capital Corporation capital is available for the acquisition, preservation, construction, sale, financing or ownership of affordable single-family and multi-family properties and commercial projects. NeighborWorks[®] Capital Corporation receives support in the form of Federal grants as well as contributions from corporations and private foundations.

The Organization has been granted status as a Community Development Financial Institution (CDFI) by the U.S. Department of the Treasury (the Treasury), qualifying it for certain awards and support from the Treasury. As discussed in note 6, the Organization has two notes payable to the Treasury in accordance with its status as a CDFI totaling \$1,750,000.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Organization's financial statements have been prepared on the accrual basis of accounting. The accompanying financial statements of the Organization have been prepared for the purpose of complying with the Master Investment Agreement between NeighborWorks[®] America and the Organization. The Organization is required to report information regarding its financial position and activities according to three classes of net assets as follows:

NeighborWorks[®] Capital Corporation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

- Unrestricted net assets - net resources of the Organization that bear no external restriction. These include the Organization's general operating net assets, Board of Director designated net assets for operating reserves and lending capital and loan loss reserves. During the years ended December 31, 2009 and 2008, the Board of Directors designated \$431,356 and \$614,864, respectively, of the Organization's net assets for loan loss provisions.
- Temporarily restricted net assets - NeighborWorks[®] America - Capital funds that are allowed to be transferred from permanently restricted for the purpose of functioning as an allowance for loan loss against loans receivable or for other temporary restrictions approved by NeighborWorks[®] America. Increases in the provision of the allowance for loan loss are recorded as reductions in permanently restricted net assets while recoveries in the provision of the allowance of loan loss are recorded as additions to permanently restricted net assets. Temporarily restricted net assets also result from timing differences between receipt of funds and the incurrence of related expenses. NeighborWorks[®] Capital Corporation reports revenue of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions; however, donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted revenue. As of December 31, 2009 and 2008, temporarily restricted net assets consist of \$928,882 and \$1,199,903, respectively, of allowance for loan loss that have been approved by the Board of the Directors. Additionally, during the years ended December 31, 2009 and 2008, respectively, \$7,500 and \$100,000, of expendable grant funds from NeighborWorks[®] America have been recorded as an increase in temporarily restricted net assets, of which, \$3,075 and \$0, were released from restriction for the years ended December 31, 2009 and 2008, respectively. The remaining balance of expendable grant funds of \$4,425 and \$100,000 is purpose and time-restricted by the donor until 2010 and 2009, respectively and included as a component of temporarily restricted net assets at December 31, 2009 and 2008 on the accompanying statements of activities, respectively.

NeighborWorks[®] Capital Corporation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

- Permanently restricted net assets - capital funds provided by NeighborWorks[®] America held in perpetuity, segregated and maintained as such to account for the prescribed eligible uses, which in accordance with the Master Investment Agreement between NeighborWorks[®] America and the Organization, are defined as being either 1) loaned as End Borrower Loans or 2) for use as a loan loss reserve and not to be used for non-capitalizable purposes such as paying operating and day-to-day expenses of the Organization. As of December 31, 2009 and 2008, permanently restricted net assets consist of \$7,804,255 and \$6,768,334, respectively, of amounts currently in use to fund loans receivable and \$4,282,213 and \$3,599,490, respectively, of amounts held for use for future lending commitments or additional provisions for loan loss reserves.

Contributions

The Organization recognizes contributions, including unconditional promises to give, when received.

Cash and Cash Equivalents

Cash and cash equivalents may include currency on hand, treasury bills, commercial paper, or other investments with original maturities of three months or less. At December 31, 2009, cash and cash equivalents include only unrestricted demand deposits with banks or government securities. The Organization places its cash with high credit-quality financial institutions that are in federally insured accounts or invested in government securities. Invested cash may exceed federally insured amounts at times.

Allowance for Loan Loss

The allowance for loan loss is periodically adjusted to a level that, in management's judgment, is adequate to provide for estimated probable losses from loans. The amount of the allowance is based on management's formal review and analysis of potential losses. At December 31, 2009 and 2008, the allowance for loan loss was \$928,882 and \$1,199,903, respectively, of which \$194,829 and \$839,520 related to the current portion of loans receivable, respectively. During the years ended December 31, 2009 and 2008, \$702,377 and \$0 of loans were written off, respectively.

NeighborWorks[®] Capital Corporation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

Deferred Revenue

The Organization earns fees and incurs costs associated with originating loans receivable during the normal course of business. The portion of these costs that are attributable to originating loans receivable are netted against related fees earned. In accordance with general accounting principles for accounting for nonrefundable fees and costs associated with originating or acquiring loans and indirect costs of leases, net origination fees are deferred and recognized as an adjustment to interest income over the life of the loan. No deferred costs were recorded for the years ended December 31, 2009 and 2008.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets ranging from 3 - 7 years. The Organization capitalizes assets that cost \$1,000 or more. Leasehold improvements are amortized over the shorter of their useful lives or the term of the associated lease.

Loan costs and amortization

Loan costs will be amortized over the term of the loan using the straight-line method. Accounting principles generally accepted in the United States of America require that loan costs be amortized over the term of the loan using the effective yield method; however, the effect of using the straight-line method is not materially different from the results that would have been obtained under the effective yield method. Amortization expense for the years ended December 31, 2009 and 2008 was \$0.

Income Taxes

The Organization has applied for and received a determination letter from the Internal Revenue Service (IRS) to be treated as a tax exempt entity pursuant to Section 501(c)(3) of the Internal Revenue Code and did not have any unrelated business income for the years ended December 31, 2009 and 2008. Due to its tax exempt status, the Organization is not subject to income taxes. The Organization is required to file and does file tax returns with the IRS and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes, and the Organization has no other tax positions which must be considered for disclosure.

NeighborWorks[®] Capital Corporation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

Functional Expense Allocation

The cost of providing various programs and other activities has been summarized on a functional basis in the Statement of Activities and in the accompanying Schedule of Functional Expenses. Accordingly, expenses are recorded directly to program services, management and general or fundraising based on specific identification.

Use of Estimates

The preparation of financial statements in conformity accounting principles generally accepted in the United States of America 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 revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include an allowance for loan losses on loans receivable.

New Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board (FASB) issued the Codification. Effective July 1, 2009, the Codification is the single source of authoritative accounting principles recognized by the FASB to be applied by non-governmental entities in the preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP). The Codification is intended to reorganize, rather than change, existing GAAP. Accordingly, all references to currently existing GAAP have been removed and have been replaced with explanations of the Organization's accounting policies. The adoption of the Codification did not have a material impact on the Organization's financial position or results of operations.

During 2009, the Organization adopted the accounting guidance pertaining to Accounting for Uncertainty in Income Taxes. As a result, the Organization did not identify any uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

NeighborWorks[®] Capital Corporation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

Subsequent Events

Events that occur after the date of the statement of financial position but before the consolidated financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the date of the statement of financial position are recognized in the accompanying financial statements. Subsequent events which reflect significant matters but which provide evidence about conditions that existed after the date of the statement of financial position, require disclosure in the accompanying notes. The date through which subsequent events have been evaluated is also the date on which the statements were available to be issued. The additional disclosures required by this standard are included in note 15.

NOTE 3 - LOANS RECEIVABLE

Loans Receivable

The Organization offers the following loan products of varying terms and maturities:

Pre-Development Loans - for funding needed to conduct due diligence and obtaining site control of properties. Funds are typically used for environmental studies, market studies, appraisals, architectural and engineering expenses, legal fees and earnest money deposits. Loans generally provided for up to \$200,000 with a maximum loan term of 30 months; recourse basis with flexible collateral requirements and repayable upon closing of interim, construction or permanent financing.

Interim Development Loans - for funding needed to bridge borrowers from the early due diligence phase of a project to the point when construction or permanent financing closes. Funds are typically used for acquisition, critical repairs and pre-development or other costs associated with securing construction/permanent financing. Loans provided for up to \$1.5 million with a maximum loan term of 36 months, renewable for an additional 24 months; recourse basis with a strong preference for mortgage or other collateral and are repayable upon closing of construction or permanent closing.

Organizational Loan Pilot Loans - for funding to certain designated NWOs in the Rocky Mountain District, as defined by NeighborWorks[®] America, for the specific purpose of providing flexible capital to grow their lines of businesses. Loans provided for up to \$2.5 million with a maximum loan term of 60 months.

NeighborWorks[®] Capital Corporation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

The following is a summary of loans receivable at December 31, 2009 and 2008:

Type	2009		2008	
	Number of Loans	Net Loan Amount	Number of Loans	Net Loan Amount
Pre-development	13	\$ 2,562,839	10	\$ 1,912,838
Interim development	15	9,012,416	18	7,530,496
Organizational loan pilot	2	4,500,000	-	-
Total	<u>30</u>	<u>16,075,255</u>	<u>28</u>	<u>9,443,334</u>
Less: Allowance for loan losses		<u>(928,882)</u>		<u>(1,199,903)</u>
Total		<u>\$ 15,146,373</u>		<u>\$ 8,243,431</u>
Current portion		<u>\$ 3,514,594</u>		<u>\$ 3,485,726</u>
Long-term portion		<u>\$ 11,631,779</u>		<u>\$ 4,757,705</u>

The following schedule lists the future minimum principal receivable at December 31, 2009:

2010	\$ 3,709,422
2011	4,319,833
2012	2,946,000
2013	<u>5,100,000</u>
	<u>\$ 16,075,255</u>

Loan Delinquency Status

During the year ended December 31, 2009, loans totaling \$702,377 were written off. Of this \$702,377, two loans, totaling \$678,000 were past due, and were written off during 2009. Another loan, with a remaining balance of \$24,377 after receipt of a partial repayment, was written off as well. For the year ended December 31, 2008, no loan principal payments were delinquent and none were in forbearance or foreclosure.

Accrued interest and other receivables from these notes at December 31, 2009 and 2008 totaled \$54,596 and \$160,123, respectively.

NeighborWorks[®] Capital Corporation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

NOTE 4 - LINE OF CREDIT

A line-of-credit available from Merrill Lynch Community Development Company, LLC in an amount up to \$4,000,000 was secured by an assignment of the loans receivable of the Organization. The facility closed on December 17, 2004 and was terminated on November 15, 2009 as a result of the Banc of America commitment as discussed in note 15. As of December 31, 2008, \$0 had been drawn. For the years ended December 31, 2009 and 2008, the line of credit bore interest at a variable per annum interest rate equal to the 1- or 3-month LIBOR plus 200 basis points. A non-usage fee of .25% of the un-drawn amount was due quarterly. Interest expense related to the line for the years ended December 31, 2009 and 2008 was \$0 and \$22,288, respectively.

NOTE 5 - INTEREST RESERVE

The interest reserve represents funds withheld from loan disbursements. The reserves are held by the Organization and used to make loan interest payments on behalf of borrowers.

NOTE 6 - NOTES PAYABLE

At December 31, 2009, the Organization had an unsecured \$1,000,000 note payable to The John D. and Catherine T. MacArthur Foundation. The note was modified on July 1, 2009 with interest of 3% due beginning July 1, 2010 and principal due January 1, 2011.

As of December 31, 2008, the Organization had three unsecured loans to The John D. and Catherine T. MacArthur Foundation, two in the amount of \$1,000,000 and the third in the amount of \$500,000. The notes all bear interest at 3% and require quarterly payments until maturity. Principal payments are deferred until the maturity dates, which are October 1, 2008, for the first \$1,000,000 note, January 1, 2009, for the \$500,000 note, and January 1, 2010, for the second \$1,000,000 note. The first \$1,000,000 note which matured on October 1, 2008, was fully repaid.

Interest expense related to these notes for the years ended December 31, 2009 and 2008, totaled \$11,250 and \$67,500, respectively. As of December 31, 2009 and 2008, \$1,000,000 and \$1,500,000, respectively, is outstanding.

NeighborWorks[®] Capital Corporation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

The Organization had an unsecured note payable to The Community Reinvestment Fund in the amount of \$500,000. The note bore interest at 2% per annum and was payable quarterly. The note required amortization of the loan commencing on July 1, 2005 in twelve equal quarterly installments of \$38,500 each. As of December 31, 2008, the note was fully repaid. Interest expense related to this note for the year ended December 31, 2008 totaled \$555.

The Organization has an unsecured note payable to The Calvert Social Investment Foundation. The note was originally for \$650,000. In 2008, the loan was amended and the maximum amount of the loan was increased to \$1,150,000. The note bears interest at 4.50% per annum and is payable semi-annually. The note matures on September 30, 2010. Interest expense related to the note for the years ended December 31, 2009 and 2008 was \$51,046 and \$29,151, respectively. As of December 31, 2009 and 2008, \$1,150,000 is outstanding.

The Organization has an unsecured note payable with Ally Bank (formerly GMAC Bank) in the amount of \$5,000,000. The note bears interest at 3.75% per annum and is payable quarterly until maturity. Principal is deferred until maturity which is July 1, 2013. Interest expense related to the note was \$190,104 and \$95,833 for the years ended December 31, 2009 and 2008, respectively. As of December 31, 2009 and 2008, \$5,000,000 is outstanding.

The Organization has two unsecured notes payable to the U.S. Treasury Community Development Financial Institutions Fund. The first note, in the amount of \$1,000,000, bears interest at 2.63% per annum and is payable quarterly. The note requires three principal payments as follows: \$333,333 due on June 20, 2010, \$333,333 due on June 30, 2011, and \$333,334 due on the maturity date of August 11, 2012. Interest expense related to this note for both the years ended December 31, 2009 and 2008 totaled \$26,300. The second note, in the amount of \$750,000, bears interest at 2.67% per annum and is payable quarterly. Interest expense related to this note for both the years ended December 31, 2009 and 2008 totaled \$20,024. The full principal balance of this note may be repaid any time before August 9, 2010. As of December 31, 2009 and 2008, \$1,750,000 was outstanding.

NeighborWorks® Capital Corporation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

The following schedule lists the future minimum notes payable at December 31st:

2010	\$ 2,233,333
2011	1,333,333
2012	333,334
2013	<u>5,000,000</u>
	<u><u>\$ 8,900,000</u></u>

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2009 and 2008 are as follows:

	2009			
	12/31/2008	Contributions	Satisfaction of Program Restrictions	12/31/2009
NeighborWorks America Expendable Grants - Operations	\$ 100,000	\$ -	\$ (100,000)	\$ -
NeighborWorks America Expendable Grants - Energy Loan Concept	-	7,500	(3,075)	4,425
Loan Loss Reserve Provision:	1,199,903	-	431,356	1,631,259
Loans written off, approved by NeighborWorks America for Release of Restrictions:	<u>-</u>	<u>-</u>	<u>(702,377)</u>	<u>(702,377)</u>
Total	<u>\$ 1,299,903</u>	<u>\$ 7,500</u>	<u>\$ (374,096)</u>	<u>\$ 933,307</u>
	2008			
	12/31/2007	Contributions	Satisfaction of Program Restrictions	12/31/2008
NeighborWorks America Expendable Grants - Operations	\$ -	\$ 100,000	\$ -	\$ 100,000
Loan Loss Reserve Provision	585,039	-	614,864	1,199,903
Total	<u>\$ 585,039</u>	<u>\$ 100,000</u>	<u>\$ 614,864</u>	<u>\$ 1,299,903</u>

NeighborWorks[®] Capital Corporation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

NOTE 8 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets as of December 31, 2009 and 2008 are as follows:

	2009			
	12/31/2008	Contributions	Satisfaction of Program Restrictions	12/31/2009
NeighborWorks America Revolving Loan & Capital Projects Fund	\$ 11,567,727	\$ 2,150,000	\$ -	\$ 13,717,727
Loan Loss Reserve Provision	(1,199,903)	-	(431,356)	(1,631,259)
Total	\$ 10,367,824	\$ 2,150,000	\$ (431,356)	\$ 12,086,468
	2008			
	12/31/2007	Contributions	Satisfaction of Program Restrictions	12/31/2008
NeighborWorks America Revolving Loan & Capital Projects Fund	\$ 9,867,727	\$ 1,700,000	\$ -	\$ 11,567,727
Loan Loss Reserve Provision	(585,039)	-	(614,864)	(1,199,903)
Total	\$ 9,282,688	\$ 1,700,000	\$ (614,864)	\$ 10,367,824

NOTE 9 - LOAN COMMITMENTS - NOWs

As of December 31, 2009 and 2008, the Organization has committed to make new loans to various NOWs totaling \$4,365,000 and \$8,900,000, respectively. On January 6, 2010, a loan commitment in the amount of \$1,465,000 was closed and funded to an NOW.

NeighborWorks[®] Capital Corporation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

NOTE 10 - LEASE OBLIGATIONS

On July 3, 2008, the Organization entered into a non-cancelable 5-year operating lease for office space commencing in October 2008. Future minimum rent payments due under the lease as of December 31, 2009 are summarized as follows:

2010	\$	74,438
2011		76,678
2012		78,967
2013		<u>81,328</u>
	\$	<u>311,411</u>

Rent expense for the years ended December 31, 2009 and 2008 was \$73,235 and \$72,133, respectively.

NOTE 11 - PENSION PLAN

During 2009 and 2008, the Organization maintained a defined contribution pension plan pursuant to section 401(k) of the Internal Revenue Code. Employer contributions to the plan during the year ended December 31, 2009 and 2008 totaled \$25,020 and \$17,560, respectively.

NOTE 12 - CONCENTRATIONS

The Organization receives nearly its entire grant funding from NeighborWorks[®] America. This is the primary source of grant revenue to date.

As of December 31, 2009, the Organization's cash and cash equivalent balances held on deposit at financial institutions totaled \$7,346,391. Of this \$7,346,391, \$5,666,311 was held at Branch Banking and Trust Company (BB&T), \$933,360 was held at KeyBank, N.A., (KeyBank), \$246,566 was held by PNC Bank (PNC), \$250,077 was held by Self Help Credit Union (SHCU) and \$250,077 was held by Self Help Federal Credit Union (SHFCU). BB&T, KeyBank, PNC and SHFCU are members of the Federal Deposit Insurance Corporation (FDIC). Deposit balances were insured up to \$100,000. Effective October 3, 2008, the FDIC temporarily increased its insurance on deposit accounts to \$250,000 through December 31, 2013. Furthermore, all but SHCU are participating in the FDIC's separate Transaction Account Guarantee Program which fully guarantees all amounts on deposit in non-interest

NeighborWorks[®] Capital Corporation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

bearing transaction accounts through December 31, 2009. SHCU participates in the National Credit Union Administration (NCUA), which provides up to \$250,000 of insurance coverage per account.

For BB&T, \$5,414,661 is held in NOW accounts and are fully insured. Additionally, \$251,650 is invested in an interest-bearing money market account, of which \$1,650 is uninsured at December 31, 2009.

For KeyBank, \$518,971 is invested in a money market account and \$414,389 is invested in a money market fund account, the sum of which is insured up to \$250,000 with \$683,360 being uninsured at December 31, 2009.

For PNC, SHFCU and SHCU, a total of \$746,720 is invested in money market accounts and \$2,500 was invested in a non-interest bearing checking account, of which \$144 was uninsured at December 31, 2009.

NOTE 13 - RELATED PARTY TRANSACTIONS

NeighborWorks[®] Capital Corporation, or its predecessors, has extended loans to entities or their affiliates that have had representation on its Board of Directors and/or its Loan Committee. For the years ended December 31, 2009 and 2008, the Organization had 13 and 7 loans outstanding, respectively, totaling \$4,570,825 and \$3,160,987 of loans receivable, respectively, to such entities or their affiliates.

NOTE 14 - LENDING CAPITAL

The Organization's lending capital consists of a revolving loan and capital projects fund. Its lending capital includes both donor-restricted lending capital and capital projects funds and funds designated by the Board of Directors to function as lending capital. As required by GAAP, net assets associated with lending capital, including funds designated by the Board of Directors to function as lending capital, are classified and reported on the existence of donor imposed-restrictions.

NeighborWorks[®] Capital Corporation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

NOTE 15 - SUBSEQUENT EVENTS

Management has evaluated the activity of the Organization through March 23, 2010 (the date that the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements. However, management has determined that the following information warranted disclosure.

As of December 31, 2009, the Organization had a loan commitment from Banc of America in the amount of \$4,000,000, of which the first funding in the amount of \$2,500,000 occurred on February 26, 2010. The remaining balance of \$1,500,000 will be available during the period of July 1, 2011 through September 30, 2012, upon satisfaction of certain terms in the agreement. The loan will bear interest in the amount of 3.25%. Interest will be payable quarterly, through maturity, which will be 10 years from the date of the initial draw. The note is unsecured.

SUPPLEMENTAL INFORMATION

NeighborWorks® Capital Corporation

SCHEDULES OF FUNCTIONAL EXPENSES

Years ended December 31, 2009 and 2008

Expenditures	2009				2008			
	Program activities	Management and general	Fundraising	Total	Program activities	Management and general	Fundraising	Total
Salaries and benefits	\$ 432,372	\$ 148,930	\$ 31,028	\$ 612,330	\$ 356,047	\$ 130,278	\$ 27,384	\$ 513,709
Interest	298,724	-	-	298,724	261,651	-	-	261,651
Professional fees	140,301	99,134	872	240,307	210,246	89,487	7,318	307,051
Occupancy	62,250	7,323	3,662	73,235	61,313	7,213	3,607	72,133
Office expenses	21,947	2,582	1,291	25,820	33,187	3,904	1,952	39,043
Travel	16,176	174	1,044	17,394	28,529	307	1,841	30,677
Telephone	13,041	1,534	767	15,342	17,459	2,054	1,027	20,540
Special events and board retreats	11,420	-	2,015	13,435	1,250	-	221	1,471
Bank fees	10,522	111	-	10,633	11,318	352	-	11,670
Depreciation and amortization	8,422	991	495	9,908	6,913	813	407	8,133
Marketing	8,768	-	1,547	10,315	8,864	-	1,564	10,428
Insurance	4,805	565	283	5,653	4,621	544	272	5,437
Miscellaneous	4,210	495	248	4,953	8,002	937	471	9,410
Repairs and maintenance	3,937	463	232	4,632	7,667	902	451	9,020
Dues	3,381	225	902	4,508	-	-	-	-
Staff development	3,351	197	394	3,942	881	52	104	1,037
Printing	1,218	68	68	1,354	2,324	129	129	2,582
Loan loss reserve	472,189	-	-	472,189	614,864	-	-	614,864
	<u>\$ 1,517,034</u>	<u>\$ 262,792</u>	<u>\$ 44,848</u>	<u>\$ 1,824,674</u>	<u>\$ 1,635,136</u>	<u>\$ 236,972</u>	<u>\$ 46,748</u>	<u>\$ 1,918,856</u>

NeighborWorks® Capital Corporation

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended December 31, 2009

Federal Grantor/(Pass-through Grantor) Program Titles	Federal CFDA Number	Federal Expenditures
U.S. Department of Treasury passed through NeighborWorks® America		
Neighborhood Reinvestment Corporation Act:		
Capital Grant Funds	21.000	\$ 13,717,727
Expendable Grant Funds	21.000	357,500
Community Development Financial Institutions Program - Loan Program	21.020	1,750,000
Community Development Financial Institutions Program - Technical Assistance	21.020	<u>95,624</u>
Total Federal Programs		<u><u>\$ 15,920,851</u></u>

NeighborWorks[®] Capital Corporation

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2009

NOTE 1 - GENERAL

The accompanying schedule of expenditures of Federal awards presents the activity of all Federal financial assistance programs of NeighborWorks[®] Capital Corporation. NeighborWorks[®] Capital Corporation's reporting entity is defined in note 1 to the Organization's financial statements.

NOTE 2 - BASIS OF ACCOUNTING

The accompanying schedule of expenditures of Federal awards is a summary of the cash activity of the Organization's Federal awards programs and does not present transactions that would be included in financial statements of the Organization presented on the accrual basis of accounting, as contemplated by U.S. generally accepted accounting principles.

NOTE 3 - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying schedule of expenditures of Federal awards agree with the amounts reported in the related Federal financial reports for all Federal programs.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
NeighborWorks[®] Capital Corporation

We have audited the financial statements of NeighborWorks[®] Capital Corporation (a nonprofit organization) as of and for the year ended December 31, 2009, and have issued our report thereon dated March 23, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered NeighborWorks[®] Capital Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of NeighborWorks[®] Capital Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of NeighborWorks[®] Capital Corporation's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether NeighborWorks[®] Capital Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of NeighborWorks[®] Capital Corporation's in a separate letter dated March 23, 2010.

This report is intended solely for the information and use of the audit committee, the Board of Directors, management, others within the entity, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Reznick Group, P.C.

Bethesda, Maryland
March 23, 2010

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
NeighborWorks[®] Capital Corporation

Compliance

We have audited the compliance of NeighborWorks[®] Capital Corporation (a nonprofit organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major Federal programs for the year ended December 31, 2009. NeighborWorks[®] Capital Corporation's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of NeighborWorks[®] Capital Corporation's management. Our responsibility is to express an opinion on NeighborWorks[®] Capital Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about NeighborWorks[®] Capital Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of NeighborWorks[®] Capital Corporation's compliance with those requirements.

In our opinion, NeighborWorks[®] Capital Corporation complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended December 31, 2009.

Internal Control Over Compliance

The management of NeighborWorks[®] Capital Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered NeighborWorks[®] Capital Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal controls over compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133. Accordingly, we do not express an opinion on NeighborWorks[®] Capital Corporation's effectiveness of the entity's internal control over compliance.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is solely for the information and use of the audit committee, the Board of Directors, management, others within the entity and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Bethesda, Maryland
March 23, 2010

NeighborWorks[®] Capital Corporation

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

December 31, 2009

A. SUMMARY OF AUDITORS' RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of NeighborWorks[®] Capital Corporation.
2. No significant deficiencies were identified during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of NeighborWorks[®] Capital Corporation were disclosed during the audit.
4. No significant deficiencies were identified during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for NeighborWorks[®] Capital Corporation expresses an unqualified opinion.
6. There are no audit findings relative to the major federal award programs for NeighborWorks[®] Capital Corporation.
7. Major programs:
 - Department of Treasury - Community Development Financial Institutions Fund, CFDA No. 21.020
 - Department of Treasury - Neighborhood Reinvestment Corporation Act, CFDA No. 21.000
8. The threshold for distinguishing Type A and B programs was \$425,126.
9. NeighborWorks[®] Capital Corporation qualified as a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT - NONE

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT - NONE