NeighborWorks® Capital Corporation

Financial Statements
(With Supplementary Information)
and Independent Auditor's Report

December 31, 2020 and 2019

CohnReznick
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NeighborWorks® Capital Corporation

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Independent Auditor's Report

To the Board of Directors
NeighborWorks® Capital Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of NeighborWorks® Capital Corporation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* ("CFR") Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2021, 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 solely 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 effectiveness of NeighborWorks® Capital Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NeighborWorks® Capital Corporation's internal control over financial reporting and compliance.

CohnReznick LLP

Bethesda, Maryland
April 27, 2021

NeighborWorks® Capital Corporation

Statements of Financial Position
December 31, 2020 and 2019

Assets

	2020	2019
Current assets		
Cash and cash equivalents		
Operations	$ 2,270,026	$ 2,668,112
Operating restricted	24,228	357,991
Loan capital	4,265,384	3,861,395
Investments - marketable securities	520,398	516,182
Accounts receivable	52,638	123,133
Loans receivable, net (Note 4)	32,483,521	29,786,473
Interest receivable	352,424	313,732
Prepaid expenses	59,487	35,235
Total current assets	40,028,106	37,662,253
Interest receivable	209,323	-
Loans receivable, net (Note 4)	65,931,839	64,203,682
Property and equipment		
Office furniture and equipment, net	83,517	84,147
Leasehold improvements, net	5,780	4,793
Total property and equipment, net	89,297	88,940
Other assets	10,500	12,662
Total assets	$ 106,269,065	$ 101,967,537

NeighborWorks® Capital Corporation

Statements of Financial Position
December 31, 2020 and 2019

Liabilities and Net Assets

	2020	2019
Current liabilities		
Accounts payable and accrued liabilities	$ 379,168	$ 374,104
Accrued interest	129,222	172,084
Notes payable, current portion (Note 6)	13,500,000	3,500,000
Total current liabilities	14,008,390	4,046,188
Notes payable, net of current portion and unamortized debt issuance costs (Note 6)	42,379,734	50,219,749
Equity equivalent investments (Note 6)	4,000,000	2,000,000
Total liabilities	60,388,124	56,265,937
Net assets		
Without donor restrictions		
Operating	7,518,900	6,411,754
Board designated - lending capital	17,201,358	14,601,358
Loan loss reserve	(5,955,000)	(3,363,970)
Total net assets without donor restrictions	18,765,258	17,649,142
With donor restrictions		
Restricted until first use (Note 7)	6,099,228	3,608,198
Restricted until donor release (Note 7)	21,016,455	24,444,260
Total net assets with donor restrictions	27,115,683	28,052,458
Total net assets	45,880,941	45,701,600
Total liabilities and net assets	$ 106,269,065	$ 101,967,537

See Notes to Financial Statements.

NeighborWorks® Capital Corporation

Statement of Activities
Year Ended December 31, 2020

	Without donor restrictions				With donor restrictions		
	Operations	Lending capital	Loan loss reserve	Total without donor restrictions	Restricted until first use	Restricted until donor release	Total
Revenue							
NeighborWorks® America	$ -	$ -	$ -	$ -	$ 2,500,000	$ -	$ 2,500,000
Contribution revenue	-	-	-	-	-	-	-
Loan fee income, net of participation	251,336	-	-	251,336	-	-	251,336
Interest income - loans	5,528,495	-	-	5,528,495	-	-	5,528,495
Interest income - investments	45,739	-	-	45,739	-	-	45,739
Loan service fee	3,622	-	-	3,622	-	-	3,622
Net assets released from restrictions							
Satisfaction of program restrictions	-	2,600,000	836,775	3,436,775	(8,970)	(3,427,805)	-
Total revenue	5,829,192	2,600,000	836,775	9,265,967	2,491,030	(3,427,805)	8,329,192
Expenses							
Program services							
Interest	1,642,234	-	-	1,642,234	-	-	1,642,234
Provision for loan loss	-	-	3,427,805	3,427,805	-	-	3,427,805
Program expenses	2,443,940	-	-	2,443,940	-	-	2,443,940
Total program services	4,086,174	-	3,427,805	7,513,979	-	-	7,513,979
Support services							
Management and general	451,966	-	-	451,966	-	-	451,966
Fundraising	183,906	-	-	183,906	-	-	183,906
Total support services	635,872	-	-	635,872	-	-	635,872
Total expenses	4,722,046	-	3,427,805	8,149,851	-	-	8,149,851
Transfers	-	-	-	-	-	-	-
Increase (decrease) in net assets	1,107,146	2,600,000	(2,591,030)	1,116,116	2,491,030	(3,427,805)	179,341
Net assets, beginning of year	6,411,754	14,601,358	(3,363,970)	17,649,142	3,608,198	24,444,260	45,701,600
Net assets, end of year	$ 7,518,900	$ 17,201,358	$ (5,955,000)	$ 18,765,258	$ 6,099,228	$ 21,016,455	$ 45,880,941

NeighborWorks® Capital Corporation

Statement of Activities
Year Ended December 31, 2019

	Without donor restrictions				With donor restrictions		
	Operations	Lending capital	Loan loss reserve	Total without donor restrictions	Restricted until first use	Restricted until donor release	Total
Revenue							
NeighborWorks® America	$ -	$ -	$ -	$ -	$ 2,400,000	$ -	$ 2,400,000
Contribution revenue	-	-	-	-	75,000	-	75,000
Loan fee income, net of participation	676,456	-	-	676,456	-	-	676,456
Interest income - loans	4,508,465	-	-	4,508,465	-	-	4,508,465
Interest income - investments	61,050	-	-	61,050	-	-	61,050
Loan service fee	3,627	-	-	3,627	-	-	3,627
Net assets released from restrictions							
Satisfaction of program restrictions	30,000	2,400,000	-	2,430,000	(1,773,135)	(656,865)	-
Total revenue	5,279,598	2,400,000	-	7,679,598	701,865	(656,865)	7,724,598
Expenses							
Program services							
Interest	1,616,341	-	-	1,616,341	-	-	1,616,341
Provision for loan loss	-	-	656,865	656,865	-	-	656,865
Program expenses	2,017,411	-	-	2,017,411	-	-	2,017,411
Total program services	3,633,752	-	656,865	4,290,617	-	-	4,290,617
Support services							
Management and general	419,380	-	-	419,380	-	-	419,380
Fundraising	177,819	-	-	177,819	-	-	177,819
Total support services	597,199	-	-	597,199	-	-	597,199
Total expenses	4,230,951	-	656,865	4,887,816	-	-	4,887,816
Transfers	(500,000)	500,000	-	-	-	-	-
Increase (decrease) in net assets	548,647	2,900,000	(656,865)	2,791,782	701,865	(656,865)	2,836,782
Net assets, beginning of year	5,863,107	11,701,358	(2,707,105)	14,857,360	2,906,333	25,101,125	42,864,818
Net assets, end of year	$ 6,411,754	$ 14,601,358	$ (3,363,970)	$ 17,649,142	$ 3,608,198	$ 24,444,260	$ 45,701,600

See Notes to Financial Statements.

NeighborWorks® Capital Corporation

Statements of Functional Expenses
Years Ended December 31, 2020 and 2019

	2020				2019			
Expenditures	Program services	Management and general	Fundraising	Total	Program services	Management and general	Fundraising	Total
Salaries and benefits	$ 1,649,577	$ 331,140	$ 133,350	$ 2,114,067	$ 1,278,278	$ 235,835	$ 110,724	$ 1,624,837
Interest	1,642,234	-	-	1,642,234	1,616,341	-	-	1,616,341
Service fee expense	96,444	-	-	96,444	12,346	-	-	12,346
Professional fees	298,585	72,558	29,488	400,631	254,774	138,241	37,886	430,901
Occupancy	102,918	19,297	6,432	128,647	86,331	16,187	5,396	107,914
Office expenses	18,761	1,876	208	20,845	13,103	1,310	146	14,559
Grant expense	-	-	-	-	30,000	-	-	30,000
Travel	19,408	1,142	2,283	22,833	88,894	5,229	10,458	104,581
Telephone	27,855	3,277	1,639	32,771	21,203	2,494	1,247	24,944
Special events and board retreats	5,043	890	-	5,933	6,244	1,102	-	7,346
Depreciation and amortization, property and equipment	19,575	5,221	1,305	26,101	10,700	2,854	713	14,267
Marketing	59,828	-	6,648	66,476	77,328	-	8,592	85,920
Insurance	17,438	2,052	1,026	20,516	15,954	1,877	938	18,769
Miscellaneous	23,585	4,162	-	27,747	21,060	3,716	-	24,776
Repairs and maintenance	84,336	8,434	937	93,707	77,836	7,784	865	86,485
Dues	10,164	1,129	-	11,293	8,906	990	-	9,896
Staff development	3,356	395	197	3,948	7,865	925	463	9,253
Printing	7,067	393	393	7,853	4,360	242	242	4,844
Provision for loan loss	3,427,805	-	-	3,427,805	656,865	-	-	656,865
Loss on disposal of property and equipment	-	-	-	-	2,229	594	149	2,972
	$ 7,513,979	$ 451,966	$ 183,906	$ 8,149,851	$ 4,290,617	$ 419,380	$ 177,819	$ 4,887,816

See Notes to Financial Statements.

NeighborWorks® Capital Corporation

Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Changes in net assets	$ 179,341	$ 2,836,782
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization, property and equipment	26,101	14,267
Loss on disposal of property and equipment	-	2,972
Amortization, debt issuance costs	30,284	32,600
Provision for loan loss	3,427,805	656,865
Unrealized gain on investments	(4,216)	(11,202)
Changes in operating assets and liabilities		
Accounts receivable	70,495	(101,830)
Interest receivable	(248,015)	18,423
Prepaid expenses	(24,252)	2,010
Other assets	2,162	200
Accounts payable and accrued liabilities	5,064	115,522
Accrued interest	(42,862)	(16,410)
Net cash provided by operating activities	3,421,907	3,550,199
Cash flows from investing activities		
Advances on loans receivable	(35,313,307)	(42,937,158)
Repayments of loans receivable	27,460,297	24,169,579
Purchases of property and equipment	(26,458)	(85,111)
Proceeds from sales of investments in marketable securities	275,000	-
Purchases of investments in marketable securities	(275,000)	-
Net cash used in investing activities	(7,879,468)	(18,852,690)
Cash flows from financing activities		
Proceeds from notes payable	29,000,000	29,500,000
Repayments on notes payable	(24,850,000)	(16,500,000)
Debt issuance costs paid	(20,299)	(12,809)
Net cash provided by financing activities	4,129,701	12,987,191
Net decrease in cash and cash equivalents	(327,860)	(2,315,300)
Cash, restricted cash and cash equivalents, beginning	6,887,498	9,202,798
Cash, restricted cash and cash equivalents, end	$ 6,559,638	$ 6,887,498
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	$ 1,699,286	$ 1,616,768
Significant noncash investing and financing activities		
Loans receivable written off against the allowance for loan loss	$ 836,775	$ -
Disposal of property and equipment	$ 7,657	$ 41,099

See Notes to Financial Statements.

Note 1 - Organization

The NeighborWorks® Capital Corporation (the "Organization") is incorporated in the state of Colorado and is a national nonprofit community development loan fund serving NeighborWorks® America's affiliates in all 50 states, the territory of Puerto Rico and the District of Columbia. The Organization is certified by the U.S. Department of the Treasury (the "Treasury") as a Community Development Financial Institution ("CDFI").

The mission of the Organization is to deliver the flexible capital needed by NeighborWorks® America affiliates to provide affordable homes and strengthen communities. The Organization fulfills its mission by providing the NeighborWorks® America affiliates with flexible capital which is available for the acquisition, preservation, construction, of affordable single-family and multi-family properties and commercial projects. The Organization is supported primarily by interest income on loans receivable and federal awards received that are passed through NeighborWorks America® from the Treasury.

The Organization operates under a Master Investment Agreement ("MIA") with NeighborWorks® America which allows for the provision of capital funds to support the mission of the Organization on an annual basis. On December 18, 2020, the Organization entered into a five-year Master Investment Agreement with NeighborWorks® America, which called for NeighborWorks® America to consider providing $1,000,000 to $5,000,000 annually in capital funds for the duration of the agreement to support the mission of the Organization. This is the fourth Master Investment Agreement extension and renewal. The initial MIA was executed December 28, 2007.

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 MIA. The Organization is required to report information regarding its financial position and activities in two classes of net assets as follows:

- **Net assets without donor restrictions** - generally, net assets of the Organization that bear no donor restriction. These include the Organization's general operating net assets, lending capital, and loan loss reserves. Additionally, in accordance with the MIA, capital funds received from NeighborWorks® America with no identified restriction are recorded as increases in net assets without donor restrictions for use in operations.

- **Net assets with donor restrictions** - generally, net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Additionally, in accordance with the MIA, net assets with donor restrictions are further classified as follows:

    - **Restricted until first use** ("First Use") - NeighborWorks® America - capital funds that are allowed to be transferred from net assets restricted until donor release 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 net assets restricted until donor release, while recoveries in the provision of the allowance of loan loss are recorded as additions to net assets restricted until first use. A correlating amount of bad debt expense is recognized as part of the change in net assets without donor restrictions as the estimates of applicable increases and recoveries in the provision of the allowance for loan loss are measured. Net assets restricted until first use can also result from timing differences between receipt of loan funds and the deployment of loan funds in accordance with donor stipulations. The Organization 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, net assets restricted until first use are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

- **Restricted until donor release** ("Donor Release") - NeighborWorks® America - capital funds that are 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. These funds are not to be used for noncapitalizable purposes such as paying operating and day-to-day expenses of the Organization.

During the years ended December 31, 2020 and 2019, $0 in capital funds with no identified restriction was received by the Organization. First Use capital funds of $2,500,000 and $2,400,000 were received by the Organization and recorded as a component of net assets with donor restrictions, respectively. During the years ended December 31, 2020 and 2019, these funds were deployed for prescribed eligible purposes and were reclassified to net assets without donor restrictions - lending capital. During the years ended December 31, 2020 and 2019, $836,775 and $0 were upon request and consent released from Donor Release, respectively.

The MIA contains certain financial and production covenants, which the Organization was in compliance with as of December 31, 2020 and 2019.

Contributions

The Organization recognizes contributions when cash, securities or other assets and an unconditional promise to give is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

Cash and cash equivalents

The Organization's cash management policy includes a minimum requirement of cash equal to three months of operating expenses (less debt expense and noncash charges) based on the current board approved budget and an additional $1,000,000 in liquid assets.

Cash and cash equivalents may include currency on hand, treasury bills, commercial paper or other investments with original maturities of three months or less or with provisions that provide liquidity enhancement. At December 31, 2020 and 2019, 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 federally insured or invested in government securities. Invested cash may exceed federally insured amounts at times.

Investments - marketable securities

The Organization's cash management policy requires the maintenance of an investment account with a maximum of $1,000,000. These funds may be invested in permitted investments including US Treasury Obligations, US Government Agency debt, Certificates of Deposit, mutual funds invested in US Treasury or US Government Obligations, Certificates of Deposit Registry Services, or Repurchase Agreements collateralized with US Government or Government Agency securities. As of December 31, 2020 and 2019, investments - marketable securities, consists of amounts held in certificates of deposit with carrying values of $520,398 and $516,182, respectively, which approximates fair value. During the years ended December 31, 2020 and 2019, unrealized gains on investments were $4,216 and $11,202, respectively, and are included as a component of investments and interest income on the accompanying statements of activities.

Fair value measurements

The Organization follows the accounting and disclosure standards pertaining to fair value measurements for qualifying assets and liabilities. Fair value is defined as the price that the Organization would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants. The values of debt and equity securities and mutual funds are based on their quoted market prices. Gains and losses that result from market fluctuations are recognized in the statement of activities in the period such fluctuations occur.

The Organization uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Organization. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

The fair value of the Organization's investments in its certificates of deposit as of December 31, 2020 and 2019 are based on inputs that are observable directly and are deemed to be Level 2 financial instruments.

Loans receivable
Loans receivable are carried at unpaid principal balances, less an allowance for loan losses and net deferred loan fees, if applicable. Interest on loans is generally recognized over the term of the loan and is calculated using the simple interest method on the principal amounts outstanding.

Interest receivable
Interest receivables arise from timing differences between date of recognition and date of receipt of payment and or because contractually the interest has been deferred. If the deferral of the interest payment is longer than 12 months, the interest receivable will be classified as noncurrent. The accrual of interest is discontinued on loans that become past due 90 days or more and for which collateral is inadequate to cover principal and interest, or immediately if management believes, after considering economic and business conditions and collection efforts, that a borrower's financial condition is such that partial or full collection is doubtful. When a loan is placed on nonaccrual status, all previously accrued but uncollected interest is reversed against current period interest income. Future collections are applied first to principal and then to interest until such loans are brought current, at which time loans may be returned to accrual status.

The current portion of interest receivable of $352,424 includes $26,164 in deferred interest related to COVID-19 modifications all of which management believes will be collected. The remaining $326,260 is related to interest receivable incurred throughout the ordinary course of business. The long-term interest receivable of $209,323 contains $98,505 in deferred interest related to COVID-19 modifications and $110,818 related to non-COVID-19 modifications.

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. Management's review process considers the borrower's financial condition, property performance, real estate development staff capacity and experience, project viability, collateral, take-out financing, local real estate market, and project operating feasibility. For the year ended December 31, 2020, the allowance was also increased because of the uncertainty associated with the COVID-19 pandemic. The duration and full impact of the pandemic cannot be accurately predicted by management. At December 31, 2020 and 2019, the allowance for loan loss was $6,000,000 and $3,408,970, respectively, of which $1,958,541 and $1,080,338 relates to the current portion of loans receivable, respectively. The Organization's practice is to write-off any loan or portion of a loan when the loan is determined by management to be uncollectible due to the borrower's failure to meet repayment terms, the borrower's deteriorating or deteriorated financial conditions, or for other reasons. During the years ended December 31, 2020 and 2019, $836,775 and $0 in loans were written off, respectively. During the years ended December 31, 2020 and 2019, the Organization recognized no recovery on loans receivable previously written off. Since its inception in 2000, the Organization has cumulatively had $2,562,525 of loans receivable written off and $390,248 of recoveries of loans receivable previously written off.

Sales of loans receivable
The Organization accounts for transfer and servicing of financial assets based on the financial and servicing assets it controls and liabilities it has incurred. The Organization derecognizes financial assets when control has been surrendered and derecognizes liabilities when extinguished. This method conforms closely with current industry practice.

Deferred revenue
The Organization earns fees and incurs costs associated with originating loans receivable during the normal course of business. In accordance with generally accepted accounting principles ("GAAP"), the portion of these costs that are attributable to originating loans receivable are to be netted against related fees earned and net origination fees are to be deferred and recognized as an adjustment to interest income over the life of the loan. The Organization instead recognizes loan origination fees as revenue when the loan closes and recognizes loan origination costs as expenses as they are incurred. The effect of recognizing loan origination fees and loan origination costs in this manner is immaterial, and management analyzes the projected difference each quarter to make sure the financial statements are not materially misstated.

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 three to seven 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. As of December 31, 2020 and 2019, accumulated depreciation and amortization were $121,344 and $102,900, respectively, net of disposals during 2020 and 2019 of $7,657 and $41,099, respectively. Losses on disposals of property and equipment were $0 and $2,972, respectively. Depreciation and amortization expense for the years ended December 31, 2020 and 2019 were $26,101 and $14,267, respectively.

Debt issuance costs
Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the note payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed over the term of the loan using the straight-line method. In accordance with GAAP, debt issuance costs are to 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, 2020 and 2019 was $30,284 and $32,600, respectively. Estimated amortization expense for each of the ensuing years through December 31, 2025 is $32,237, $16,468, $9,469, $2,501 and $2,342, respectively.

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. 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.

Tax returns filed by the Organization are subject to examination by the IRS for a period of three years. While no tax returns of the Organization are currently being examined by the IRS, tax returns filed since 2017 remain open for examination.

Functional expense allocation
The cost of providing various programs and other activities has been summarized on a functional basis in the accompanying statements of functional expenses. Accordingly, expenses are recorded to program services, management and general or fundraising based on management's classification of costs related to different functions. Costs not directly attributable to a function,

including depreciation, amortization, marketing, and other occupancy costs, are allocated based on estimates of time and costs of the specific expenses utilized.

Use of estimates

The preparation of financial statements in conformity with 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.

Risks and uncertainties - COVID-19

In early 2020, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. On March 11, 2020, the World Health Organization declared a global pandemic which has continued to create uncertainty and extraordinary change for the Organization, its clients, its communities and the country as a whole. In response to the pandemic, the Organization rapidly deployed its business continuity plan and continues to take steps to protect the health and safety of its employees and its clients. Given the fluidity of the situation, management cannot estimate the duration and full impact of the COVID-19 pandemic on the economy, financial markets, or the Organization's financial condition and results of operations.

Although the Organization is not a regulated entity, the Organization's response to the pandemic included steps widely recommended by bank regulatory agencies including: adding scenarios and stress testing to the analytics performed regularly, increasing allowance for loan loss, working with clients to accommodate loan deferrals and modifications due to impacts of COVID-19, and encouraging continued liquidity to clients. The Organization increased oversight and analysis of all credits during this time. With the change in economic conditions and uncertain duration of COVID-19, the Organization's portfolio is expected to be negatively impacted and management anticipates delinquencies and charge-offs could arise in future periods. The Organization has not yet experienced charge-offs related to COVID-19, but the continued uncertainty regarding the severity and duration of the pandemic and related economic effects has and will continue to affect the Organization's estimate of its allowance for loan losses and resulting provision for loan losses. The Organization will continue to monitor credits closely while working with clients to provide relief when appropriate.

Reclassifications

Reclassifications have been reflected in the current year presentation for prior year balances. Such reclassifications are for comparative purposes only and do not restate the prior year financial statements.

Subsequent events

Events that occur after the balance sheet date but before the 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 statement of financial position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Organization through April 27, 2021, (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

Note 3 - Availability and liquidity

The following represents the Organization's financial assets available for general expenditures at December 31:

	2020	2019
Financial assets at year end		
Cash and cash equivalents	$ 6,559,638	$ 6,887,498
Investments	520,398	516,182
Accounts receivable	52,638	123,133
Interest receivable	352,424	313,732
Total financial assets	7,485,098	7,840,545
Less: Financial assets not available for general expenditures		
Cash - operating restricted	(24,228)	(357,991)
Cash - loan capital	(4,265,384)	(3,861,395)
Total assets available over the next 12 months to meet general expenditures	$ 3,195,486	$ 3,621,159

The current loans receivable are principally funded using notes payable. As loans are repaid and converted to cash, the proceeds will be applied to the applicable outstanding notes payable not used to meet general expenditures and, as a result, are not reflected in the table above. The Organization's policy is to maintain financial assets to meet 90 days of operating expenses (less debt expense and noncash expense) based on the current board approved budget and an additional $1,000,000 in liquid assets. The Organization can invest up to 30% of cash but not to exceed $900,000, which may be invested in permitted investments. Permitted investments include US Treasury Obligations, US Government Agency debt, Certificates of Deposit, mutual funds invested in US Treasury or US Government Obligations, Certificates of Deposit Registry Services, or Repurchase Agreements collateralized with US Government or Government Agency securities. All investments have maturities of two years or less with the preponderance in maturities of one year or less.

Note 4 - Loans receivable

Loans receivable

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

- Predevelopment Loans - for funding needed to conduct due diligence and obtain 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 $500,000 with a maximum loan term of 36 months on a recourse basis and repayable upon closing of interim, construction or permanent financing.

- Acquisition-Land Loans - for funding needed for purchase of land to be developed for multi-family, single-family and mixed-use projects. Loans generally provided for up to $10,000,000 with a maximum loan term of 36 months on a recourse basis secured by a mortgage or other collateral and are repayable upon closing of construction or permanent closing.

- Building Acquisition Loans - for funding needed for purchase of operating multi-family or commercial building(s). Loans generally provided for up to $10,000,000 with a maximum loan term of 36 months to 60 months for operating property on a recourse basis secured by a mortgage or other collateral and are repayable upon closing of construction or permanent closing.

- Bridge Loans - funding for project until other identified funding source or financing available. Loans generally provided for up to $1,500,000 with a maximum loan term of 36 months on a recourse basis secured by a mortgage or other collateral and are repayable upon closing of construction or permanent closing.

- Construction Loans - for funding of construction of property. Loans generally provided for up to $10,000,000 with a maximum loan term of 36 months for single phase or 60 months for multi-phase on a recourse basis secured by a mortgage or other collateral and are repayable upon closing of permanent financing or sale of development property(ies).

- Enterprise Loans (formerly Organizational) - for funding to address the enterprise level capital needs of NeighborWorks® America affiliates. Loans generally provided for up to $1,500,000 with a maximum loan term of 60 months and can be used to provide low-cost capital and grants to implement business assessment, strategic planning and capacity building work.

- Mezzanine/Equity Loans - for funding of acquisition or preservation of multi-family property with repayment from new long-term financing after changes to the property performance. Loans generally provided for up to $1,000,000 with a maximum loan term of 120 months on a recourse basis secured against ownership interest.

- Mini-Permanent Loans - for funding of acquisition and renovation of multi-family or commercial property or purchase of renewable energy systems with maximum loan amounts of $7,000,000 and a maximum loan term of 84 months on a recourse basis secured by a mortgage or other collateral.

- Permanent Loans - for funding of acquisition and renovation of small multi-family property with maximum loan amounts of $3,000,000 and a maximum loan term of 10 to 18 years on a recourse basis secured by a mortgage or other collateral.

The following is a summary of loans receivable at December 31:

	2020		2019	
Type	Number of loans	Net loan amount	Number of loans	Net loan amount
Predevelopment	16	$ 14,585,086	10	$ 4,375,923
Acquisition - Land	13	25,681,051	14	20,685,562
Bridge	4	1,967,969	5	3,142,969
Building acquisition	14	13,988,636	20	25,315,950
Construction	7	13,274,876	8	7,500,358
Enterprise	15	13,254,779	11	13,337,500
Mezzanine/equity	1	1,439,387	1	1,481,504
Mini-Permanent	11	10,844,231	14	14,377,382
Permanent	9	9,379,345	6	7,181,977
Total	90	104,415,360	89	97,399,125
Less: Allowance for loan losses		(6,000,000)		(3,408,970)
Total		98,415,360		93,990,155
Current portion		32,483,521		29,786,473
Long-term portion		$ 65,931,839		$ 64,203,682

Principal maturities of the remaining loans receivable as of December 31, 2020 are as follows:

2021	$ 33,647,448
2022	18,421,173
2023	26,090,077
2024	4,056,983
2025	8,186,285
2026	3,194,663
2027	2,027,991
2028	4,311,862
2029	401,317
2030	1,455,325
2031	1,329,764
2035	357,048
2035	494,000
2038	441,424
	$ 104,415,360

Past-due loans

Loans are considered past due if the required principal and interest payments have not been received 30 days after the payments were due. The Organization generally places a loan on nonaccrual status when interest or principal is past due 90 days or more. Interest on loans past due 90 days or more ceases to accrue except for loans that are in the process of collection. When a loan is placed on nonaccrual status, previously accrued and unpaid interest is reversed out of interest income. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

An aging of past due loans, by loan type for the years December 31, 2020 and 2019:

December 31, 2020	Current	31-60 days past due	61-90 days past due	90+ days past due	Total	Nonaccruing loans
Predevelopment	$ 14,585,086	$ -	$ -	$ -	$ 14,585,086	$ -
Acquisition - land	25,681,051	-	-	-	25,681,051	-
Bridge	1,967,969	-	-	-	1,967,969	-
Building acquisition	13,988,636	-	-	-	13,988,636	
Construction	8,266,087	-	-	5,008,789	13,274,876	5,008,789
Enterprise	13,254,779	-	-	-	13,254,779	-
Mezzanine/equity	1,439,387	-	-	-	1,439,387	-
Mini-Permanent	9,157,992	-	1,686,239	-	10,844,231	-
Permanent	9,379,345	-	-	-	9,379,345	-
	$ 97,720,332	$ -	$ 1,686,239	$ 5,008,789	$ 104,415,360	$ 5,008,789
Nonaccruing loans	$ -	$ -	$ -	$ 5,008,789	$ 5,008,789	

December 31, 2019	Current	31-60 days past due	61-90 days past due	90+ days past due	Total	Nonaccruing loans
Predevelopment	$ 4,375,923	$ -	$ -	$ -	$ 4,375,923	$ -
Acquisition - land	20,685,562	-	-	-	20,685,562	-
Bridge	3,142,969	-	-	-	3,142,969	-
Building acquisition	25,315,950	-	-	-	25,315,950	-
Construction	7,500,358	-	-	-	7,500,358	-
Enterprise	13,337,500	-	-	-	13,337,500	-
Mezzanine/equity	1,481,504	-	-	-	1,481,504	-
Mini-Permanent	12,565,607	-	-	1,811,775	14,377,382	1,811,775
Permanent	7,181,977	-	-	-	7,181,977	-
	$ 95,587,350	$ -	$ -	$ 1,811,775	$ 97,399,125	$ 1,811,775
Nonaccruing loans	$ -	$ -	$ -	$ 1,811,775	$ 1,811,775	

There is one nonaccruing loan as of December 31, 2020. The Organization entered into a workout plan documented in a limited forbearance and modification agreement on December 16, 2020 with the borrower. The plan provides for additional funding to complete the construction of a Low-Income Housing Tax Credit financed multi-family project and, in management's opinion, represents the highest recovery of the principal balance of the loan. The additional funding will increase the loan balance by $3,640,103 as part of the workout plan. At December 31, 2019 there was a mini-permanent loan participation that was on nonaccrual. During 2020, the loan was repurchased by the lead lender for $975,000 and the balance of $836,775 was charged off.

Risk management

The Organization revised its lending policies and procedures during 2016 to underwrite and monitor loans for its portfolio. For each loan, the Organization conducts a risk rating analysis based on the loan type (predevelopment, acquisition - land, bridge, building acquisition, construction, enterprise, mezzanine/equity, mini-permanent, permanent) by reviewing the following criteria: financial condition, property performance, real estate development staff capacity and experience, project viability, collateral, take-out financing, local real estate market, and project operating feasibility. Each criterion is rated and an overall rating is determined based on the primary source of repayment. The six rating categories are P-1, P-2, P-3, 4 (questionable), 5 (substandard), and 6 (doubtful). When the risk rating on a loan has been listed as questionable or substandard, the loan is deemed to not be performing as expected and a loss on a loan is considered possible but has not yet been determined. When the risk rating on a loan has been listed as doubtful, it is considered to be a partially or fully uncollectible loan. The Organization conducts a comprehensive review of all outstanding loans at least annually.

As part of the Organization's risk rating analysis, a corresponding reserve has been allocated to each loan in the loan portfolio. The total of these reserves as indicated by the Organization's risk rating analysis for the years ended December 31, 2020 and 2019 was $3,801,174 (3.6% of the loan portfolio) and $3,332,202 (3.4% of the loan portfolio), respectively. Additionally, in accordance with various investors' covenants, the Organization is required to maintain an overall minimum allowance for loan losses of at least 3.5% of the loan portfolio and records an adjustment to the allowance for loan losses as necessary to satisfy this covenant ("covenant adjustment"). The covenant adjustment is assessed based on the overall risk-rated analysis of the loan portfolio and, should the overall allocated allowance for loan losses be below 3.5%, a covenant adjustment is recorded based on the total allowance for loan losses by product type until the allowance for losses by product type is 3.5%. Due to continued uncertainty regarding the impacts of COVID-19 and the increase to nonaccruing loans, the Board of Directors approved an increase to the loan loss reserve to $6,000,000 exceeding established investor covenants for the year ended December 31, 2020.

The table below details the Organization's loans by loan type according to their risk rating categories for the years December 31, 2020 and 2019:

December 31, 2020	P-1	P-2	P-3	Questionable	Substandard	Doubtful	Total
Predevelopment	$ -	$ 10,484,749	$ 4,100,337	$ -	$ -	$ -	$ 14,585,086
Acquisition - land	-	16,385,251	7,938,531	1,357,269	-	-	25,681,051
Bridge	-	890,000	1,077,969	-	-	-	1,967,969
Building acquisition	-	3,249,311	10,739,325	-	-	-	13,988,636
Construction	-	6,023,408	-	2,242,679	5,008,789	-	13,274,876
Enterprise	-	-	13,254,779	-	-	-	13,254,779
Mezzanine/equity	-	-	1,439,387	-	-	-	1,439,387
Mini-Permanent	70,584	5,183,823	3,903,585	1,686,239	-	-	10,844,231
Permanent	-	6,746,184	2,633,161	-	-	-	9,379,345
	$ 70,584	$ 48,962,726	$ 45,087,074	$ 5,286,187	$ 5,008,789	$ -	$ 104,415,360

	P-1	P-2	P-3	Questionable	Substandard	Doubtful	Total
Current	$ 70,584	$ 48,962,726	$ 45,087,074	$ 3,599,948	$ -	$ -	$ 97,720,332
Past due 31- 60 days	-	-	-	-	-	-	-
Past due 61 - 90 days	-	-	-	-	-	-	-
Past due 90+ days	-	-	-	1,686,239	5,008,789	-	6,695,028
	$ 70,584	$ 48,962,726	$ 45,087,074	$ 5,286,187	$ 5,008,789	$ -	$ 104,415,360

December 31, 2019	P-1	P-2	P-3	Questionable	Substandard	Doubtful	Total
Predevelopment	$ -	$ 1,640,816	$ 2,735,107	$ -	$ -	$ -	$ 4,375,923
Acquisition - land	-	13,698,045	5,230,248	1,757,269	-	-	20,685,562
Bridge	-	1,890,000	1,252,969	-	-	-	3,142,969
Building acquisition	995,190	11,154,085	13,166,675	-	-	-	25,315,950
Construction	-	247,914	7,252,444	-	-	-	7,500,358
Enterprise	-	4,600,000	8,737,500	-	-	-	13,337,500
Mezzanine/equity	-	-	1,481,504	-	-	-	1,481,504
Mini-Permanent	-	8,050,528	4,515,079	1,811,775	-	-	14,377,382
Permanent	-	2,919,104	4,262,873	-	-	-	7,181,977
	$ 995,190	$ 44,200,492	$ 48,634,399	$ 3,569,044	$ -	$ -	$ 97,399,125

	P-1	P-2	P-3	Questionable	Substandard	Doubtful	Total
Current	$ 995,190	$ 44,200,492	$ 48,634,399	$ 1,757,269	$ -	$ -	$ 95,587,350
Past due 31- 60 days	-	-	-	-	-	-	-
Past due 61 - 90 days	-	-	-	-	-	-	-
Past due 90+ days	-	-	-	1,811,775	-	-	1,811,775
	$ 995,190	$ 42,247,492	$ 50,587,399	$ 3,569,044	$ -	$ -	$ 97,399,125

The following table presents an analysis of the allowance for loan losses for the years ended December 31, 2020 and 2019:

December 31, 2020	Predevelopment	Acquisition - land	Bridge	Building acquisition	Construction	Enterprise	Mezzanine/ equity	Mini-Permanent	Permanent	Total
Beginning balance	$ 153,158	$ 723,995	$ 110,004	$ 886,058	$ 262,513	$ 466,813	$ 51,853	$ 503,208	$ 251,368	$ 3,408,970
Provision (recovery) for loan losses	684,942	751,710	3,081	(82,232)	500,298	294,844	30,859	956,707	287,596	3,427,805
Write-off	-	-	-	-	-	-	-	(836,775)	-	(836,775)
Recoveries	-	-	-	-	-	-	-	-	-	-
Ending balance	$ 838,100	$ 1,475,705	$ 113,085	$ 803,826	$ 762,811	$ 761,657	$ 82,712	$ 623,140	$ 538,964	$ 6,000,000

	Predevelopment	Acquisition - land	Bridge	Building acquisition	Construction	Enterprise	Mezzanine/ equity	Mini-Permanent	Permanent	Total
Allowance for loan losses										
Allocated	$ 420,137	$ 875,894	$ 50,139	$ 426,226	$ 983,920	$ 397,643	$ 43,182	$ 390,114	$ 213,918	$ 3,801,173
Covenant adjustment	417,963	599,811	62,946	377,600	(221,109)	364,014	39,530	233,026	325,046	2,198,827
Balance per financial statements	$ 838,100	$ 1,475,705	$ 113,085	$ 803,826	$ 762,811	$ 761,657	$ 82,712	$ 623,140	$ 538,964	$ 6,000,000
Loans										
Impaired loans	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Non-impaired loans	14,585,086	25,681,051	1,967,969	13,988,636	13,274,876	13,254,779	1,439,387	10,844,231	9,379,345	104,415,360
Balance per financial statements	$ 14,585,086	$ 25,681,051	$ 1,967,969	$ 13,988,636	$ 13,274,876	$ 13,254,779	$ 1,439,387	$ 10,844,231	$ 9,379,345	$ 104,415,360

December 31, 2019	Predevelopment	Acquisition - land	Bridge	Building acquisition	Construction	Enterprise	Mezzanine/ equity	Mini-Permanent	Permanent	Total
Beginning balance	$ 168,284	$ 1,645,491	$ 290,063	$ -	$ -	$ -	$ -	$ 407,880	$ 240,387	$ 2,752,105
(Recovery) provision for loan losses	(15,126)	(921,496)	(180,059)	886,058	262,513	466,813	51,853	95,328	10,981	656,865
Write-off	-	-	-	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-	-	-	-
Ending balance	$ 153,158	$ 723,995	$ 110,004	$ 886,058	$ 262,513	$ 466,813	$ 51,853	$ 503,208	$ 251,368	$ 3,408,970

	Predevelopment	Acquisition - land	Bridge	Building acquisition	Construction	Enterprise	Mezzanine/ equity	Mini-Permanent	Permanent	Total
Allowance for loan losses										
Allocated	$ 128,304	$ 808,809	$ 75,389	$ 695,639	$ 223,998	$ 354,125	$ 44,445	$ 649,291	$ 190,735	$ 3,170,735
Covenant adjustment	24,854	(84,814)	34,615	190,419	38,515	112,688	7,408	(146,083)	60,633	238,235
Balance per financial statements	$ 153,158	$ 723,995	$ 110,004	$ 886,058	$ 262,513	$ 466,813	$ 51,853	$ 503,208	$ 251,368	$ 3,408,970
Loans										
Impaired loans	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Non-impaired loans	4,375,923	20,685,562	3,142,969	25,315,950	7,500,358	13,337,500	1,481,504	14,377,382	7,181,977	97,399,125
Balance per financial statements	$ 4,375,923	$ 20,685,562	$ 3,142,969	$ 25,315,950	$ 7,500,358	$ 13,337,500	$ 1,481,504	$ 14,377,382	$ 7,181,977	$ 97,399,125

In response to the COVID-19 pandemic, the Organization has developed programs for clients who are experiencing business disruptions pursuant to which the Organization may provide loan payment deferrals or interest-only modifications, or new loans with capitalized interest. In accordance with the CARES Act, qualifying loans modified in response to the COVID-19 pandemic will not be considered troubled debt restructurings.

The following table presents a summary of closed loan modifications or new loans made in response to the COVID-19 pandemic, by loan segment and modification type (interest-only or payment deferral) and new COVID-19 loans made with capitalized interest:

	Principal deferred/interest-only		Full payment deferral		Capitalized interest COVID Response Loans		Total	
December 31, 2020	Amount	# of Loans	Amount	# of Loans	Amount	# of Loans	Amount	# of Loans
Predevelopment	$ -	-	$ -	-	$ -	-	$ -	-
Acquisition - Land	-	-	-	-	-	-	-	-
Bridge	-	-	-	-	-	-	-	-
Building acquisition	2,485,306	1	1,953,000	1	-	-	4,438,306	2
Construction	-	-	-	-	-	-	-	-
Enterprise	1,000,000	1	-	-	1,692,279	4	2,692,279	5
Mezzanine/equity	-	-	-	-	-	-	-	-
Mini-Permanent	-	-	1,686,239	1	-	-	1,686,239	1
Permanent	-	-	-	-	-	-	-	-
	$ 3,485,306	2	$ 3,639,239	2	$ 1,692,279	4	$ 8,816,824	8

The Organization did not have any loan modifications that were considered Troubled Debt Restructurings for the years ended December 31, 2020 and 2019. The Organization determined that the allowance for loan losses was adequate and the Organization did not have any impaired loans for the years ended December 31, 2020 and 2019.

Note 5 - Transfer of loans, other off-balance sheet assets and servicing

The Organization has entered into certain loan participation agreements with other organizations. The Organization has accounted for these loan participations as sales as of December 31, 2020 and 2019. There was no gain or loss recognized on the sale of these participation interests. The total balance of loan participations serviced was $4,474,970 and $1,779,454 as of December 31, 2020 and 2019, respectively.

The Organization has retained the servicing rights on participations recorded as sales. The total amount of the servicing fees charged approximates the cost of servicing and, accordingly, the Organization has not recorded a servicing asset or servicing liability as of December 31, 2020 and 2019, respectively.

During the years ended December 31, 2020 and 2019, loan participation interest expense totaling $85,810 and $89,880, respectively, was incurred and included as a component of interest income - loans on the accompanying statements of activities. As of the years ended December 31, 2020 and 2019, loan participation interest expense payable was $16,961 and $2,771, respectively, and is included as a component of accrued interest on the accompanying statements of financial position.

Note 6 - Notes payable and equity equivalent investments

All notes payable and equity equivalent investments ("EQ2") are unsecured. Debt financing provides the Organization with a source of capital that can be loaned to NeighborWorks® America affiliate borrowers through the various types of loan products available from the Organization. Additionally, certain of these notes payable and equity equivalent investments contain covenants that require the Organization to provide reporting on a periodic basis and to meet and maintain specific financial ratios. During 2020, the Organization sought and was granted waivers and modifications of certain covenants related to credit quality. At year end, there were no known covenant compliance issues. The Organization's notes payable and equity equivalent investments consisted of the following as of December 31, 2020 and 2019:

Lender	Total credit facility commitments at 12/31/2020	Maturity date	Schedule repayments: Principal Amount	Schedule repayments: Principal Due	Schedule repayments: Interest Annual rate	Schedule repayments: Interest Due	Principal balance at 12/31/2020	Principal balance at 12/31/2019
Notes payable								
Ally Bank	$ 10,000,000	2/14/2021	$ -	Maturity	TCM rate + 1.75% 3.5% floor	Quarterly	$ -	$ 4,250,000
Bank of America	10,000,000	12/31/2028	2,000,000 2,000,000 2,000,000 1,000,000 1,000,000 1,000,000 1,000,000	12/24/2021 12/24/2022 12/24/2023 12/31/2025 12/31/2026 12/31/2027 12/31/2028	3.50%	Quarterly	10,000,000	12,000,000
Truist (formerly "Branch Banking & Trust")	5,000,000	8/1/2023	5,000,000	Maturity	30 day LIBOR +1.75%, 2.5% floor	Monthly	-	-
Capital One Bank	1,000,000	10/1/2021	1,000,000	Maturity	2.00%	Quarterly	1,000,000	1,000,000
Morgan Stanley	7,500,000	6/30/2025	4,000,000	Maturity	1 day LIBOR + 2%	Monthly	4,000,000	1,500,000
PNC Bank	2,000,000	12/19/2021	2,000,000	Maturity	3.00%	Monthly	2,000,000	2,000,000
PNC Bank	2,000,000	12/19/2021	2,000,000	Maturity	3.80%	Monthly	2,000,000	2,000,000
TD Bank	7,500,000	8/31/2023	7,500,000	Maturity	1.65%+ 30 Day LIBOR	Monthly	7,500,000	6,500,000
CDFI Fund	488,045	6/23/2024	488,045	Maturity	2.00%	Semi-Annual	488,045	488,045
CDFI Fund	511,955	6/11/2028	511,955	Maturity	1.95%	Semi-Annual	511,955	511,955
CDFI Fund	950,000	6/6/2029	950,000	Maturity	2.50%	Semi-Annual	950,000	950,000
Deutsche Bank	7,000,000	12/21/2023	4,500,000	Maturity	30 Day LIBOR + 2.15%	Quarterly	4,500,000	-
Wells Fargo	10,000,000	12/19/2021	5,000,000	Maturity	2% + 30 Day LIBOR .25% floor	Monthly	5,000,000	-

Lender	Total credit facility commitments at 12/31/2020	Maturity date	Schedule repayments - Principal - Amount	Schedule repayments - Principal - Due	Schedule repayments - Interest - Annual rate	Schedule repayments - Interest - Due	Principal balance at 12/31/2020	Principal balance at 12/31/2019
The Kresge Foundation	3,500,000	5/29/2022	750,000 750,000 2,000,000	5/30/2021 11/30/2021 5/29/2022	1.50%	Quarterly	3,500,000	5,000,000
HSBC Bank	3,000,000	6/30/2025	3,000,000	Maturity	Cost of Funds +2.75% Max 3.00%	Quarterly	3,000,000	3,000,000
US Bank	10,000,000	12/18/2023	6,500,000	Maturity - Borrower may choose to term out outstanding balance at maturity for 2 years, facility would convert to monthly amortizing.	30-day LIBOR +2%	Monthly	6,500,000	9,000,000
Charles Schwab Bank	10,000,000	12/21/2023	5,000,000	Maturity	90-day LIBOR + 1.75% with a floor of 2.5%	Quarterly	5,000,000	5,600,000
Total notes payable	90,450,000						55,950,000	53,800,000
Equity equivalent investments (EQ2)								
BBVA EQ2	2,000,000	6/26/2030	2,000,000	Maturity	2.75%	Quarterly	2,000,000	-
Wells Fargo EQ2	1,000,000	9/19/2022	1,000,000	Maturity	2.00%	Quarterly	1,000,000	1,000,000
Wells Fargo EQ2	1,000,000	12/20/2029	1,000,000	Maturity	2.00%	Quarterly	1,000,000	1,000,000
Total equity equivalent investments	4,000,000						4,000,000	2,000,000
Total notes payable and equity equivalent investments	$ 94,450,000						$ 59,950,000	$ 42,800,000

Undrawn commitments on credit facilities at December 31, 2020 and 2019 were $34,500,000 and $41,650,000, respectively.

EQ2 investments are fully subordinated, unsecured obligations that carry a fixed interest rate and have a rolling maturity. As of December 31, 2020 and 2019, notes payable included $4,000,000 and $2,000,000 of EQ2 investments, respectively.

The following schedule lists the maturities of all notes payable and equity equivalent investments at December 31, 2020:

2021	$	13,500,000
2022		5,000,000
2023		25,500,000
2024		488,045
2025		8,000,000
Thereafter		7,461,955
	$	59,950,000

Unamortized debt issuance costs of $70,266 and $80,251 as of December 31, 2020 and 2019, respectively, are reported as a direct deduction from notes payable (see Note 2). Amortization expense for each of the years ended December 31, 2020 and 2019 was $30,284 and $32,600, respectively, and is included as a component of interest expense on the accompanying statements of activities.

Note 7 - Net assets restricted until first use and until donor release

Net assets restricted until first use as of December 31, 2020 and 2019 are as follows:

	2020			
	12/31/2019	Contributions received	Satisfaction of donor restrictions	12/31/2020
Operations				
NeighborWorks® America				
Expendable Grants - Home Depot Award	$ 24,228	$ -	$ -	$ 24,228
NeighborWorks® America				
Expendable Grants - Home Depot Award				
NeighborWorks® America - Match	-	-	-	-
Community Development Financial				
Institutions Program - Financial Assistance	100,000	-	(100,000)	-
Contributions from Banks and Foundations	75,000	-	-	75,000
Total operations	199,228	-	(100,000)	99,228
Lending activity				
NeighborWorks® America				
Revolving Loan and Capital Projects Fund				
(Subsequent to Amendment)	-	2,500,000	(2,500,000)	-
Loans written off, approved by				
NeighborWorks® America for Release of				
Restrictions	(1,725,750)	-	(836,775)	(2,562,525)
Loan loss reserve provision	5,134,720	-	3,427,805	8,562,525
Total lending activity	3,408,970	2,500,000	91,030	6,000,000
Total	$ 3,608,198	$ 2,500,000	$ (8,970)	$ 6,099,228

	2019			
	12/31/2019	Contributions received	Satisfaction of donor restrictions	12/31/2020
Operations				
NeighborWorks® America				
Expendable Grants - Home Depot Award	$ 54,228	$ -	$ (30,000)	$ 24,228
NeighborWorks® America				
Expendable Grants - Home Depot Award				
NeighborWorks® America - Match	-	-	-	-
Community Development Financial				
Institutions Program - Financial Assistance	100,000	-	-	100,000
Contributions from Banks and Foundations	-	75,000	-	75,000
Total operations	154,228	75,000	(30,000)	199,228
Lending activity				
NeighborWorks® America				
Revolving Loan and Capital Projects Fund				
(Subsequent to Amendment)	-	2,400,000	(2,400,000)	-
Loans written off, approved by				
NeighborWorks® America for Release of				
Restrictions	(1,725,750)	-	-	(1,725,750)
Loan loss reserve provision	4,477,855	-	656,865	5,134,720
Total lending activity	2,752,105	2,400,000	(1,743,135)	3,408,970
Total	$ 2,906,333	$ 2,475,000	$ (1,773,135)	$ 3,608,198

Net assets restricted until donor release as of December 31, 2020 and 2019 are as follows:

	2020			
	12/31/2019	Contributions received	Reclassification of allowance for loan loss	12/31/2020
NeighborWorks® America				
Revolving Loan and Capital				
Projects Fund	$ 29,578,980	$ -	$ -	$ 29,578,980
Loan loss reserve provision	(5,134,720)	-	(3,427,805)	(8,562,525)
Total	$ 24,444,260	$ -	$ (3,427,805)	$ 21,016,455

	2019			
	12/31/2018	Contributions received	Reclassification of allowance for loan loss	12/31/2019
NeighborWorks® America				
Revolving Loan and Capital				
Projects Fund	$ 29,578,980	$ -	$ -	$ 29,578,980
Loan loss reserve provision	(4,477,855)	-	(656,865)	(5,134,720)
Total	$ 25,101,125	$ -	$ (656,865)	$ 24,444,260

Note 8 - Loan commitments - NeighborWorks® America affiliates

As of December 31, 2020 and 2019, the Organization has committed to make loans to various NeighborWorks® America affiliates totaling $40,841,944 and $48,816,285, respectively.

Note 9 - Lease obligations

On July 3, 2008, the Organization entered into a noncancelable, five-year operating lease for office space in Silver Spring, Maryland commencing in October 2008. On December 20, 2013, an amendment to the lease was executed, extending the lease for five years until March 31, 2019 and changing premises. On November 28, 2018, a third amendment to the lease was executed further extending the lease for six months until August 31, 2019. On April 19, 2019, a fourth amendment to the lease was executed extending the lease for seven years until May 31, 2027. The lease amendment expands the space and contains escalation clauses and charges for other costs related to the space. The extended lease commenced on January 21, 2020 with a base monthly rent of $10,664. Monthly rent payments were fully abated from January 21, 2020 through May 31, 2020. Beginning on June 1, 2020, base monthly rent was be $10,664. The Organization leased office space in California and North Carolina that was cancelled in 2020 and 2019, respectively.

Future minimum rent payments due under the noncancelable lease as of December 31, 2020 are summarized as follows:

2021	$ 131,487
2022	135,103
2023	138,818
2024	142,636
2025	146,558
Thereafter	215,059
	$ 909,661

Rent expense for the years ended December 31, 2020 and 2019 was $128,647 and $107,914, respectively, and is reported as Occupancy expense on the accompanying statements of functional expenses.

Note 10 - Pension plan

During 2020 and 2019, the Organization maintained a defined contribution pension plan (the "plan") pursuant to section 401(k) of the Internal Revenue Code. Employer contributions to the plan during the years ended December 31, 2020 and 2019 totaled $99,140 and $76,221, respectively, and are included as a component of salaries and benefits on the accompanying statements of functional expenses.

Note 11 - Related party transactions

The Organization, 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, 2020 and 2019, the Organization had six and seven loans outstanding, respectively, totaling $5,036,717 and $8,881,504, respectively, to such entities or their affiliates.

Note 12 - Available lending capital

The Organization's available lending capital consists of unsecured loans from financial institutions, government agencies and foundations combined with net assets donor restricted until first use and net assets restricted until donor release (Note 7) associated with 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 based upon the existence of donor-imposed restrictions. The composition, by source, of total lending capital at December 31, 2020 and 2019 is as follows:

	2020	2019
Notes payable and EQ2s	$ 59,950,000	$ 55,800,000
Undrawn credit facility commitments	34,500,000	41,650,000
Board designated - lending capital	17,201,358	14,601,358
Restricted until donor release	21,016,455	24,444,260
Total available lending capital	$ 132,667,813	$ 136,495,618

As of December 31, 2020 and 2019, total lending capital deployed as loans receivable, net of the allowance for loan losses, was $98,415,360 and $93,990,155, respectively.

Supplementary Information

NeighborWorks® Capital Corporation

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2020

Federal Grantor/(Pass-through Grantor) Program Titles	Federal CFDA Number	Pass-through Entity Identifying Number	Provided Through to Subrecipients	Federal Expenditures
U.S. Department of Treasury				
Passed through NeighborWorks® America Neighborhood Reinvestment Corporation Act				
Capital Grant Funds	21.000	N/A	$ -	$ 37,228,230
			-	37,228,230
Community Development Financial Institutions Fund Program				
Financial Assistance	21.020		-	826,905
Loan Program	21.020		-	1,950,000
			-	2,776,905
Total expenditures of federal awards			$ -	$ 40,005,135

See Notes to Schedule of Expenditures of Federal Awards.

Note 1 - Basis of presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity for NeighborWorks® Capital Corporation and is presented on the accrual basis of accounting. The information in the schedule of expenditures of federal awards (the "Schedule") is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of NeighborWorks® Capital Corporation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of NeighborWorks® Capital Corporation.

Note 2 - Summary of significant accounting policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. NeighborWorks® Capital Corporation has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3 - U.S. Department of Treasury Community Development Financial Institutions Fund - Loan Program

NeighborWorks® Capital Corporation has received three loans directly from the U.S. Department of Treasury Community Development Financial Institutions ("CDFI") Fund Program. The loan balance outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at December 31, 2020 consists of:

CFDA Number	Program Name	Outstanding Balance at December 31, 2020
21.020	CDFI Fund - Loan Program	$ 1,950,000

Independent Auditor's Report on Internal Control over Financial Reporting and 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, 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, the financial statements of NeighborWorks® Capital Corporation, which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated April 27, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements we considered NeighborWorks® Capital Corporation's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of NeighborWorks® Capital Corporation's internal control.

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 combinations of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of NeighborWorks® Capital Corporation's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control, that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether NeighborWorks® Capital Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements. However, providing an opinion on compliance with these 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and results of that testing, and not to provide an opinion on the effectiveness of NeighborWorks® Capital Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NeighborWorks® Capital Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CohnReznick LLP

Bethesda, Maryland
April 27, 2021

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors
NeighborWorks® Capital Corporation

Report on Compliance for Each Major Federal Program

We have audited NeighborWorks® Capital Corporation's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of NeighborWorks® Capital Corporation's major federal programs for the year ended December 31, 2020. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of NeighborWorks® Capital Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (*"Uniform Guidance"*)*. Those standards and the Uniform Guidance 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 these 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 on compliance for each major federal program. However, our audit does not provide a legal determination of NeighborWorks® Capital Corporation's compliance.

Opinion on Each Major Federal Program

In our opinion, NeighborWorks® Capital Corporation complied in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control over Compliance

Management of NeighborWorks® Capital Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered NeighborWorks® Capital Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of NeighborWorks® Capital Corporation's internal control over compliance.

A deficiency in *internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a *material weakness* in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be *material weaknesses* or *significant deficiencies*. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CohnReznick LLP

Bethesda, Maryland
April 27, 2021

NeighborWorks® Capital Corporation

Schedule of Findings and Questioned Costs
December 31, 2020

A. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on whether the financial statements of the Organization were prepared in accordance with generally accepted accounting principles.

2. No material weaknesses related to the audit of the financial statements are reported in the Independent Auditor's 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*. No significant deficiencies were reported.

3. No instances of noncompliance material to the financial statements of the Organization which would be required to be reported in accordance with *Government Auditing Standards,* were disclosed during the audit.

4. No material weaknesses in internal control over major federal award programs were disclosed during the audit and reported in the Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance. No significant deficiencies were reported.

5. The auditor's report on compliance for the major federal award programs for the Organization expresses an unmodified opinion on all major programs.

6. There are no audit findings required to be reported in accordance with 2 CFR Section 200.516(s) in this Schedule.

7. Major program:

   Department of Treasury - Neighborhood Reinvestment Corporation Act, CFDA No. 21.000

8. The threshold for distinguishing Type A and B programs was $1,200,154.

9. The Organization was determined to be a low-risk auditee.

B. Findings - Financial Statement Audit

None

C. Findings and Questioned Costs - Major Federal Award Programs

None

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