2020
ANNUAL REPORT
Dear Friends,

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

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

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

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

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

Jeanne Pinado
President, Board of Directors

Jim Ferris
Chief Executive Officer
## 2020 Impact

### Breakdown

#### Homes

- **Total Homes:** 1,544
- **Loans:** 25
- **Invested:** $27M

#### Number of Loans

- **Organization Loans:** 4
- **Rental Loans:** 17
- **For Sale Loans:** 2
- **Commercial Loans:** 2

### Investments

#### New Borrowers

- **For Sale:** $6.4M
- **Rental:** $0.4M
- **Organization:** $0.5M

#### Repeat Borrowers

- **For Sale:** $15.7M
- **Rental:** $1.0M
- **Commercial:** $1.8M
- **Organization:** $1.2M
STORIES

ENTERPRISE: NEIGHBORWORKS BLACKSTONE RIVER VALLEY

When the COVID-19 pandemic shut down construction all over New England in March 2020, NeighborWorks Blackstone River Valley suffered a cascade of cash flow issues. A six-month stoppage to phase 3 of their Fernwood Self-Help development meant that phase 4 would be delayed. Their predevelopment investment in phase 4 would be frozen until construction started sometime in late 2021. This was exactly the kind of situation NeighborWorks Capital anticipated when we created the Stabilization Loan in April 2020 to provide low-cost, unsecured working capital loans to NWOs caught in the sudden shut-downs and demand-shifts of the pandemic. NeighborWorks Capital was proud to help NWBRV with a $425,000 unsecured loan to provide the cash flow they needed to sustain their operations and carry development costs through the delay. “The delays that COVID-19 caused in several of our projects put some real financial stress on our organization – carrying costs continue even when development stops. Most importantly, keeping our staff employed was paramount. The Stabilization Loan took the financial pressure off and got us back to positive cash flow when our budgeted developer fees were delayed into 2021. NC’s response to the acute challenges of COVID-19 makes them a valuable partner,” said Joe Garlick, Executive Director of NWBRV.

ACQUISITION: VERONA VILLAGE

Affordable apartments for seniors are hard to find in Ovid, New York. It’s a problem that plagues so many rural areas in America, and this community between the Finger Lakes is no exception. To make certain that 46 apartments stayed affordable, Ithaca Neighborhood Housing Services (INHS) looked to acquire and renovate Verona Village, the only affordable senior housing within 15 miles. The closing took a while, with slow approval of a renewed Section 8 HAP contract for all 46 apartments. NeighborWorks Capital provided INHS a $2.4 million acquisition loan and a $484,000 pre-development loan in late March 2020. “The mix of acquisition financing and a predevelopment loan to help with the cost of developing a refinancing/renovation strategy was key,” said Joe Bowes, INHS Director of Real Estate Development. “The design, engineering, and third-party reports necessary to apply to New York can cost between $250,000-$500,000 so having a predevelopment loan from NeighborWorks Capital to cover those costs was critical.”
<table>
<thead>
<tr>
<th>Category</th>
<th>Loans</th>
<th>Homes</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ACQUISITION</strong></td>
<td>7</td>
<td>675</td>
<td>$14,205,000</td>
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<tr>
<td><strong>CONSTRUCTION</strong></td>
<td>1</td>
<td>28</td>
<td>$500,000</td>
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<tr>
<td><strong>PERMANENT</strong></td>
<td>4</td>
<td>204</td>
<td>$3,637,217</td>
</tr>
<tr>
<td><strong>PREDEVELOPMENT</strong></td>
<td>4</td>
<td>41</td>
<td>$1,924,000</td>
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<tr>
<td><strong>LINE OF CREDIT</strong></td>
<td>4</td>
<td>521</td>
<td>$4,700,000</td>
</tr>
<tr>
<td><strong>ENTERPRISE CAPITAL</strong></td>
<td>5</td>
<td>75</td>
<td>$2,275,000</td>
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</table>
STORIES

CONSTRUCTION: DANVILLE HOMES

The housing market was one of the few bright spots in the pandemic economy. CDC of Tampa had continued working with potential home buyers, shifting from classroom-based to virtual homebuyer counseling and training. They also expanded their partnerships with public agencies, including Pinellas County, which donated land for five new homes for moderate-income buyers in Largo, Florida. All CDC of Tampa needed was a lender that would help them pivot from acquisitions and rehabs to new construction. NC’s construction line of credit was the tool they were looking for. We renewed our $1 million commitment enabling them to break ground in May, finish construction in October, and sell all the homes by December. “Having the line of credit helps us get real estate development done in our area. These funds make a big difference to us. We are thankful for NeighborWorks Capital for making it possible for us to provide affordable homes,” said CDC of Tampa CEO Ernest Coney.

PERMANENT: ALLEN STREET

During the COVID-19 pandemic, preventing dislocation for the lowest-income seniors played a vital role in keeping them safe and healthy. Mutual Housing Association of Greater Hartford, Inc. (MHAGH) worked throughout 2020 to secure approval from HUD for a renewed rental assistance contract. Their goal: to purchase and preserve 10 affordable apartments in New Britain, CT. This handful of homes was vitally important to the 10 seniors and their families who knew they would be safe there. In the more than 10 months it took for HUD to approve the request, NeighborWorks Capital never gave up on MHAGH. When the approval came through, we were ready to close our $494,000 permanent loan in December 2020. “Mutual Housing Association of Greater Hartford (MHAGH) is grateful to NeighborWorks Capital for the recent acquisition loan for our 233 Allen Street. This financing helped MHAGH build its portfolio in New Britain CT, and allowed us to payoff rather than assume the original HUD mortgage, reducing the interest by more than 260 basis points. The additional cash flow will let us make some necessary energy improvements and improve the quality of life for the seniors that live in the development.” Catherine T. MacKinnon, Executive Director of MHAGH.
At the end of 2020 NeighborWorks Capital's loan portfolio ...

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

PREDEVELOPMENT: ST. MARY

Ten thousand Americans turn 65 each day. St. Mary Development Corp. works to meet the growing demand for affordable senior homes throughout Ohio. Moving developments through the process to secure scarce and competitive funding requires readily available, sometimes significant, resources. Fees, designs, studies, attorneys, and other expenses add up long before ground can be broken on a project. To help St. Mary expand their real estate development capacity and advance their strategic plan, NeighborWorks Capital provided a $1.7 million pre-development line of credit that will fund pre-development expenses for St. Mary’s growing pipeline of LIHTC projects. “The line of credit is so valuable. It helps make this process seamless. We are fully responsible for predevelopment costs, so if we had to continuously invest in that and close out development deals, it would be a lot tighter. This is very helpful in allowing us to continue to move forward,” said St. Mary Executive Vice President Wesley Young.

ACQUISITION: BUELLTON

Santa Barbara County is one of the most expensive areas in the US. Despite the wealth of the county, more than 40% of households are very low or low income, and nearly as many pay 30% or more of their income for rent or a mortgage. This inequality is exacerbated by limitations on sites where developers can build new affordable housing. When a site in Buellton, in the agricultural center of the Santa Ynez valley, finally became available, People’s Self-Help Housing (PSSH) needed to close quickly and needed a responsive lender for the acquisition financing. NeighborWorks Capital helped PSSH move swiftly, providing a $1,275,000 secured acquisition loan and a $500,000 unsecured pre-development loan. The resulting development will build 75 one-, two-, and three-bedroom apartments for very-low and low-income families. “Knowing we have the backing of NeighborWorks Capital gives us the ability to act on opportunities when they present themselves, and this site is a great example of that,” said Morgen Benevedo, Director of Multi-Family Housing Development for PSHH.
### Condensed Statement of Financial Position

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

### Statement of Activities - Operations

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUE</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan Interest</td>
<td>$5,528,498</td>
<td>$4,508,465</td>
<td>23%</td>
</tr>
<tr>
<td>Interest Expense</td>
<td>1,642,234</td>
<td>1,616,341</td>
<td>2%</td>
</tr>
<tr>
<td><strong>Net Interest Income</strong></td>
<td>$3,886,264</td>
<td>$2,892,124</td>
<td>34%</td>
</tr>
<tr>
<td><strong>GRANT</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan Fees</td>
<td>251,336</td>
<td>676,456</td>
<td>-63%</td>
</tr>
<tr>
<td>Investment Income and Misc Revenue</td>
<td>49,361</td>
<td>64,677</td>
<td>-24%</td>
</tr>
<tr>
<td>Satisfaction of Program Restrictions</td>
<td>-</td>
<td>30,000</td>
<td>-100%</td>
</tr>
<tr>
<td><strong>Total Fee &amp; Grant Income</strong></td>
<td>$300,697</td>
<td>$771,133</td>
<td>-61%</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>$4,186,961</td>
<td>$3,663,257</td>
<td>14%</td>
</tr>
<tr>
<td><strong>EXPENSE</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel &amp; Benefits</td>
<td>$2,114,067</td>
<td>$1,624,837</td>
<td>30%</td>
</tr>
<tr>
<td>Consulting / Professional</td>
<td>400,631</td>
<td>430,901</td>
<td>-7%</td>
</tr>
<tr>
<td>Other Operating</td>
<td>565,114</td>
<td>558,872</td>
<td>1%</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>$3,079,812</td>
<td>$2,614,610</td>
<td>18%</td>
</tr>
<tr>
<td><strong>Net Operating Surplus (Deficit)</strong></td>
<td>$1,107,149</td>
<td>$1,048,647</td>
<td>6%</td>
</tr>
</tbody>
</table>

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

**Memo:** Expenses excludes loan loss reserve contributions $3,427,805 $656,865

**Memo:** Revenue excludes other restricted grants $0 $75,000
INVESTORS

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

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

*new staff

BOARD OF DIRECTORS
Jeanne Pinado, President | Senior Advisor, Madison Park Development Corp.
Rosa Rios Valdez, Vice President & Secretary | Executive Director, BCL of Texas
Jeff Reed, Treasurer | President, Community Housing Partners
Michael Carroll | Director of Lending, Rural LISC
Grace Chionuma | Executive Director, Morgan Stanley
Charlotte Crow | Senior Vice President, Enterprise Community Loan Fund
Peter Daly | Executive Director, Cambridge Neighborhood Apartment & Housing Services
Fred Dodson | COO & EVP, DreamKey Partners
Caroline Horton | Chief Financial Officer, Aeon
Tayani Suma | VP Real Estate, Atlanta Neighborhood Development Partnership
Megan Teare | Senior Vice President, Community Lending and Investing, Wells Fargo Bank

COMMITTEES

FINANCE COMMITTEE
Jeff Reed, Chair
Grace Chionuma
Charlotte Crow
Peter Daly
Caroline Horton
Jeanne Pinado
Megan Teare

LOAN COMMITTEE
Rosa Rios Valdez, Chair
Michael Carroll
Fred Dodson
Tommy FitzGibbon, Jr | Principal, BSI
Peter Quigley | Principal, Law Offices of Peter C. Quigley
Tayani Suma

GOVERNANCE COMMITTEE
Jeanne Pinado, Chair
Michael Carroll
Caroline Horton
VISION:
America is a nation of vibrant and diverse communities where everyone is proud to have a place to call home.

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