

2021 ANNUAL REPORT



**NeighborWorks[®]**
CAPITAL

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LETTER FROM THE BOARD PRESIDENT AND CEO

Like so many of our colleagues and customers, NeighborWorks Capital began 2021 with cautious optimism and hope that the pandemic was beginning to wane, that our families, our neighbors, and our communities were resilient, and that a recovery and return to some form of new normal was on the horizon.

Our NeighborWorks customers experienced a variety of impacts in their organizations with their residents and with their ongoing community development activities. Many network members refocused their activities to assist residents experiencing job loss, food insecurity and the inability to pay rent. With additional grant support from federal stimulus and eviction prevention resources, combined with NeighborWorks America financial and programmatic resources, the network members gained a firmer foundation to offer expanded support to its residents and their communities. We experienced some of those same organizational impacts - with transitions in our lending and administrative teams, but we were fortunate to recruit new staff by year end.

The enterprise capital we provided earlier in the pandemic offered stability to support operations for several customers over the past year. Our commitment to support several affordable housing projects that were delayed, due to increased construction costs or other project disruptions, allowed us to be a patient partner. While our loan portfolio did not grow, we expanded our customer base with three new borrowers while experiencing early and delayed loan repayments. The takeaway is that the pipelines of NeighborWorks organizations were moving forward again! That included several for sale construction projects primarily for first-time homebuyers.

As has been widely reported, the supply of affordable housing has not kept pace with demand. Part of that challenge will require continued focus on preservation of affordable rental properties.

In 2021, NeighborWorks Capital successfully rolled out a permanent loan product offering fixed rates and flexible terms to support both existing expiring use properties as well as acquisitions. We are in final stages of negotiations with new and current investors to raise over \$30 million to support multifamily preservation over the next few years.

NeighborWorks Capital had the most successful year of capital raising in its history. We are pleased to have both Chase Bank and Atlantic Union Bank as new investors totaling \$13 million plus investment increases of \$8.5 million from US Bank, Morgan Stanley and PNC Bank. Our net assets increased with additional capital grants of \$2.5 million from NeighborWorks America and \$1.826 million from the CDFI Fund's Rapid Response Program. This brings our capital base to over \$155 million, an increase of 17% over 2020.

NeighborWorks America recently launched its new 2022-2024 Strategic Plan. To achieve its first goal: "to create, preserve and invest in affordable housing and wealth building" the Board of Directors and leadership of NeighborWorks Capital will continue its partnership to align, expand and leverage its capital toward that goal. Our partnership is strong, and our impacts need to be broader and deeper. No matter what challenges lie ahead, we remain committed to being a key capital partner to NeighborWorks and a valued lender to the NeighborWorks network.



Jeanne Pinado
President, Board of Directors



Jim Ferris
Chief Executive Officer

2021 AT A GLANCE

Investing in affordable housing is the cornerstone to strengthening communities.



1,615

homes created
or preserved

80% Rental

20% For Sale

\$30,812,000

in flexible capital invested

10x These investments support more than \$365MM in total investment: 10x leverage.



19 loans

to empower members of the NeighborWorks America network

42% repeat borrowers

42% returning borrowers

16% new borrowers

Our Impact

NeighborWorks Capital invests in communities that have been underserved by traditional financial institutions.

87%

of the homes are affordable at 80% AMI

53%

of homes are in areas with majority minority populations

45%

of investments were in rural areas

34%

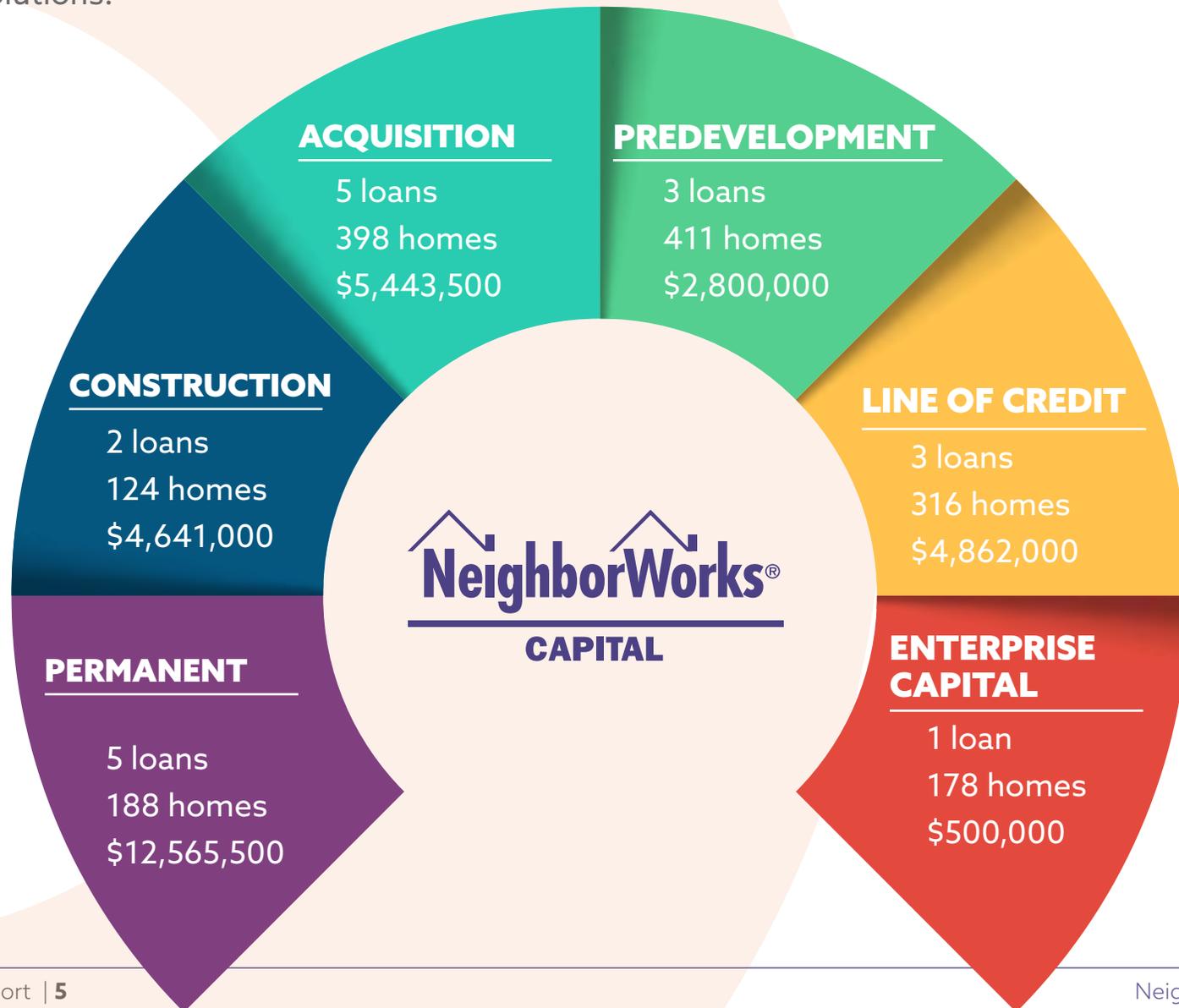
of homes are in low-income census tracts



NeighborWorks Capital supported 4 of the United Nations Sustainability Goals

FINANCING SOLUTIONS THAT WORK

NeighborWorks Capital supports high-impact community development projects and growth opportunities of every member of the NeighborWorks America network by providing flexible, responsive, and affordable financing solutions.



Providing Quality Affordable Housing in Colorado



“The flexibility in working with NeighborWorks Capital was very important to us. They know our organization and understand what we’re trying to accomplish.”

– Arturo Alvarado, Executive Director, CRHDC

Community Resources and Housing Development Corporation (CRHDC) was formed in 1971 to address the intolerable living conditions of migrants and farm workers in rural Colorado. Over the last fifty years, their mission has grown as CRHDC works to provide pathways to home and asset building opportunities for low- to moderate-income communities statewide.

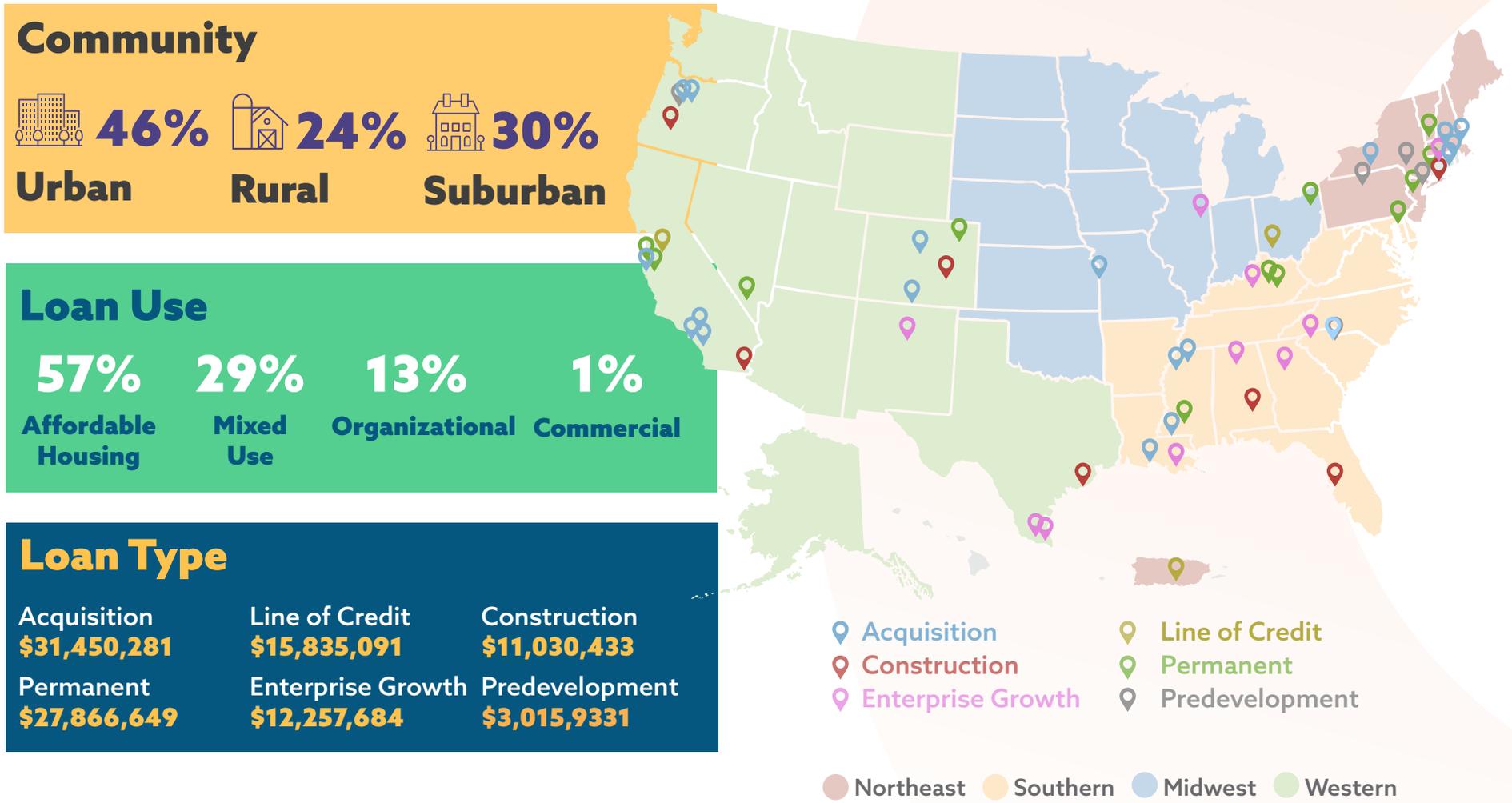
In Alamosa, Kiva Apartments is well known as quality, affordable housing, and when the buildings and adjacent land were listed for sale, CRHDC saw an opportunity to expand their geographic impact and keep naturally occurring affordable housing in the community.

CRHDC needed to keep rents affordable without subsidy financing, and they needed to get rents to the right level to ensure long-term success. NeighborWorks Capital offered an innovative approach with a debt service reserve by assuming that, in the next few years, CRHDC could increase their rental income while remaining affordable in the market. NeighborWorks Capital sized the loan based on the projected rents and provided a \$6.3 million permanent loan for Kiva Apartments with a debt service reserve to cover DCR shortfalls in the first two years of rent transition.



PORTFOLIO

The portfolio represents more than **\$101 million** in loans to **49 NeighborWorks America organizations**, supporting **83 loans** in **25 states** and **Puerto Rico**, as of December 31, 2021. More than **\$66 million** in loans were in areas of economic distress, ensuring that vulnerable and under capitalized communities have access to capital to meet affordable housing and community development needs.



Affordable Rental Housing for New Hampshire's Working Class

The Lakes Region of New Hampshire is a scenic destination attracting visitors and second homeowners alike, but an increase in real estate prices and conversions to short-term rentals has made it nearly impossible for working class residents to find affordable homes. Lakes Region Community Developers (LRCD) meets this need by providing quality housing to help low- and moderate-income residents afford to live in the community where they work. When an affordable rental building was listed for sale in their area, LRCD saw an opportunity to step in and help the community.

The rental property was built in the 1970's and was required to be maintained as affordable housing for forty years. With the requirement expiring, LRCD was concerned the property could be purchased and redeveloped as high-end housing. LRCD financed the purchase of the building, but because of the cost of redevelopment, they needed a second permanent mortgage which proved difficult to find. After months of conversations with other lenders, LRCD reached out to NeighborWorks Capital and explained their needs. Although it was an unusual situation, NeighborWorks Capital agreed to a second position to support the preservation of the 25 affordable rentals.

The rehabilitation will focus on health and safety improvements for tenants. The project includes interior renovations, new windows, doors, insulation, and siding, and a sprinkler system for safety. Two apartments will be ADA compliant, and all apartments will remain reserved for very low-income households.



"I spent six months talking with other lenders and not getting what we needed. In three months with NeighborWorks Capital, we closed on a loan with terms that worked for everyone."

**- Sal Steven-Hubbard,
Real Estate Development Director, LRCD**



FINANCIALS

NeighborWorks Capital's financial condition, capital structure, and earnings history remained strong in 2021. The balance sheet highlights 10 months of operating cash, a current ratio of 7.4:1 and increasing net assets of 12% to support 48% of total assets. With increased loan interest and fee income and well-controlled cost of funds and operating expenses, NeighborWorks Capital experienced its 12th year of operating surpluses with a self-sufficiency ratio of 126%.

Condensed Statement of Financial Position

	2021	2020
ASSETS		
Cash and Investments	\$9,833,057	\$7,080,036
Loans Receivable (Net of Allowance)	96,383,264	98,415,360
Property & Equipment (net)	73,626	89,297
Other Assets	514,406	684,372
Total Assets	\$106,804,353	\$106,269,065
LIABILITIES		
Notes Payable	\$50,822,896	\$55,879,734
Equity Equivalent Investments	4,000,000	4,000,000
Other Liabilities	582,349	508,390
Total Liabilities	\$55,405,245	\$60,388,124
NET ASSETS		
Without Donor Restriction	\$25,033,425	\$18,765,258
With Donor Restriction	26,365,683	27,115,683
Total Net Assets	\$51,399,108	\$45,880,941
Total Liabilities and Net Assets	\$106,804,353	\$106,269,065

Statement of Activities - Operations

	2021	2020
REVENUE		
Loan Interest Income	\$5,429,555	\$5,528,498
Interest Expense	1,656,210	1,642,234
Net Interest Income	\$3,773,345	\$3,886,264
Grants	0	0
Loan Fees	323,617	251,336
Investment Income and Misc Revenue	26,877	49,361
Total Fee & Grant Income	350,494	300,697
Total Revenue	\$4,123,839	\$4,186,961
EXPENSE		
Personnel & Benefits	2,215,407	2,114,067
Consulting / Professional	359,326	400,631
Other Operating	538,400	565,114
Total Expenses	\$3,113,133	\$3,079,812
Net Operating Surplus (Deficit)	\$1,010,706	\$1,107,149
Memo: Revenue excludes NWA & CDFI Fund grants	\$4,326,265	\$2,400,000
Memo: Expenses excludes loan loss reserve contributions	\$(177,196)	\$3,427,805

Revitalizing Neighborhoods and Providing Senior Housing in Charlotte



"NeighborWorks Capital has been instrumental to the growth of DreamKey over the years, particularly the growth of our pipeline. We've received financing at critical times in our history, and that has been essential for us to grow our mission in Charlotte and elsewhere."

- Fred Dodson, Jr., COO/EVP, DreamKey Partners



Based in Charlotte, NC, DreamKey Partners has a 33-year history of adapting to serve the changing needs of their community. After neighborhoods were demolished during the so-called "urban renewal" of the late 1960s, DreamKey Partners provided the necessary revitalization work to successfully rebuild neighborhoods. Their work continues today with their largest development - Brightwalk, a master-planned community providing affordable homes and economic development opportunities in north Charlotte. DreamKey Partners contacted NeighborWorks Capital for financing at various points throughout the development, and a partnership was formed. From financing for the initial planning to construction, NeighborWorks Capital has been able to support the important work of DreamKey Partners.

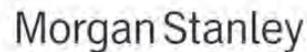
In 2021, when DreamKey Partners needed to acquire a parcel of land to build affordable apartments at Brightwalk, NeighborWorks Capital provided a \$431,000 land acquisition loan for the 2.6-acre site. Samuel Street Apartments is the final affordable community to be built at Brightwalk, with construction scheduled to begin in 2023.

As demand for affordable housing increases in north Charlotte, many seniors are left with limited options. DreamKey Partners is providing more opportunities for residents 55 and older. DreamKey Partners plans to build 102 age-restricted affordable rental units for older low-income adults in a development called Mallard Creek. NeighborWorks Capital provided a \$750,000 land acquisition loan enabling DreamKey Partners to purchase the 5-acre site.

Another construction project in the works is Johnston Oehler, a 140-unit affordable senior housing community. NeighborWorks Capital provided a \$500,000 predevelopment loan for capital to support early-stage costs. The community is expected to be completed in December 2023.

INVESTORS

NeighborWorks Capital has continued its trend of successfully bringing new investors on board while expanding existing relationships. In 2021 we raised an additional \$22 million in debt and \$4.36 million in equity to support our expanded loan products. We welcome Chase Bank and Atlantic Union Bank as new investors and recognize U.S. Bank, Morgan Stanley, and PNC Bank for their additional investments. A special appreciation to NeighborWorks America and CDFI Fund for their capital grants.



OUR TEAM

STAFF

Jim Ferris | Chief Executive Officer

Haaris Alvi* | Business Analyst

Brent Bozman | Controller

Jarrold Brennet | Senior Portfolio Manager

Adam Coile | Director, Portfolio Management

Tiana Coll | Senior Portfolio Analyst

Maya Dickens* | Loan Closing Manager

Carly Driggs | Underwriting Analyst

Michael Haas* | Senior Loan Officer

Rachel Haywood* | Office Manager

Mieva Herbert | Accountant

Dana Moore | Chief Financial Officer

Beth O'Leary | Chief Portfolio Officer

Steve Peelor | Chief Lending Officer

Rachel Silva* | Marketing & Communications Manager

Lanie Wasserman* | Senior Loan Officer

*new staff

BOARD OF DIRECTORS

Jeanne Pinado, President | Executive Vice President, Colliers International

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

Caroline Horton, Treasurer | Chief Financial Officer, Aeon

Jeff Reed | President, Community Housing Partners

Michael Carroll | Vector Fund Director, RCAC

Grace Chionuma | Managing 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

Tayani Suma | VP Real Estate, Atlanta Neighborhood Development Partnership

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

COMMITTEES

Finance Committee

Caroline Horton, Chair

Peter Daly

Jeanne Pinado

Jeff Reed

Megan Teare

Loan Committee

Rosa Rios Valdez, Chair

Michael Carroll

Fred Dodson

Tayani Suma

Tommy FitzGibbon, Jr | Principal, BSI

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

Governance Committee

Jeanne Pinado, Chair

Michael Carroll

Caroline Horton

VISION:

America is a nation of vibrant and diverse communities where everyone is proud to have a place to call home.

MISSION:

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



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