NeighborWorks® Capital Corporation

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

December 31, 2022 and 2021

CohnReznick
ADVISORY • ASSURANCE • TAX

NeighborWorks® Capital Corporation

Index

Independent Auditor's Report

To the Board of Directors
NeighborWorks® Capital Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of NeighborWorks® Capital Corporation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of NeighborWorks® Capital Corporation as of December 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of NeighborWorks® Capital Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about NeighborWorks® Capital Corporation's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 NeighborWorks® Capital Corporation's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about NeighborWorks® Capital Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audits.

Supplementary 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 audits 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.

CohnReznick

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2023, 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, 2023

NeighborWorks® Capital Corporation

Statements of Financial Position
December 31, 2022 and 2021

Assets

	2022	2021
Current assets		
Cash and cash equivalents		
Operations	$ 2,627,887	$ 3,371,647
Operating restricted	24,413	24,330
Operating borrower escrows - restricted	1,155,898	110,783
Loan capital	9,053,607	5,800,940
Investments - marketable securities	526,544	525,357
Accounts receivable	75,246	19,605
Loans receivable, net (Note 4)	36,707,270	38,629,803
Interest receivable	225,212	234,452
Prepaid expenses	80,327	56,944
Total current assets	50,476,404	48,773,861
Interest receivable	310,580	192,505
Loans receivable, net (Note 4)	56,823,461	57,753,461
Property and equipment		
Office furniture and equipment, net	44,741	69,268
Right of use asset, net	561,499	-
Leasehold improvements, net	2,980	4,358
Total property and equipment, net	609,220	73,626
Other assets	10,900	10,900
Total assets	$ 108,230,565	$ 106,804,353

NeighborWorks® Capital Corporation

Statements of Financial Position
December 31, 2022 and 2021

Liabilities and Net Assets

	2022	2021
Current liabilities		
Accounts payable and accrued liabilities	$ 276,871	$ 307,583
Operating lease liability	135,091	-
Borrower escrow and interest reserve	1,155,898	110,783
Accrued interest	171,459	163,983
Refundable agreement	1,410,504	-
Notes payable, current portion (Note 6)	-	5,000,000
Equity equivalent investments, current portion (Note 6)	500,000	1,000,000
Total current liabilities	3,649,823	6,582,349
Operating lease liability	475,826	-
Notes payable, net of current portion and unamortized debt issuance costs (Note 6)	45,339,362	45,822,896
Equity equivalent investments (Note 6)	3,500,000	3,000,000
Total liabilities	52,965,011	55,405,245
Net assets		
Without donor restrictions		
Operating	8,656,422	8,529,606
Board designated - lending capital	25,121,119	21,531,623
Loan loss reserve	(4,877,670)	(5,027,804)
Total net assets without donor restrictions	28,899,871	25,033,425
With donor restrictions		
Restricted until first use (Note 7)	5,021,898	5,172,032
Restricted until donor release (Note 7)	21,343,785	21,193,651
Total net assets with donor restrictions	26,365,683	26,365,683
Total net assets	55,265,554	51,399,108
Total liabilities and net assets	$ 108,230,565	$ 106,804,353

See Notes to Financial Statements.

NeighborWorks® Capital Corporation

Statement of Activities
Year Ended December 31, 2022

	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 grants	$ -	$ -	$ -	$ -	$ 3,000,000	$ -	$ 3,000,000
Community Development Financial Institutions Fund grants	-	589,496	-	589,496	-	-	589,496
Contribution revenue	125,000			125,000	-	-	125,000
Loan fee income, net of participation	550,909	-	-	550,909	-	-	550,909
Interest income - loans	4,401,876	-	-	4,401,876	-	-	4,401,876
Interest income - investments	33,856	-	-	33,856	-	-	33,856
Loan service fee	6,236	-	-	6,236	-	-	6,236
Other income	-	-	-	-	-	-	-
Net assets released from restrictions							
Satisfaction of program restrictions	-	3,000,000	-	3,000,000	(3,150,134)	150,134	-
Total revenue	5,117,877	3,589,496	-	8,707,373	(150,134)	150,134	8,707,373
Expenses							
Program services							
Interest	1,275,697	-	-	1,275,697	-	-	1,275,697
Recovery for loan loss	-	-	(150,134)	(150,134)	-	-	(150,134)
Program expenses	2,798,820	-	-	2,798,820	-	-	2,798,820
Total program services	4,074,517	-	(150,134)	3,924,383	-	-	3,924,383
Support services							
Management and general	578,103	-	-	578,103	-	-	578,103
Fundraising	338,441	-	-	338,441	-	-	338,441
Total support services	916,544	-	-	916,544	-	-	916,544
Total expenses	4,991,061	-	(150,134)	4,840,927	-	-	4,840,927
Increase (decrease) in net assets	126,816	3,589,496	150,134	3,866,446	(150,134)	150,134	3,866,446
Net assets, beginning of year	8,529,606	21,531,623	(5,027,804)	25,033,425	5,172,032	21,193,651	51,399,108
Net assets, end of year	$ 8,656,422	$ 25,121,119	$ (4,877,670)	$ 28,899,871	$ 5,021,898	$ 21,343,785	$ 55,265,554

NeighborWorks® Capital Corporation

Statement of Activities
Year Ended December 31, 2021

	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 grants	$ -	$ -	$ -	$ -	$ 2,500,000	$ -	$ 2,500,000
Community Development Financial Institutions Fund grants	-	-	-	-	1,826,265	-	1,826,265
Contribution revenue	-	-	-	-	-	-	-
Loan fee income, net of participation	323,617	-	-	323,617	-	-	323,617
Interest income - loans	5,429,555	-	-	5,429,555	-	-	5,429,555
Interest income - investments	20,753	-	-	20,753	-	-	20,753
Loan service fee	6,124	-	-	6,124	-	-	6,124
Other income	-	4,000	-	4,000	-	-	4,000
Net assets released from restrictions							
Satisfaction of program restrictions	-	4,326,265	750,000	5,076,265	(5,253,461)	177,196	-
Total revenue	5,780,049	4,330,265	750,000	10,860,314	(927,196)	177,196	10,110,314
Expenses							
Program services							
Interest	1,656,210	-	-	1,656,210	-	-	1,656,210
Recovery for loan loss	-	-	(177,196)	(177,196)	-	-	(177,196)
Program expenses	2,350,991	-	-	2,350,991	-	-	2,350,991
Total program services	4,007,201	-	(177,196)	3,830,005	-	-	3,830,005
Support services							
Management and general	477,914	-	-	477,914	-	-	477,914
Fundraising	284,228	-	-	284,228	-	-	284,228
Total support services	762,142	-	-	762,142	-	-	762,142
Total expenses	4,769,343	-	(177,196)	4,592,147	-	-	4,592,147
Increase (decrease) in net assets	1,010,706	4,330,265	927,196	6,268,167	(927,196)	177,196	5,518,167
Net assets, beginning of year	7,518,900	17,201,358	(5,955,000)	18,765,258	6,099,228	21,016,455	45,880,941
Net assets, end of year	$ 8,529,606	$ 21,531,623	$ (5,027,804)	$ 25,033,425	$ 5,172,032	$ 21,193,651	$ 51,399,108

See Notes to Financial Statements.

NeighborWorks® Capital Corporation

Statements of Functional Expenses
Year Ended December 31, 2022 and 2021

	2022				2021			
Expenditures	Program services	Management and general	Fundraising	Total	Program services	Management and general	Fundraising	Total
Salaries and benefits	$ 1,967,838	$ 467,330	$ 259,000	$ 2,694,168	$ 1,625,993	$ 370,772	$ 218,642	$ 2,215,407
Interest	1,275,697	-	-	1,275,697	1,656,210	-	-	1,656,210
Service fee expense	3,831	-	-	3,831	9,775	-	-	9,775
Professional fees	235,620	38,884	49,210	323,714	264,281	53,235	41,810	359,326
Occupancy	116,900	21,919	7,306	146,125	107,318	20,122	6,707	134,147
Office expenses	9,215	922	102	10,239	6,630	663	74	7,367
Travel	73,827	4,343	8,685	86,855	3,774	222	444	4,440
Telephone	30,717	3,614	1,807	36,138	26,775	3,150	1,575	31,500
Special events and board retreats	26,316	4,644	-	30,960	8,288	1,463	-	9,751
Depreciation and amortization, property and equipment	30,515	8,137	2,034	40,686	28,268	7,537	1,885	37,690
Marketing	53,066	-	5,896	58,962	88,978	-	9,886	98,864
Insurance	31,757	3,736	1,868	37,361	22,826	2,685	1,343	26,854
Miscellaneous	35,244	6,219	-	41,463	30,332	5,355	-	35,687
Repairs and maintenance	156,482	15,648	1,739	173,869	96,620	9,662	1,074	107,356
Dues	13,599	1,511	-	15,110	17,279	1,920	-	19,199
Staff development	6,835	804	402	8,041	5,768	679	339	6,786
Printing	7,058	392	392	7,842	8,086	449	449	8,984
Recovery for loan loss	(150,134)	-	-	(150,134)	(177,196)	-	-	(177,196)
	$ 3,924,383	$ 578,103	$ 338,441	$ 4,840,927	$ 3,830,005	$ 477,914	$ 284,228	$ 4,592,147

See Notes to Financial Statements.

NeighborWorks® Capital Corporation

Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Changes in net assets	$ 3,866,446	$ 5,518,167
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization, property and equipment	40,686	37,690
Amortization, right of use asset	133,277	-
Amortization, debt issuance costs	48,268	48,038
Recovery for loan loss	(150,134)	(177,196)
Unrealized gain on investments	(1,187)	(4,006)
Changes in operating assets and liabilities		
Accounts receivable	(55,641)	33,033
Interest receivable	(108,835)	134,790
Prepaid expenses	(23,383)	2,543
Other assets	-	(400)
Operating lease right of use asset	(694,776)	-
Accounts payable and accrued liabilities	(30,712)	(71,585)
Borrower escrow and interest reserve	1,045,115	110,783
Operating lease liability	610,917	-
Refundable agreement	1,410,504	-
Accrued interest	7,476	34,761
Net cash provided by operating activities	6,098,021	5,666,618
Cash flows from investing activities		
Advances on loans receivable	(29,761,560)	(31,437,370)
Repayments of loans receivable	32,764,227	33,646,662
Purchases of property and equipment	(14,781)	(22,019)
Proceeds from sales of investments in marketable securities	-	249,047
Purchases of investments in marketable securities	-	(250,000)
Net cash provided by investing activities	2,987,886	2,186,320
Cash flows from financing activities		
Proceeds from notes payable	22,500,000	23,500,000
Repayments on notes payable	(28,000,000)	(28,500,000)
Debt issuance costs paid	(31,802)	(104,876)
Net cash used in financing activities	(5,531,802)	(5,104,876)
Net increase in cash and cash equivalents	3,554,105	2,748,062
Cash and cash equivalents, beginning	9,307,700	6,559,638
Cash and cash equivalents, end	$ 12,861,805	$ 9,307,700

NeighborWorks® Capital Corporation

Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	$ 1,211,595	$ 1,573,411
Reconciliation of cash and cash equivalents		
Cash and cash equivalents	$ 11,681,494	$ 9,172,587
Restricted cash and cash equivalents	1,180,311	135,113
Total cash and cash equivalents presented in the statements of cash flows	$ 12,861,805	$ 9,307,700
Significant noncash investing and financing activities		
Loans receivable written off against the allowance for loan loss	$ -	$ 750,000
Disposal of property and equipment	$ 10,092	$ 6,107
Right of use asset in exchange for operating lease obligation	$ 694,776	$ -

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.

In March 2022, the Organization formed a wholly-owned subsidiary, NC PL LLC ("Subsidiary"), for the purpose of facilitating long-term capital for permanent loans. The subsidiary will borrow funds from a lender which will be used to buy participations in permanent loans made by the Organization for terms of up to 18 years. The Organization will provide up to a 20% top loss guaranty on the participations held by the subsidiary. The Organization closed on this funding in August 2022 and completed the first draw under this facility in March 2023.

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. Additionally, 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, 2022 and 2021, $0 in capital funds with no identified restriction were received by the Organization. First Use capital funds of $3,000,000 and $2,500,000 were received by the Organization for the years ended December 31, 2022 and 2021, respectively, and were recorded as a component of net assets with donor restrictions. During the years ended December 31, 2022 and 2021, 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, 2022 and 2021, $0 and $750,000 were upon request and consent released from Donor Release.

The MIA contains certain financial and production covenants. During 2022 and 2021, the Organization sought and was granted waivers related to certain covenants related to production. As of December 31, 2022 and 2021 there were no known compliance issues.

CDFI grants

Grants are generally conditional contributions of funding from government sources. The funding includes stipulations that must be met in order to be entitled to the assets transferred. These are generally related to deployment of funds as a loan and the stipulations are met when the loan is closed. The Organization has elected the simultaneous release option for donor-restricted contributions that were initially conditional contributions. The Organization classifies these contributions as net assets without donor restrictions if the restriction is met in the same reporting period the revenue is recognized. Until such time as the grant stipulations are met and deployment occurs, the funds are included as a component of the Loan Capital cash account and are also classified as a refundable agreement liability on the statement of financial position. During the year ended December 31, 2022, the Organization was awarded $2,000,000 in Capital Magnet Funds by the Community Development Financial Institution Fund ("CDFI Fund"). During 2022, $589,496 of the award was deployed as lending capital and is presented as Community Development Financial Institutions Fund grants on the accompanying statement of activities. The undeployed funds of $1,410,504 are recorded as refundable agreement on the accompanying statement of financial position.

Contributions

The Organization recognizes contributions when cash, securities, other assets or an unconditional promise to give is received. Conditional contributions - that is, those with a measurable performance or other barrier and a right of return or right of release - 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 90 days 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, 2022 and 2021, 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. All permitted investments must have maturities of two years or less with preponderance in maturities of one year or less. As of December 31, 2022 and 2021, investments - marketable securities consist of amounts held in certificates of deposit with carrying values of $526,544 and $525,357, respectively, which approximates fair value. During the years ended December 31, 2022 and 2021, unrealized gains on investments were $1,187 and $4,006, 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 NeighborWorks Capital 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, 2022 and 2021 are based on inputs that are observable directly and are deemed to be level 2 financial instruments.

Operating borrower escrows - restricted
The escrow cash accounts are restricted cash accounts representing reserve accounts held for borrowers and intended for specific purposes and associated with permanent loans extended to borrowers. Reserves include i) repair and replacement reserves designated for capital improvements as well as ii) interest/operating reserves.

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 long-term interest receivable contains $310,580 and $192,505 in deferred interest as of December 31, 2022 and 2021, respectively.

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. The allowance for loan loss was 5% of the total loan receivable balance for the years ended December 31, 2022 and 2021. At December 31, 2022 and 2021, the allowance for loan loss was $4,922,670 and $5,072,804, respectively, of which $2,039,528 and $1,908,991 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 year ended December 31, 2022, the Organization wrote off no loans. During the year ended December 31, 2021, the Organization wrote off a portion of one loan totaling $750,000. During the years ended December 31, 2022 and 2021, the Organization recognized no recovery on loans receivable previously written off. Since its inception in 2000, as of December 31, 2022 and 2021, the Organization has cumulatively had $3,312,525 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, 2022 and 2021, accumulated depreciation and amortization were $183,521 and $152,927, respectively, net of disposals during 2022 and 2021 of $10,092 and $6,107, respectively. There were no losses on disposals of property and equipment during 2022 or 2021. Depreciation and amortization expense for the years ended December 31, 2022 and 2021 were $40,686 and $37,690, respectively.

Debt issuance costs
Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the mortgage loan 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, 2022 and 2021 was $48,268 and $48,038, respectively. Estimated amortization expense for each of the ensuing years through December 31, 2027 is $45,064, $23,806, $13,816, $7,216 and $3,659, 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 uncertain tax positions which must be considered for recognition or 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 2019 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, interest, and other occupancy costs, are allocated to a function 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.

New accounting pronouncements
The Organization adopted the Financial Accounting Standards Board ("FASB")'s Accounting Standards Update ("ASU") 2016-02 (as amended), Leases ("Topic 842") on January 1, 2022. Topic 842 requires lessees to recognize a right-of-use asset and a corresponding lease liability for most leases. The Organization elected and applied the following transition practical expedients when initially adopting Topic 842:

- To apply the provisions of Topic 842 at the adoption date, instead of applying them to the earliest comparative period presented in the financial statements.
- The practical expedient permitting the Organization to apply a risk-free rate as its discount rate instead of the rate implicit in the lease or its incremental borrowing rate.

The Organization recognized the following for its Silver Spring office lease as of the adoption date in connection with transitioning to Topic 842:

	As of January 1, 2022
Operating lease right of use asset	$ 694,776
Operating lease liability	$ 744,194

The Organization's adoption of Topic 842 also resulted in a decrease of $49,418 in deferred rent, which amount was reclassified to right of use asset at adoption. The adoption of Topic 842 did not have a material impact on the Organization's changes in net assets for the year ended December 31, 2022.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"), which creates a new credit impairment standard for financial instruments. The new standard will requirement management to make a current estimate of expected credit losses as opposed to current U.S. generally accepted accounting principles which delayed recognition until loss was probable. As a result of the ASU, management will be required to perform an assessment of expected credit losses on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. ASU 2016-13 is applicable to loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables and any other financial assets not excluded from the scope that have a contractual right to receive cash. In the period of adoption, the Organization will record a cumulative-effect adjustment to changes in net assets and in subsequent years, changes in the current expected credit loss for the reporting period will be reported on the statement of activities. Expanded disclosures will also be required. The ASU along with certain related ASUs clarifying the scope of ASU 2016-13 and providing transition relief will be effective for fiscal years beginning after December 15, 2022. The Organization is currently evaluating the impact of adopting this new guidance on the 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 balance sheet 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, 2023, (the date the financial statements were available to be issued) and concluded that other than the subsequent events discussed in Note 1 and Note 4 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 NeighborWorks Capital's financial assets at December 31, 2022 and 2021:

	2022	2021
Financial assets at year end		
Cash and cash equivalents	$ 12,861,805	$ 9,307,700
Investments - marketable securities	526,544	525,357
Accounts receivable	75,246	19,605
Interest receivable	225,212	234,452
Total financial assets	$ 13,688,807	$ 10,087,114
Less: Financial assets not available for general expenditures		
Cash - operating restricted	$ (24,413)	$ (24,330)
Cash - operating borrower escrows	(1,155,898)	(110,783)
Cash - loan capital	(9,053,607)	(5,800,940)
Total assets available over the next 12 months to meet general expenditures	$ 3,454,889	$ 4,151,061

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 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 multifamily, single-family and mixed-use projects. Loans generally provided for up to $7,500,000 with a maximum loan term of 48 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 multifamily or commercial building(s). Loans generally provided for up to $7,500,000 with a maximum loan term of 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 $3,000,000 with a maximum loan term of 24 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 $7,500,000 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 $4,000,000 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 multifamily property with repayment from new long-term financing after changes to the property performance. Loans generally provided for up to $2,000,000 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 $7,500,000 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 $7,500,000 and a maximum loan term of 8 to 18 years on a recourse basis secured by a mortgage or other collateral primarily on a recourse basis.

The following is a summary of loans receivable as of December 31, 2022, and 2021:

Type	2022 Number of loans	2022 Net loan amount	2021 Number of loans	2021 Net loan amount
Predevelopment	17	$ 15,199,367	14	$ 16,001,171
Acquisition - Land	12	19,108,869	13	22,865,085
Bridge	1	-	0	-
Building acquisition	4	6,633,840	8	8,585,195
Construction	11	12,574,422	9	11,030,433
Enterprise	11	10,025,000	16	12,757,684
Mezzanine/equity	1	301,283	0	-
Mini-Permanent	8	7,299,727	9	10,683,908
Permanent	16	27,310,893	14	19,532,592
Total	81	98,453,401	83	101,456,068
Less: Allowance for loan losses		(4,922,670)		(5,072,804)
Total		93,530,731		96,383,264
Current portion		36,707,270		38,629,803
Long-term portion		$ 56,823,461		$ 57,753,461

Principal maturities of the remaining loans receivable as of December 31, 2022, are as follows:

2022	$ 10,082,741
2023	27,793,273
2024	15,949,510
2025	10,629,422
2026	1,160,001
2027	8,177,373
2030	1,418,160
2031	11,420,023
2032	7,727,740
2033	1,568,706
2036	1,256,359
2038	429,767
2040	840,326
	$ 98,453,401

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, 2022, and 2021:

December 31, 2022	Current	31-60 days past due	61-90 days past due	90+ days past due	Total	Nonaccruing loans
Predevelopment	$ 15,199,367	$ -	$ -	$ -	$ 15,199,367	$ -
Acquisition - Land	19,108,869	-	-	-	19,108,869	-
Bridge	-	-	-	-	-	-
Building acquisition	6,633,840	-	-	-	6,633,840	-
Construction	4,734,360	-	-	7,840,062	12,574,422	7,840,062
Enterprise	9,275,000	750,000	-	-	10,025,000	-
Mezzanine/equity	301,283	-	-	-	301,283	-
Mini-Permanent	5,722,381	-	-	1,577,346	7,299,727	1,577,346
Permanent	27,310,893	-	-	-	27,310,893	-
	$ 88,285,993	$ 750,000	$ -	$ 9,417,408	$ 98,453,401	$ 9,417,408
Nonaccruing loans	$ -	$ -	$ -	$ 9,417,408	$ 9,417,408	

December 31, 2021	Current	31-60 days past due	61-90 days past due	90+ days past due	Total	Nonaccruing loans
Predevelopment	$ 16,001,171	$ -	$ -	$ -	$ 16,001,171	$ -
Acquisition - Land	22,865,085	-	-	-	22,865,085	-
Bridge	-	-	-	-	-	-
Building acquisition	8,585,195	-	-	-	8,585,195	-
Construction	3,190,371	-	-	7,840,062	11,030,433	7,840,062
Enterprise	12,757,684	-	-	-	12,757,684	-
Mezzanine/equity	-	-	-	-	-	-
Mini-Permanent	9,002,034	-	-	1,681,874	10,683,908	1,681,874
Permanent	19,532,592	-	-	-	19,532,592	-
	$ 91,934,132	$ -	$ -	$ 9,521,936	$ 101,456,068	$ 9,521,936
Nonaccruing loans	$ -	$ -	$ -	$ 9,521,936	$ 9,521,936	

As of December 31, 2022, and 2021 there are two nonaccruing loans totaling $9,417,408 and $9,521,936, respectively. The Organization entered into a workout plan documented in a limited forbearance and modification agreement on December 16, 2020, with the borrower for the Spruce Ridge Phase II loan, which was placed on nonaccrual as of September 30, 2020. The plan provided for additional funding to complete the construction of a Low-Income Housing Tax Credit financed multifamily project. The project was issued at Certificate of Occupancy in December 2021 and has achieved stabilized occupancy. On April 25, 2023, the loan balance was reduced by approximately $7.9 million upon conversion to permanent financing and pay-in of investor’s tax credit installment. Additionally, another borrower was placed on nonaccrual as of June 30, 2021 due to slower than anticipated lease-up of the building's commercial space. A long-term modification and deferral of the loan went into effect in December 2021. Further payments have been deferred through September 2023, with the requirement that all cashflow available during that period go towards payments. At the end of the period, the remaining deferred balance will be due.

Risk management

The Organization revised its lending policies and procedures during 2021 to underwrite and monitor loans for its portfolio. For each loan, the Organization conducts a risk rating analysis based on the loan type (pre-development, 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, 2022, and 2021 was $4,014,962 (4.1% of the loan portfolio) and $4,067,843 (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 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 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 5%.

The table below details the Organization's loans by loan type according to their risk rating categories for the years December 31, 2022 and 2021:

December 31, 2022	P-1	P-2	P-3	Questionable	Substandard	Doubtful	Total
Predevelopment	$ -	$ 1,422,496	$ 13,776,871	$ -	$ -	$ -	$ 15,199,367
Acquisition - Land	-	6,762,500	11,212,254	1,134,115	-	-	19,108,869
Bridge	-	-	-	-	-	-	-
Building acquisition	-	700,000	5,933,840	-	-	-	6,633,840
Construction	-	1,199,344	1,292,337	2,242,679	7,840,062	-	12,574,422
Enterprise	-	3,000,000	7,025,000	-	-	-	10,025,000
Mezzanine/equity	-	-	301,283	-	-	-	301,283
Mini-Permanent	-	3,414,481	2,307,900	1,577,346	-	-	7,299,727
Permanent	-	14,686,239	11,295,126	1,329,528	-	-	27,310,893
	$ -	$ 31,185,060	$ 53,144,611	$ 6,283,668	$ 7,840,062	$ -	$ 98,453,401

	P-1	P-2	P-3	Questionable	Substandard	Doubtful	Total
Current	$ -	$ 31,185,060	$ 53,144,611	$ 4,706,322	$ -	$ -	$ 89,035,993
Past due 31- 60 days	-	-	-	-	-	-	-
Past due 61 - 90 days	-	-	-	-	-	-	-
Past due 90+ days	-	-	-	1,577,346	7,840,062	-	9,417,408
	$ -	$ 31,185,060	$ 53,144,611	$ 6,283,668	$ 7,840,062	$ -	$ 98,453,401

December 31, 2021	P-1	P-2	P-3	Questionable	Substandard	Doubtful	Total
Predevelopment	$ -	$ 2,285,122	$ 13,716,049	$ -	$ -	$ -	$ 16,001,171
Acquisition - Land	-	14,801,313	6,759,282	1,304,490	-	-	22,865,085
Bridge	-	-	-	-	-	-	-
Building acquisition	-	835,367	7,749,828	-	-	-	8,585,195
Construction	-	-	947,692	2,242,679	7,840,062	-	11,030,433
Enterprise	-	-	12,757,684	-	-	-	12,757,684
Mezzanine/equity	-	-	-	-	-	-	-
Mini-Permanent	-	6,759,487	2,242,547	1,681,874	-	-	10,683,908
Permanent	-	17,426,041	798,076	1,308,475	-	-	19,532,592
	$ -	$ 42,107,330	$ 44,971,158	$ 6,537,518	$ 7,840,062	$ -	$ 101,456,068

	P-1	P-2	P-3	Questionable	Substandard	Doubtful	Total
Current	$ -	$ 42,107,330	$ 44,971,158	$ 4,855,644	$ -	$ -	$ 91,934,132
Past due 31- 60 days	-	-	-	-	-	-	-
Past due 61 - 90 days	-	-	-	-	-	-	-
Past due 90+ days	-	-	-	1,681,874	7,840,062	-	9,521,936
	$ -	$ 42,107,330	$ 44,971,158	$ 6,537,518	$ 7,840,062	$ -	$ 101,456,068

NeighborWorks® Capital Corporation

Notes to Financial Statements
December 31, 2022 and 2021

The following table presents an analysis of the allowance for loan losses for the years ended December 31, 2022 and 2021:

December 31, 2022	Pre-development	Acquisition - Land	Bridge	Building Acquisition	Construction	Enterprise	Mezzanine/ Equity	Mini-Permanent	Permanent	Total
Beginning balance	$ 800,058	$ 1,143,254	$ -	$ 429,260	$ 551,522	$ 637,884	$ -	$ 534,196	$ 976,630	$ 5,072,804
(Recovery of) provision for loan losses	(40,090)	(187,810)	-	(97,568)	77,199	(136,634)	15,065	(169,210)	388,914	(150,134)
Write-off	-	-	-	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-	-	-	-
Ending balance	$ 759,968	$ 955,444	$ -	$ 331,692	$ 628,721	$ 501,250	$ 15,065	$ 364,986	$ 1,365,544	$ 4,922,670

	Pre-development	Acquisition - Land	Bridge	Building Acquisition	Construction	Enterprise	Mezzanine/ Equity	Mini-Permanent	Permanent	Total
Allowance for loan losses										
Allocated	$ 441,756	$ 689,710	$ -	$ 192,015	$ 1,350,900	$ 270,750	$ 9,039	$ 295,261	$ 765,531	$ 4,014,962
Covenant adjustment	318,212	265,734	-	139,677	(722,179)	230,500	6,026	69,725	600,013	907,708
Balance per financial statements	$ 759,968	$ 955,444	$ -	$ 331,692	$ 628,721	$ 501,250	$ 15,065	$ 364,986	$ 1,365,544	$ 4,922,670
Loans										
Impaired loans	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Nonimpaired loans	15,199,367	19,108,869	-	6,633,840	12,574,422	10,025,000	301,283	7,299,727	27,310,893	98,453,401
Balance per financial statements	$ 15,199,367	$ 19,108,869	$ -	$ 6,633,840	$ 12,574,422	$ 10,025,000	$ 301,283	$ 7,299,727	$ 27,310,893	$ 98,453,401

December 31, 2021	Pre-development	Acquisition - Land	Bridge	Building Acquisition	Construction	Enterprise	Mezzanine/ Equity	Mini-Permanent	Permanent	Total
Beginning balance	$ 838,100	$ 1,475,705	$ 113,085	$ 803,826	$ 762,811	$ 761,657	$ 82,712	$ 623,140	$ 538,964	$ 6,000,000
(Recovery of) provision for loan losses	(38,042)	(332,451)	(113,085)	(374,566)	538,711	(123,773)	(82,712)	(88,944)	437,666	(177,196)
Write-off	-	-	-	-	(750,000)	-	-	-	-	(750,000)
Recoveries	-	-	-	-	-	-	-	-	-	-
Ending balance	$ 800,058	$ 1,143,254	$ -	$ 429,260	$ 551,522	$ 637,884	$ -	$ 534,196	$ 976,630	$ 5,072,804

	Pre-development	Acquisition - Land	Bridge	Building Acquisition	Construction	Enterprise	Mezzanine/ Equity	Mini-Permanent	Permanent	Total
Allowance for loan losses										
Allocated	$ 463,650	$ 781,721	$ -	$ 249,202	$ 1,316,574	$ 382,731	$ -	$ 370,654	$ 503,311	$ 4,067,843
Covenant adjustment	336,408	361,533	-	180,058	(765,052)	255,153	-	163,542	473,319	1,004,961
Balance per financial statements	$ 800,058	$ 1,143,254	$ -	$ 429,260	$ 551,521	$ 637,884	$ -	$ 534,196	$ 976,630	$ 5,072,804
Loans										
Impaired loans	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Nonimpaired loans	16,001,171	22,865,085	-	8,585,195	11,030,433	12,757,684	-	10,683,908	19,532,592	101,456,068
Balance per financial statements	$ 16,001,171	$ 22,865,085	$ -	$ 8,585,195	$ 11,030,433	$ 12,757,684	$ -	$ 10,683,908	$ 19,532,592	$ 101,456,068

In response to the COVID-19 pandemic, the Organization developed programs for clients who were experiencing business disruptions pursuant to which the Organization would 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 were not considered troubled debt restructurings.

Four new loans were made with capitalized interest during 2020 in response to the COVID-19 pandemic totaling $1,629,279, all of which were repaid in full during the year ended December 31, 2022. Four loans with principal balances of $7,124,545 were extended payment modifications. Three loans have returned to contractual payment terms and are performing as agreed as of December 31, 2022, and one loan in the amount of $1,681,874 was placed on nonaccrual status. The Organization did not have any loan modifications that were considered Troubled Debt Restructurings for the years ended December 31, 2022, and 2021. 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, 2022 and 2021.

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, 2022, and 2021. There was no gain or loss recognized on the sale of these participation interests. The total balance of loan participations serviced was $2,491,487 and $5,895,559 as of December 31, 2022 and 2021, 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, 2022, and 2021, respectively.

During the years ended December 31, 2022 and 2021, loan participation interest expense totaling $210,799 and $318,389, 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, 2022, and 2021, loan participation interest expense payable was $13,713 and $22,071, 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 2022 and 2021, 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, 2022 and 2021:

	Total credit facility commitments	Maturity	Schedule repayments				Principal balance at	Principal balance at
			Principal		Interest			
Lender	at 12/31/2022	date	Amount	Due	Annual rate	Due	12/31/2022	12/31/2021
Notes payable								
Ally Bank	$ 10,000,000	8/20/2024	$ 10,000,000	Maturity	2.50%	Quarterly	$ 10,000,000	$ 10,000,000
Bank of America	4,000,000	12/31/2028	1,000,000 1,000,000 1,000,000 1,000,000	12/31/2025 12/31/2026 12/31/2027 12/31/2028	3.50%	Quarterly	4,000,000	8,000,000
Truist	5,000,000	8/1/2023	-	Maturity	30 day SOFR + 1.75%, 2.50% floor	Monthly	-	-
Capital One Bank	1,500,000	3/22/2025	1,500,000	Maturity	2.25%	Quarterly	1,500,000	1,000,000
Morgan Stanley	10,000,000	6/30/2027	-	Maturity	30 day SOFR+ 2%	Monthly	-	4,000,000
PNC Bank	4,000,000	12/16/2026	4,000,000	Maturity	3.00%	Monthly	4,000,000	4,000,000
PNC Bank	3,500,000	12/16/2026	-	Maturity	WSJ prime rate, 2% floor	Monthly	-	-
TD Bank	7,500,000	8/31/2024	7,500,000	Maturity	1.627%+ 30 Day SOFR	Monthly	7,500,000	4,000,000
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	12/21/2025	-	Maturity	30 Day SOFR + 2.3%	Quarterly	-	4,500,000

NeighborWorks® Capital Corporation

Notes to Financial Statements
December 31, 2022 and 2021

Lender	Total credit facility commitments at 12/31/2022	Maturity date	Schedule repayments				Principal balance at 12/31/2022	Principal balance at 12/31/2021
			Principal		Interest			
			Amount	Due	Annual rate	Due		
Wells Fargo	10,000,000	12/17/2025	-	Maturity	Daily SOFR +2.00%	Quarterly	-	-
The Kresge Foundation	-	5/29/2022	-	5/29/2022	1.50%	Quarterly	-	2,000,000
HSBC Bank	3,000,000	6/30/2027	3,000,000	Maturity	2.70%	Quarterly	3,000,000	3,000,000
US Bank	8,000,000	12/17/2026	-	Maturity - Borrower may choose to term out outstanding balance at maturity for 2 years, facility would convert to monthly amortizing.	30-day SOFR +2%	Monthly	-	-
US Bank	5,000,000	2/5/2024	5,000,000	Maturity	2.12%	Monthly	5,000,000	5,000,000
Chase	10,000,000	5/24/2024	-	Maturity	30 day SOFR +2% with 2.25% floor	Monthly	-	2,500,000
Atlantic Union	3,000,000	6/30/2024	-	Maturity	30 day SOFR + 1.870% rounded to the nearest 0.125%	Monthly	-	1,000,000
OFN	5,000,000	5/2/2032	5,000,000	Maturity	3%	Quarterly	5,000,000	-
Charles Schwab Permanent Loan Fund	25,000,000	8/30/2038	-	Maturity	Lesser of swap rate +1.65% or 3.5%	Monthly	-	-
Charles Schwab Bank	7,500,000	12/19/2025	3,500,000	Maturity	Federal Funds Range +1.25% with 3.75% floor	Quarterly	3,500,000	-
Total notes payable	**130,950,000**						**45,450,000**	**50,950,000**

Lender	Total credit facility commitments at 12/31/2022	Maturity date	Schedule repayments				Principal balance at 12/31/2022	Principal balance at 12/31/2021
			Principal		Interest			
			Amount	Due	Annual rate	Due		
Equity equivalent investments (EQ2)								
BBVA EQ2	2,000,000	6/26/2030	2,000,000	Maturity	2.75%	Quarterly	2,000,000	2,000,000
Wells Fargo EQ2	1,000,000	9/19/2024	125,000	1/15/2023	2.00%	Quarterly	1,000,000	1,000,000
			125,000	4/15/2023				
			125,000	7/15/2023				
			125,000	10/15/2023				
			125,000	1/15/2024				
			125,000	4/15/2024				
			125,000	7/15/2024				
			125,000	9/19/2024				
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**	**4,000,000**
Total notes payable and equity equivalent investments	**$ 134,950,000**						**$ 49,450,000**	**$ 54,950,000**

Undrawn commitments on credit facilities at December 31, 2022 and 2021 were $85,500,000 and $58,000,000, respectively.

EQ2 investments are fully subordinated, unsecured obligations that carry a fixed interest rate and have a stated maturity and self-amortizing repayment structure. As of December 31, 2022 and 2021, notes payable included $4,000,000 of EQ2 investments.

The following schedule lists the maturities of all notes payable and equity equivalent investments at December 31, 2022:

2023	$ 500,000
2024	23,488,045
2025	6,000,000
2026	5,000,000
2027	4,000,000
Thereafter	10,461,955
	$ 49,450,000

Unamortized debt issuance costs of $110,638 and $127,104 as of December 31, 2022, and 2021, respectively, are reported as a direct deduction from notes payable (see Note 2). Amortization expense for each of the years ended December 31, 2022, and 2021 was $48,268 and $48,038 and is included as a component of interest expense on the accompanying statement of activities.

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

Net assets restricted until first use as of December 31, 2022, and 2021 are as follows:

	2022			
	12/31/2021	Contributions received	Satisfaction of donor restrictions	12/31/2022
Operations				
NeighborWorks® America				
Expendable Grants - Home Depot Award	$ 24,228	$ -	$ -	$ 24,228
NeighborWorks® America				
Expendable Grants - Home Depot Award	-	-	-	-
NeighborWorks® America - Match	-	-	-	-
Contributions from Banks and Foundations	75,000	-	-	75,000
Total Operations	99,228	-	-	99,228
Lending Activity				
NeighborWorksWorks® America				
Revolving Loan & Capital Projects Fund				
(Subsequent to Amendment)	-	3,000,000	(3,000,000)	-
Community Development Financial Institutions Fund				
Program - Rapid Response	-	-	-	-
Loans written off, approved by NeighborWorks® America for Release of Restrictions	(3,312,525)	-	-	(3,312,525)
Loan Loss Reserve Provision	8,385,329	-	(150,134)	8,235,195
Total Lending activity	5,072,804	3,000,000	(3,150,134)	4,922,670
Total	$ 5,172,032	$ 3,000,000	$ (3,150,134)	$ 5,021,898

	2021			
	12/31/2020	Contributions received	Satisfaction of donor restrictions	12/31/2021
Operations				
NeighborWorks® America				
Expendable Grants - Home Depot Award	$ 24,228	$ -	$ -	$ 24,228
NeighborWorks® America				
Expendable Grants - Home Depot Award	-	-	-	-
NeighborWorks® America - Match	-	-	-	-
Contributions from Banks and Foundations	75,000			75,000
Total Operations	99,228	-	-	99,228
Lending Activity				
NeighborWorksWorks® America				
Revolving Loan & Capital Projects Fund				
(Subsequent to Amendment)	-	2,500,000	(2,500,000)	-
Community Development Financial Institutions Fund				
Program - Rapid Response	-	1,826,265	(1,826,265)	-
Loans written off, approved by NeighborWorks® America for Release of Restrictions	(2,562,525)	-	(750,000)	(3,312,525)
Loan Loss Reserve Provision	8,562,525	-	(177,196)	8,385,329
Total Lending activity	6,000,000	4,326,265	(5,253,461)	5,072,804
Total	$ 6,099,228	$ 4,326,265	$ (5,253,461)	$ 5,172,032

Net assets restricted until donor release as of December 31, 2022, and 2021 are as follows:

	2022			
	12/31/2021	Contributions received	Reclassification of allowance for loan loss	12/31/2022
NeighborWorks® America Revolving Loan & Capital Projects Fund	$ 29,578,980	$ -	$ -	$ 29,578,980
Loan Loss Reserve Provision	(8,385,329)	-	150,134	(8,235,195)
Total	$ 21,193,651	$ -	$ 150,134	$ 21,343,785

	2021			
	12/31/2020	Contributions received	Reclassification of allowance for loan loss	12/31/2021
NeighborWorks® America Revolving Loan & Capital Projects Fund	$ 29,578,980	$ -	$ -	$ 29,578,980
Loan Loss Reserve Provision	(8,562,525)	-	177,196	(8,385,329)
Total	$ 21,016,455	$ -	$ 177,196	$ 21,193,651

Note 8 - Loan commitments - NeighborWorks® America affiliates

As of December 31, 2022, and 2021, the Organization has committed to make loans to various NeighborWorks® America affiliates totaling $37,955,526 and $29,627,862, 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 $10,664.

As discussed in Note 2, the Organization adopted Topic 842 on January 1, 2022. Pursuant to the adoption of Topic 842, for its Silver Spring lease, the Organization recognized a lease liability, which was measured at the present value of future minimum lease payments and a corresponding right-of-use asset. The Organization determined an appropriate discount rate to apply when it determined the present value of the remaining lease payments for purposes of measuring its lease liability. As the rate implicit in the lease is generally not readily determinable, the Organization applied the practical expedient to elect the use of a risk-free rate as its discount rate.

As of December 31, 2022, the unamortized right-of-use asset was $561,499, and the unamortized operating lease liability was $610,917.

During the years ended December 31, 2022 and 2021, rent expense (including imputed interest and amortization of the right-of-use asset for the year ended December 31, 2022) related to its Silver Spring office lease was $146,125 and $134,147, respectively and is reported as occupancy expense on the accompanying statements of functional expenses.

In 2021, the Organization entered into a lease for office space in Florida commencing on January 3, 2022, and extending for six months until July 3, 2022. This lease was renewed on a month-to-month basis commencing July 4, 2022, cancellable by either the sublessee or sublessor with 60 days notice.

Future minimum rent payments due under the noncancelable lease as of December 31, 2022, are summarized as follows:

2023	$ 138,818
2024	142,636
2025	146,558
2026	150,589
2027	64,471
	643,072
Less: Interpolation of the US Treasury Daily Par Yield Curve rate for points in between periods of the remaining lease term - 1.37%	(32,155)
	$ 610,917

Note 10 - Pension plan

During the years ended December 31, 2022 and 2021, 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, 2022, and 2021 totaled $122,343 and $103,912, 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, 2022, and 2021, the Organization had five and three loans outstanding, respectively, totaling $1,898,742 and $2,170,185, 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, 2022 and 2021 is as follows:

	2022	2021
Notes payable and EQ2s	$ 49,450,000	$ 54,950,000
Undrawn credit facility commitments	85,500,000	58,000,000
Board designated - lending capital	25,121,119	21,531,623
Restricted until donor release	21,343,785	21,193,651
Total available lending capital	$ 181,414,904	$ 155,675,274

As of December 31, 2022 and 2021, total lending capital deployed as loans receivable, net of the allowance for loan losses, was $93,530,731 and $96,383,264, respectively.

Supplementary Information

NeighborWorks® Capital Corporation

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2022

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Entity Pass-through Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S. Department of Treasury				
Passed through NeighborWorks® America Neighborhood Reinvestment Corporation Act				
Capital Grant Funds	21.117-328	N/A	$ -	$ 42,728,230
			-	42,728,230
Community Development Financial Institutions Fund Program				
Capital Magnet Fund	21.011		-	589,496
Loan Program	21.020		-	1,950,000
			-	2,539,496
Total U.S. Department of Treasury			-	45,267,726
Total Expenditures of Federal Awards			$ -	$ 45,267,726

The accompanying notes are an integral part of this schedule.

NeighborWorks® Capital Corporation

Notes to Schedule of Expenditures of Federal Awards
December 31, 2022

Note 1 - Basis of presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of NeighborWorks® Capital Corporation under programs of the federal government for the year ended December 31, 2022. The information in 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, 2022 consists of:

Assistance Listing Number	Program Name	Outstanding Balance at December 31, 2022
21.020	CDFI Fund - Loan Program	$ 1,950,000

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*

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, 2022, 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, 2023.

Report on 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 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. 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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether NeighborWorks® Capital Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 the results of that testing, and not to provide an opinion on the effectiveness of the entity'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, 2023

CohnReznick LLP
cohnreznick.com

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

To the Board of Directors
NeighborWorks® Capital Corporation

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited NeighborWorks® Capital Corporation's compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

In our opinion, NeighborWorks® Capital Corporation complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"); 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"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of NeighborWorks® Capital Corporation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of NeighborWorks® Capital Corporation's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to NeighborWorks® Capital Corporation's federal programs.

CohnReznick

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on NeighborWorks® Capital Corporation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about NeighborWorks® Capital Corporation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding NeighborWorks® Capital Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of NeighborWorks® Capital Corporation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 NeighborWorks® Capital Corporation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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, 2023

NeighborWorks® Capital Corporation

Schedule of Findings and Questioned Costs
December 31, 2022

Section A - Summary of Auditor's Results

Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP	Unmodified
2. Internal control over financial reporting:	
a. Material weakness(es) identified?	No
b. Significant deficiency(ies) identified?	None reported
3. Noncompliance material to the financial statements noted?	No

Federal Awards

1. Internal control over major federal programs:	
a. Material weakness(es) identified?	No
b. Significant deficiency(ies) identified?	None reported
2. Type of auditor's report issued on compliance for major federal programs	Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
4. Identification of major federal programs	
Assistance Listing Number(s)	Name of Federal Program
#21.117-328	Neighborhood Reinvestment Corporation Act
#21.020	Community Development Financial Institutions Fund Program
5. Dollar threshold used to distinguish between Type A and Type B programs	$1,358,032
6. Auditee qualified as low-risk auditee?	Yes

Section B - Financial Statement Audit Findings

No matters were reported.

Section C - Federal Award Findings

No matters were reported.