NeighborWorks® Capital Corporation

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

December 31, 2023 and 2022

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 Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of NeighborWorks® Capital Corporation (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2023, and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of NeighborWorks® Capital Corporation as of December 31, 2023, and 2022, and the change 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 Statements 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. The financial statements of NC PL LLC, NeighborWorks Capital Green, LLC, and NeighborWorks Capital Consulting, LLC, wholly-owned subsidiaries of NeighborWorks® Capital Corporation, were not audited in accordance with *Government Auditing Standards*.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 consolidated financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated 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 of Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2024 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 25, 2024

NeighborWorks® Capital Corporation

Consolidated Statements of Financial Position
December 31, 2023 and 2022

Assets

	2023	2022
Current assets		
Cash and cash equivalents		
Operations	$ 3,055,991	$ 2,627,887
Operating restricted	24,486	24,413
Operating borrower escrows	1,823,443	1,155,898
Loan capital	26,058,210	9,053,607
Investments - marketable securities	-	526,544
Accounts receivable	31,579	75,246
Loans receivable, net of allowance for loan losses of $1,288,960 and $2,039,528, respectively (Note 4)	35,225,484	36,707,270
Interest receivable	353,418	225,212
Prepaid expenses	79,731	80,327
Total current assets	66,652,342	50,476,404
Interest receivable	373,719	310,580
Loans receivable, net of allowance for loan losses of $2,398,456 and $2,883,142, respectively (Note 4)	65,546,499	56,823,461
Property and equipment		
Office furniture and equipment, net	66,446	44,741
Right-of-use asset, net	432,510	561,499
Leasehold improvements, net	4,303	2,980
Total property and equipment, net	503,259	609,220
Other assets	7,900	10,900
Total assets	$ 133,083,719	$ 108,230,565

See Notes to Consolidated Financial Statements.

NeighborWorks® Capital Corporation

Consolidated Statements of Financial Position
December 31, 2023 and 2022

Liabilities and Net Assets

	2023	2022
Current liabilities		
Accounts payable and accrued liabilities	$ 486,572	$ 276,871
Operating lease liability	136,931	135,091
Borrower escrow and interest reserve	1,823,443	1,155,898
Accrued interest	372,998	171,459
Refundable agreement	764,338	1,410,504
Provision for unfunded commitments	363,785	-
Notes payable, current portion (Note 6)	10,488,045	-
Equity equivalent investments, current portion (Note 6)	-	500,000
Total current liabilities	14,436,112	3,649,823
Operating lease liability	338,895	475,826
Notes payable, net of current portion and unamortized debt issuance costs (Note 6)	46,728,968	45,339,362
Equity equivalent investments (Note 6)	11,500,000	3,500,000
Total liabilities	73,003,975	52,965,011
Net assets		
Without donor restrictions		
Operating	9,236,708	8,656,422
Board designated - lending capital	28,767,285	25,121,119
Loan loss reserve	(4,006,201)	(4,877,670)
Total net assets without donor restrictions	33,997,792	28,899,871
With donor restrictions		
Restricted until first use (Note 7)	3,650,325	5,021,898
Restricted until donor release (Note 7)	22,431,627	21,343,785
Total net assets with donor restrictions	26,081,952	26,365,683
Total net assets	60,079,744	55,265,554
Total liabilities and net assets	$ 133,083,719	$ 108,230,565

See Notes to Consolidated Financial Statements.

NeighborWorks® Capital Corporation

Consolidated Statement of Activities
Year Ended December 31, 2023

	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	-	646,166	-	646,166	-	-	646,166
Contribution revenue	-	-	-	-	-	-	-
Loan fee income, net of participation	635,400	-	-	635,400	-	-	635,400
Interest income - loans	5,531,488	-	-	5,531,488	-	-	5,531,488
Interest income - investments	529,473	-	-	529,473	-	-	529,473
Loan service fee	3,742	-	-	3,742	-	-	3,742
Net assets released from restrictions							
Satisfaction of program restrictions	-	3,000,000	283,731	3,283,731	(4,371,573)	1,087,842	-
Total revenue	6,700,103	3,646,166	283,731	10,630,000	(1,371,573)	1,087,842	10,346,269
Expenses							
Program services							
Interest	1,941,966	-	-	1,941,966	-	-	1,941,966
Provision for credit losses	-	-	(1,087,842)	(1,087,842)	-	-	(1,087,842)
Program expenses	3,158,284	-	-	3,158,284	-	-	3,158,284
Total program services	5,100,250	-	(1,087,842)	4,012,408	-	-	4,012,408
Support services							
Management and general	668,926	-	-	668,926	-	-	668,926
Fundraising	350,641	-	-	350,641	-	-	350,641
Total support services	1,019,567	-	-	1,019,567	-	-	1,019,567
Total expenses	6,119,817	-	(1,087,842)	5,031,975	-	-	5,031,975
Increase (decrease) in net assets	580,286	3,646,166	1,371,573	5,598,025	(1,371,573)	1,087,842	5,314,294
Net assets, beginning of year	8,656,422	25,121,119	(4,877,670)	28,899,871	5,021,898	21,343,785	55,265,554
Adoption of ASC 326	-	-	(500,104)	(500,104)	-	-	(500,104)
Net assets, end of year	$ 9,236,708	$ 28,767,285	$ (4,006,201)	$ 33,997,792	$ 3,650,325	$ 22,431,627	$ 60,079,744

See Notes to Consolidated Financial Statements.

NeighborWorks® Capital Corporation

Consolidated 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
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
Provision for credit losses	-	-	(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

See Notes to Consolidated Financial Statements.

NeighborWorks® Capital Corporation

Consolidated Statements of Functional Expenses
Year Ended December 31, 2023 and 2022

	2023				2022			
Expenditures	Program services	Management and general	Fundraising	Total	Program services	Management and general	Fundraising	Total
Salaries and benefits	$ 2,371,753	$ 549,963	$ 284,357	$ 3,206,073	$ 1,967,838	$ 467,330	$ 259,000	$ 2,694,168
Interest	1,941,966	-	-	1,941,966	1,275,697	-	-	1,275,697
Service fee expense	1,708	-	-	1,708	3,831	-	-	3,831
Professional fees	163,457	41,239	31,238	235,934	235,620	38,884	49,210	323,714
Occupancy	116,190	21,786	7,262	145,238	116,900	21,919	7,306	146,125
Office expenses	7,074	707	79	7,860	9,215	922	102	10,239
Travel	98,982	12,373	12,373	123,728	73,827	4,343	8,685	86,855
Telephone	32,752	3,853	1,927	38,532	30,717	3,614	1,807	36,138
Special events and board retreats	1,368	342	-	1,710	26,316	4,644	-	30,960
Depreciation and amortization, property and equipment	22,624	6,033	1,508	30,165	30,515	8,137	2,034	40,686
Marketing	58,089	-	6,454	64,543	53,066	-	5,896	58,962
Insurance	34,608	4,072	2,036	40,716	31,757	3,736	1,868	37,361
Miscellaneous	42,762	7,547	-	50,309	35,244	6,219	-	41,463
Repairs and maintenance	170,837	17,084	1,898	189,819	156,482	15,648	1,739	173,869
Dues	10,205	1,134	-	11,339	13,599	1,511	-	15,110
Staff development	21,830	2,568	1,284	25,682	6,835	804	402	8,041
Printing	4,045	225	225	4,495	7,058	392	392	7,842
Provision for credit losses	(1,087,842)	-	-	(1,087,842)	(150,134)	-	-	(150,134)
	$ 4,012,408	$ 668,926	$ 350,641	$ 5,031,975	$ 3,924,383	$ 578,103	$ 338,441	$ 4,840,927

See Notes to Consolidated Financial Statements.

NeighborWorks® Capital Corporation

Consolidated Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Changes in net assets	$ 5,314,294	$ 3,866,446
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization, property and equipment	30,165	40,686
Amortization, right-of-use asset	128,989	133,277
Amortization, debt issuance costs	46,567	48,268
Credit losses - Recovery of provision for loan loss	(951,523)	(150,134)
Credit losses - Change in allowance for unfunded commitments	(136,319)	-
Unrealized gain on investments	(3,958)	(1,187)
Impairment loss on investment - other	-	-
Changes in operating assets and liabilities		
Accounts receivable	43,667	(55,641)
Interest receivable	(191,345)	(108,835)
Prepaid expenses	596	(23,383)
Other assets	3,000	-
Operating lease right-of-use asset	-	(694,776)
Accounts payable and accrued liabilities	209,701	(30,712)
Borrower escrow and interest reserve	667,545	1,045,115
Operating lease liability	(135,091)	610,917
Refundable agreement	(646,166)	1,410,504
Accrued interest	201,539	7,476
Net cash provided by operating activities	4,581,661	6,098,021
Cash flows from investing activities		
Advances on loans receivable	(42,552,175)	(29,761,560)
Repayments of loans receivable	36,262,446	32,764,227
Purchases of property and equipment	(53,193)	(14,781)
Proceeds from sales of investments in marketable securities	530,502	-
Net cash (used in) provided by investing activities	(5,812,420)	2,987,886
Cash flows from financing activities		
Proceeds from notes payable	37,244,212	22,500,000
Repayments on notes payable	(17,910,628)	(28,000,000)
Debt issuance costs paid	(2,500)	(31,802)
Net cash provided by (used in) financing activities	19,331,084	(5,531,802)
Net increase in cash and cash equivalents	18,100,325	3,554,105
Cash and cash equivalents, beginning	12,861,805	9,307,700
Cash and cash equivalents, end	$ 30,962,130	$ 12,861,805

See Notes to Consolidated Financial Statements.

NeighborWorks® Capital Corporation

Consolidated Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	$ 1,684,730	$ 1,211,595
Right-of-use asset in exchange for operating lease obligation	$ -	$ 694,776
Reconciliation of cash and cash equivalents		
Cash and cash equivalents	$ 29,114,201	$ 11,681,494
Restricted cash and cash equivalents	1,847,929	1,180,311
Total cash and cash equivalents presented in the statements of cash flows	$ 30,962,130	$ 12,861,805
Significant noncash investing and financing activities:		
Loans receivable written off against the allowance for loan loss	$ 283,731	$ -
Disposal of property and equipment	$ 38,655	$ 10,092

See Notes to Consolidated 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 for the purpose of facilitating long-term capital for permanent loans. NC PL LLC borrowed funds from a lender which were 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 NC PL LLC. The Organization closed on this funding in August 2022 and completed the first draw under this facility in March 2023. NC PL LLC has no activity prior to March 2023. As of December 31, 2023, $21,833,584 of the total loan portfolio is funded by NC PL LLC's funds and recorded under NC PL LLC.

In September 2023, the Organization formed a wholly-owned subsidiary, NeighborWorks Capital Green, LLC, for the purpose of applying for Greenhouse Gas Reduction Fund (GGRF) grants. NeighborWorks Capital Green, LLC is part of the Climate United bid for GGRF funding which was awarded in April 2024. NeighborWorks Capital Green, LLC did not have any activity during 2023.

In December 2023, the Organization formed a wholly-owned subsidiary, NeighborWorks Capital Consulting, LLC, for the purpose of providing consulting services for NeighborWorks America member organizations and other organizations within the affordable housing industry. NeighborWorks Capital Consulting, LLC did not have any activity during 2023.

Note 2 - Summary of significant accounting policies

Basis of presentation

The Organization's consolidated financial statements have been prepared on the accrual basis of accounting and include the assets, liabilities, net assets, and financial activities of NC PL LLC as of and for the years ended December 31, 2023 and 2022, NeighborWorks Capital Green, LLC as of and for the year ended December 31, 2023, and NeighborWorks Capital Consulting, LLC as of and for the year ended December 31, 2023 (the "financial statements"). Accordingly, all significant inter-entity balances and transactions are eliminated in consolidation. For the years ended December 31, 2023 and 2022, there were no significant inter-entity balances within the Organization. Additionally, 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, 2023 and 2022, $0 in capital funds with no identified restriction were received by the Organization. First Use capital funds of $3,000,000 were received in each of fiscal years 2023 and 2022 by the Organization and recorded as a component of net assets with donor restrictions, respectively. During the years ended December 31, 2023 and 2022, 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, 2023 and 2022, $283,731 and $0 were, upon request and consent, released from Donor Release.

The MIA contains certain financial and production covenants. During 2023 and 2022, the Organization sought and was granted waivers related to certain covenants related to production. As of December 31, 2023 and 2022 there were no known compliance issues.

CDFI Grants
Grants and contracts are generally conditional promises 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 from the Community Development Financial Institution ("CDFI Fund"). During 2023 and 2022, $646,166 and $589,496 of the award, respectively, was deployed as lending capital and is presented as Community Development Financial Institutions Fund grants on the accompanying statements of activities. As of December 31, 2023 and 2022, undeployed funds of $764,338 and $1,410,504, respectively, are recorded as refundable agreement on the accompanying statements of financial position.

Contributions
The Organization recognizes contributions when cash, securities, other assets or an unconditional promise to give is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return 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 3 months of operating expenses (less debt expense and noncash charges) based on the current board approved budget and an additional $1,000,000 in liquid assets.

Cash and cash equivalents may include currency on hand, treasury bills, commercial paper or other investments with original maturities of three months or less or with provisions that provide liquidity enhancement. At December 31, 2023 and 2022, 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.

As of December 31, 2023 and 2022, Treasury Bills held by the Organization were $21,432,073 and $0, respectively. Interest earned on treasury bills during the years ended December 31, 2023 and 2022 was $293,462 and $0, respectively.

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. In April 2023, the Board of Directors approved an update of the Organization's investment policies to allow investment of the Organization's excess lending capital into short-term Treasury Bills. As of December 31, 2023 and 2022, investments consisting of amounts that were held in certificates of deposit with carrying values of $0 and $526,544, respectively, which approximates fair value. During the years ended December 31, 2023 and 2022, unrealized gains on investments were $3,958 and $1,187, respectively, and are included as a component of Interest income - investments 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 and Treasury Bills as of December 31, 2023 and 2022 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 account 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 $373,719 and $310,580 in deferred interest as of December 31, 2023 and 2022, respectively.

Allowance for loan loss

Prior to 2023, the amount of the allowance was based on management's formal review and analysis of potential losses and then adjusted as necessary to meet management's assessment of adequacy as well as financial covenants required by the Organization's investors. During 2023, management created a current expected credit loss model in accordance with its adoption of Accounting Standards Codification 326 ("CECL model") that incorporates both internal and external factors and qualitative and quantitative factors. Internal factors considered include considering 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 and providing a risk rating for each project. External factors considered include economic and political factors including inflation, recession, interest rates, political risks to funding and effects of natural disasters or pandemics. Quantitative factors considered include historical charge-off rates for the loan portfolio. Qualitative factors considered include the external factors listed above. Also, as previously disclosed, amounts reported as net assets restricted until donor release provided by NeighborWorks America are eligible to be used as a loan loss reserve on loans funded by those net assets, subject to the approval of NeighborWorks America. The Organization may modify loans for a variety of reasons. Modifications include changes to interest rates, principal and interest payments terms, loan maturity dates, and collateral. Some modifications are in conjunction with a borrower experiencing financial difficulty when a loan is no longer performing under the current loan terms. These modifications may include the types of modifications noted above and/or a forbearance agreement. Additionally, per CECL requirements, a reserve has been added for the organization's unfunded commitments. The organization is reserving for the amount of unfunded commitments that can be reasonably estimated to be funded at the same loan loss reserve percentage as the loan portfolio.

At December 31, 2023 and 2022, the allowance for loan loss was $3,687,416 and $4,922,670, respectively, of which $1,288,960 and $2,039,528 relates to the current portion of loans receivable, respectively. Additionally, as of December 31, 2023, the allowance for unfunded commitments was $363,785, and is recorded as a current liability on the accompanying statements of financial position. 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, 2023, the Organization wrote off a portion of one loan totaling $283,781 utilizing net assets restricted until donor release. During the year ended December 31, 2022, the Organization wrote off no loans. During the years ended December 31, 2023 and 2022, the Organization recognized no recovery on loans receivable previously written off. Since its inception in 2000, as of December 31, 2023 and 2022, the Organization has cumulatively had $3,596,256 and $3,312,525 of loans receivable written off, respectively, 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, 2023 and 2022, accumulated depreciation and amortization were $175,031 and $183,521, respectively, net of disposals during 2023 and 2022 of $38,655 and $10,092, respectively. There were no losses on disposals of property and equipment during 2023 or 2022. Depreciation and amortization expense for the years ended December 31, 2023 and 2022 were $30,165 and $40,686, 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, 2023 and 2022 was $46,567 and $48,268, respectively. Estimated amortization expense for each of the ensuing years through December 31, 2028 is $25,635, $12,614, $8,050, $3,659 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 other tax positions which must be considered for disclosure.

The Organization is the single member of NC PL LLC, NeighborWorks Capital Green, LLC, and NeighborWorks Capital Consulting, LLC (the "subsidiaries"). As such, the subsidiaries are treated as disregarded entities under the Internal Revenue Code and the Organization reports the activities of the subsidiaries and the existence of its controlling interest in the subsidiaries on the Organization's tax return.

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 2020 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
On January 1, 2023, the Organization adopted Accounting Standards Update No. 2016-13, Measurement of Credit Losses on Financial Instruments, and its related amendments. The new standard changes the impairment model for most financial assets that are measured at amortized cost and certain other instruments, including trade receivables, from an incurred loss model to a current and expected loss model and adds certain new required disclosures. Under the current and expected loss ("CECL") model, entities recognize credit losses to be incurred over the entire contractual term of the instrument rather than delaying recognition of credit losses until it is probable the loss has been incurred. In accordance with ASC 326, the Organization evaluates certain criteria, including aging and historical write-offs, current economic condition of specific customers and future economic conditions to determine the appropriate allowance for credit losses. As a result of the adoption of ASC 326, the Organization recorded a cumulative adjustment of $500,104 as a reduction to its January 1, 2023 opening balance of net assets.

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 25, 2024, (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements.

Note 3 - Availability and liquidity

The following represents NeighborWorks Capital's financial assets at December 31, 2023 and 2022:

	2023	2022
Financial assets at year end		
Cash and cash equivalents	$ 30,962,130	$ 12,861,805
Investments - marketable securities	-	526,544
Accounts receivable	31,579	75,246
Interest receivable	353,418	225,212
Total financial assets	31,347,127	13,688,807
Less: Financial assets not available for general		
Cash - operating restricted	(24,486)	(24,413)
Cash - operating borrower escrows	(1,823,443)	(1,155,898)
Cash - loan capital	(26,058,210)	(9,053,607)
Total assets available over the next 12 months to meet general expenditures	$ 3,440,988	$ 3,454,889

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 36 months on a recourse basis secured by a mortgage or other collateral and are repayable upon closing of construction or permanent closing.

- Building Acquisition Loans - for funding needed for purchase of operating 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.

- Other Loan - cash flow loan for the Spruce Meadow project with a 20 year term which will be repaid with cash flows from the project.

- 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.

The following is a summary of loans receivable as of December 31, 2023, and 2022:

	2023		2022	
Type	Number of loans	Net loan amount	Number of loans	Net loan amount
Predevelopment	19	$ 18,345,220	17	$ 15,199,367
Acquisition - Land	14	19,739,964	12	19,108,869
Bridge	3	900,000	1	-
Building acquisition	4	13,516,123	4	6,633,840
Construction	9	2,362,524	11	12,574,422
Enterprise	5	5,225,000	11	10,025,000
Mezzanine/equity	1	318,523	1	301,283
Mini-Permanent	8	7,178,883	8	7,299,727
Other	1	399,692	-	-
Permanent	21	36,473,470	16	27,310,893
Total	85	104,459,399	81	98,453,401
Less: Allowance for loan losses		(3,687,416)		(4,922,670)
Total		100,771,983		93,530,731
Current portion		35,225,484		36,707,270
Long-term portion		$ 65,546,499		$ 56,823,461

Principal maturities of the remaining loans receivable as of December 31, 2023, are as follows:

2024	$ 35,895,552
2025	11,051,484
2026	10,286,350
2027	9,577,900
2028	3,375,390
2030	1,397,862
2031	11,233,032
2032	7,972,001
2033	6,526,724
2034	300,000
2036	1,057,860
2038	2,285,517
2040	1,510,951
2043	1,988,776
	$ 104,459,399

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, 2023, and 2022:

December 31, 2023	Current	31-60 days past due	61-90 days past due	90+ days past due	Total	Nonaccruing loans
Predevelopment	$ 18,345,220	$ -	$ -	-	$ 18,345,220	$ -
Acquisition - Land	19,739,964	-	-	-	19,739,964	-
Bridge	900,000	-	-	-	900,000	-
Building acquisition	13,516,123	-	-	-	13,516,123	-
Construction	2,362,524	-	-	-	2,362,524	-
Enterprise	5,225,000	-	-	-	5,225,000	-
Mezzanine/equity	318,523	-	-	-	318,523	-
Mini-Permanent	5,648,233	-	-	1,530,650	7,178,883	1,530,650
Other	399,692	-	-	-	399,692	-
Permanent	35,163,902	1,309,568	-	-	36,473,470	-
	$ 101,619,181	$ 1,309,568	$ -	$ 1,530,650	$ 104,459,399	$ 1,530,650
Nonaccruing loans	$ -	$ -	$ -	$ 1,530,650	$ 1,530,650	

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	$ -	$ -	$ 9,417,408	$ 98,453,401	$ 9,417,408
Nonaccruing loans	$ -	$ -	$ -	$ 9,417,408	$ 9,417,408	

As of December 31, 2023 and 2022 there are one and two nonaccruing loans totaling $1,530,650 and $9,417,408, 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. In April 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. The remaining balance on the loan was converted to two new loans, a permanent loan and a cash-flow loan.

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 were deferred through September 2023, with the requirement that all cashflow available during that period go towards payments. Starting in October 2023, the borrower has been making monthly payments which have been applied to the outstanding principal balance. The borrower made a payment in December 2023 for part of the unpaid and unaccrued interest. The loan may be placed back on accrual in 2024 if regular payments continue.

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, 2023 and 2022 was $2,937,676 (2.8% of the loan portfolio) and $4,014,962 (4.1% of the loan portfolio), respectively. Additionally, in accordance with various investors' covenants, the Organization is required to maintain an overall minimum allowance for loan losses of at least 3.5% of the loan portfolio and records an adjustment to the allowance for loan losses as necessary to satisfy this covenant ("covenant adjustment"). The covenant adjustment is assessed based on the overall risk-rated analysis of the loan portfolio and, should the overall allocated allowance for loan losses be below 3.5%, a covenant adjustment is recorded based on the total allowance for loan losses by product type until the allowance for losses by product type is 3.5%. This adjustment was not necessary as of December 31, 2023 as the calculated allowance per the CECL model was above 3.5%. The Organization is currently negotiating with investors to reduce or remove the covenant adjustments.

The table below details the Organization's loans by loan type according to their risk rating categories for the years December 31, 2023 and 2022:

December 31, 2023	P-1	P-2	P-3	Questionable	Substandard	Doubtful	Total
Predevelopment	$ -	$ 6,021,279	$ 12,323,941	$ -	$ -	$ -	$ 18,345,220
Acquisition - Land	-	6,877,064	11,880,631	982,269	-	-	19,739,964
Bridge	-	900,000	-	-	-	-	900,000
Building acquisition	-	6,843,379	6,672,744	-	-	-	13,516,123
Construction	-	1,022,804	1,339,720	-	-	-	2,362,524
Enterprise	-	-	5,225,000	-	-	-	5,225,000
Mezzanine/equity	-	-	318,523	-	-	-	318,523
Mini-Permanent	-	3,935,793	1,712,440	1,530,650	-	-	7,178,883
Other	-	-	399,692	-	-	-	399,692
Permanent	-	31,616,134	3,547,768	1,309,568	-	-	36,473,470
	$ -	$ 57,216,453	$ 43,420,459	$ 3,822,487	$ -	$ -	$ 104,459,399

	P-1	P-2	P-3	Questionable	Substandard	Doubtful	Total
Current	$ -	$ 57,216,453	$ 43,420,459	$ 2,291,837	$ -	$ -	$ 102,928,749
Past due 31- 60 days	-	-	-	-	-	-	-
Past due 61 - 90 days	-	-	-	-	-	-	-
Past due 90+ days	-	-	-	1,530,650	-	-	1,530,650
	$ -	$ 57,216,453	$ 43,420,459	$ 3,822,487	$ -	$ -	$ 104,459,399

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

The following table presents an analysis of the allowance for loan losses for the years ended December 31, 2023 and 2022:

December 31, 2023	Pre-development	Acquisition -	Bridge	Building	Construction	Enterprise	Mezzanine/Equity	Mini-Permanent	Other	Permanent	Total
Beginning balance	$ 759,968	$ 955,444	$ -	$ 331,692	$ 628,721	$ 501,250	$ 15,065	$ 364,986	$ -	$ 1,365,544	$ 4,922,670
(Recovery) provision for loan losses	(112,381)	(258,626)	31,770	145,427	(545,324)	(316,807)	(3,821)	(111,571)	297,840	(78,030)	(951,523)
Write-off	-	-	-	-	-	-	-	-	(283,731)	-	(283,731)
Recoveries	-	-	-	-	-	-	-	-	-	-	-
Ending balance	$ 647,587	$ 696,818	$ 31,770	$ 477,119	$ 83,397	$ 184,443	$ 11,244	$ 253,415	$ 14,109	$ 1,287,514	$ 3,687,416

	Pre-development	Acquisition - Land	Bridge	Building Acquisition	Construction	Enterprise	Mezzanine/Equity	Mini-Permanent	Permanent	Permanent	Total
Allowance for loan losses											
Allocated	$ 647,587	$ 696,818	$ 31,770	$ 477,119	$ 83,397	$ 184,443	$ 11,244	$ 253,415	$ 14,109	$ 1,287,514	$ 3,687,416
Covenant adjustment	-	-	-	-	-	-	-	-	-	-	-
Balance per financial statements	$ 647,587	$ 696,818	$ 31,770	$ 477,119	$ 83,397	$ 184,443	$ 11,244	$ 253,415	$ 14,109	$ 1,287,514	$ 3,687,416

December 31, 2022	Pre-development	Acquisition - Land	Bridge	Building Acquisition	Construction	Enterprise	Mezzanine/Equity	Mini-Permanent	Permanent	Permanent	Total
Beginning balance	$ 800,058	$ 1,143,254	$ -	$ 429,260	$ 551,522	$ 637,884	$ -	$ 534,196	$ -	$ 976,630	$ 5,072,804
(Recovery) 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	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

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, 2023, and 2022. There was no gain or loss recognized on the sale of these participation interests. The total balance of loan participations serviced was $1,262,439 and $2,491,487 as of December 31, 2023 and 2022, 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, 2023, and 2022, respectively.

During the years ended December 31, 2023 and 2022, loan participation interest expense totaling $77,876 and $210,799, 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, 2023, and 2022, loan participation interest expense payable was $4,583 and $13,713, 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. At December 31, 2023, the Organization was in compliance with all of its covenants. The Organization's notes payable and equity equivalent investments consisted of the following as of December 31, 2023 and 2022:

Lender	Total credit facility commitments at 12/31/2023	Maturity date	Schedule repayments – Principal – Amount	Schedule repayments – Principal – Due	Schedule repayments – Interest – Annual rate	Schedule repayments – Interest – Due	Principal balance at 12/31/2023	Principal balance at 12/31/2022
Notes payable								
Ally Bank	$ 10,000,000	8/20/2024	$ 5,000,000	Maturity	2.50%	Quarterly	$ 5,000,000	$ 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	4,000,000
Truist	5,000,000	12/1/2026	-	Maturity	Bank prime rate	Monthly	-	-
Capital One Bank	1,500,000	3/22/2025	1,500,000	Maturity	2.25%	Quarterly	1,500,000	1,500,000
Morgan Stanley	10,000,000	6/30/2028	-	Maturity	30 day SOFR+ 2%, 2.15% floor	Monthly	-	-

Lender	Total credit facility commitments at 12/31/2023	Maturity date	Schedule repayments: Principal Amount	Schedule repayments: Principal Due	Schedule repayments: Interest Annual rate	Schedule repayments: Interest Due	Principal balance at 12/31/2023	Principal balance at 12/31/2022
PNC Bank	4,000,000	12/16/2026	4,000,000	Maturity	3.00%	Monthly	4,000,000	4,000,000
TD Bank	7,500,000	8/31/2024	-	Maturity	1.627%+ 30 Day SOFR	Monthly	-	7,500,000
CDFI Fund	488,045	6/23/2024	488,045	Maturity	2.00%	Semi- Annual	488,045	488,045
CDFI Fund	511,955	6/11/2028	511,955	Maturity	1.95%	Semi-Annual	511,955	511,955
CDFI Fund	950,000	6/6/2029	950,000	Maturity	2.50%	Semi-Annual	950,000	950,000
Wells Fargo	10,000,000	12/17/2025	-	Maturity	2% + Daily SOFR	Quarterly	-	-
HSBC Bank	3,000,000	6/30/2028	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	-	-
Atlantic Union	3,000,000	6/30/2024	-	Maturity	30 day SOFR + 1.870% rounded to the nearest 0.125%	Monthly	-	-
OFN	5,000,000	5/2/2032	5,000,000	Maturity	3%	Quarterly	5,000,000	5,000,000
Charles Schwab Permanent Loan Fund	21,833,584	8/30/2038	21,833,584	Maturity	Lesser of swap rate +1.65% or 3.5%	Monthly	21,833,584	-
Charles Schwab Bank	6,000,000	7/26/2028	6,000,000	Maturity	3.50%	Quarterly	6,000,000	-
Charles Schwab Bank	9,000,000	7/26/2028	-	Maturity	Federal Funds Range + 1.25% with a floor of 3.5%	Quarterly	-	3,500,000
Total notes payable	**124,783,584**						**57,283,584**	**45,450,000**

Lender	Total credit facility commitments at 12/31/2023	Maturity date	Schedule repayments: Principal Amount	Principal Due	Interest Annual rate	Interest Due	Principal balance at 12/31/2023	Principal balance at 12/31/2022
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	8,500,000	6/7/2035	1,062,500	7/1/2033	2.00%	Quarterly	8,500,000	1,000,000
			1,062,500	10/1/2033				
			1,062,500	1/1/2034				
			1,062,500	4/1/2034				
			1,062,500	7/1/2034				
			1,062,500	10/1/2034				
			1,062,500	1/1/2035				
			1,062,500	6/7/2035				
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	**11,500,000**						**11,500,000**	**4,000,000**
Total notes payable and equity equivalent investments	**$ 136,283,584**						**$ 68,783,584**	**$ 49,450,000**

Undrawn commitments on credit facilities at December 31, 2023 and 2022 were $67,500,000 and $85,500,000, 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, 2023 and 2022, notes payable included $11,500,000 and $4,000,000 of EQ2 investments, respectively.

The following schedule lists the maturities of all notes payable and equity equivalent investments at December 31, 2023:

2024	$ 10,488,045
2025	2,500,000
2026	5,000,000
2027	1,000,000
2028	10,511,955
Thereafter	39,283,584
	$ 68,783,584

Unamortized debt issuance costs of $66,571 and $110,638 as of December 31, 2023, and 2022, respectively, are reported as a direct deduction from notes payable (see Note 2). Amortization expense for each of the years ended December 31, 2023, and 2022 was $46,567 and $48,268 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, 2023, and 2022 are as follows:

	2023			
	12/31/2022	Contributions received	Satisfaction of donor restrictions	12/31/2023
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)	-
Loans written off, approved by NeighborWorks® America for Release of Restrictions	(3,312,525)	-	(283,731)	(3,596,256)
Loan Loss Reserve Provision	8,235,195	-	(1,087,842)	7,147,353
Total Lending activity	4,922,670	3,000,000	(4,371,573)	3,551,097
Total	$ 5,021,898	$ 3,000,000	$ (4,371,573)	$ 3,650,325

	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)	-
Loans written off, approved by NeighborWorks® America for Release of Restrictions	(3,312,525)	-	-	(3,312,525)
Loan Loss Reserve Provision	8,385,239	-	(150,134)	8,235,195
Total Lending activity	5,072,714	3,000,000	(3,150,134)	4,922,670
Total	$ 5,171,942	$ 3,000,000	$ (3,150,134)	$ 5,021,898

Net assets restricted until donor release as of December 31, 2023, and 2022 are as follows:

	2023			
	12/31/2022	Contributions received	Reclassification of allowance for loan loss	12/31/2023
NeighborWorks® America Revolving Loan & Capital Projects Fund	$ 29,578,980	$ -	$ -	$ 29,578,980
Loan Loss Reserve Provision	(8,235,195)	-	1,087,842	(7,147,353)
Total	$ 21,343,785	$ -	$ 1,087,842	$ 22,431,627

	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

Note 8 - Loan commitments - NeighborWorks® America affiliates

As of December 31, 2023, and 2022, the Organization has committed to make loans to various NeighborWorks® America affiliates totaling $49,418,799 and $37,955,526, 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 will be $10,664.

The Organization adopted Topic 842 on January 1, 2022. Pursuant to the adoption of Topic 842, 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 liabilities. As the rate implicit in the leases 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, 2023 and 2022, the unamortized right-of-use asset was $432,510 and $561,499, respectively, and the unamortized operating lease liability was $475,826 and $610,917, respectively.

During the years ended December 31, 2023 and 2022, rent expense (including imputed interest and amortization of the right-of-use asset) related to its office leases was $145,238 and $146,125, 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, 2023, are summarized as follows:

2024	$ 142,636
2025	146,558
2026	150,589
2027	64,471
	504,254
Less: Interpolation of the US Treasury Daily Par Yield Curve rate for points in between periods of the remaining lease term - 1.37%	(28,428)
	$ 475,826

Note 10 - Pension plan

During 2023 and 2022, 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, 2023 and 2022 totaled $142,899 and $122,343, 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, 2023, and 2022, the Organization had seven and five loans outstanding, respectively, totaling $6,820,775 and $1,898,742, 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, 2023 and 2022 is as follows:

	2023	2022
Notes payable and EQ2s	$ 68,783,584	$ 49,450,000
Undrawn credit facility commitments	67,500,000	85,500,000
Board designated - lending capital	28,767,285	25,121,119
Restricted until donor release	22,431,627	21,343,785
Total available lending capital	$ 187,482,496	$ 181,414,904

As of December 31, 2023 and 2022, total lending capital deployed as loans receivable, net of the allowance for loan losses, was $100,771,983 and $93,530,731, respectively.

Supplementary Information

NeighborWorks® Capital Corporation

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2023

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	99.U01-117-328	N/A	$ -	$ 28,982,724
			-	28,982,724
Community Development Financial Institutions Fund Program				
Capital Magnet Fund	21.011		-	646,166
Loan Program	21.020		-	1,950,000
			-	2,596,166
Total U.S. Department of Treasury			-	31,578,890
Total Expenditures of Federal Awards			$ -	$ 31,578,890

The accompanying notes are an integral part of this schedule.

Note 1 - Basis of presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity for NeighborWorks® Capital Corporation under the programs of the federal government for the year ended December 31, 2023. 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, 2023 consists of:

CFDA Number	Program Name	Outstanding Balance at December 31, 2023
21.020	CDFI Fund - Loan Program	$ 1,950,000

Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
NeighborWorks® Capital Corporation

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of NeighborWorks® Capital Corporation, which comprise the consolidated statement of financial position as of December 31, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements and have issued our report thereon dated April 25, 2024. The financial statements of NC PL LLC, NeighborWorks Capital Green, LLC, and NeighborWorks Capital Consulting, LLC, wholly-owned subsidiaries of NeighborWorks® Capital Corporation, were not audited in accordance with *Government Auditing Standards,* and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with these subsidiaries.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 25, 2024

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

To the Board of Directors
NeighborWorks® Capital Corporation

Report on Compliance for Each Major Federal Program

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, 2023. 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, 2023.

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.

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 25, 2024

Schedule of Findings and Questioned Costs
December 31, 2023

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
#99.U01-117-328	Neighborhood Reinvestment Corporation Act

5. Dollar threshold used to distinguish between Type A and Type B programs — $947,367
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.

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