



CAPITAL

Dynamic Solutions Unwavering Commitment

2023 Annual Report



Letter from the CEO and Board President



Jim Peffley, Chief Executive Officer

2023 was a banner year for NeighborWorks Capital. We reached a record-high level of lending, committing a total of \$83 million and directly investing \$47 million to support the growth of our network partners.

While we grew our traditional multifamily and single-family real estate lending, we also launched the Equitable Capital Initiative, a set of strategies and tools to expand our support of the NeighborWorks network in ways that will help grow their work and impact. As part of this initiative, we launched NeighborWorks Capital Consulting to connect organizations with high-quality, diverse consultants who bring national experience and expertise to augment existing staff capacity, provide advice, and offer industry insights and best practices. We also continue to develop new strategies to expand access to capital for the network, like the NeighborWorks Capital Equity Fund and NeighborWorks Capital Green, which you can read more about in this report.

In today's challenging capital environment, network members are experiencing reduced availability of capital and higher borrowing costs. NeighborWorks Capital continues to demonstrate leadership in a variety of ways. We protect our customers from rate increases and step in to fill industry lending gaps. We proactively engage investors to increase capital availability. And our team advocates and organizes convenings to create viable solutions to address this historic industry challenge. Neither NeighborWorks Capital nor the members of the network are immune from the current market challenges, and we will continue to push forward on all fronts to attract new capital and be responsive to our customers' needs.

We invite you to read more about our work and impact in 2023, and we look forward to continued partnership and growth in the years to come.



Rosa Rios Valdez, President, Board of Directors

2023

By the Numbers

2,729 HOMES

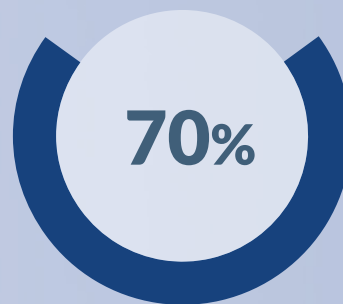
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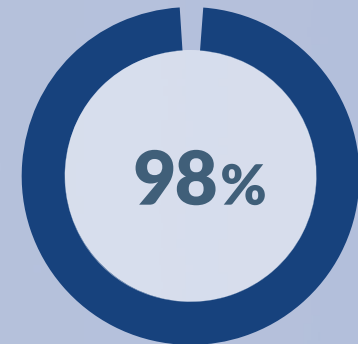
Impact in Underserved Communities



Loan capital invested in majority-minority neighborhoods



Loan capital invested in low income areas



Homes affordable under 80% AMI



SUPPORTING
\$906MM
IN TOTAL INVESTMENT

Through a direct investment of **\$47 million** and leveraging of public/private capital over **18x** our direct investment

New Kensington CDC

Powered by the Community they Serve

New Kensington Community Development Corporation (NKCDC) is a community-driven nonprofit providing real estate development, small business assistance, health services and many other community resources across the Kensington, Port Richmond, and Fishtown neighborhoods of Philadelphia, PA. They have a long tenure of activity and a strong voice in advocating for resources and securing philanthropic funding. We recently spoke with Tess Watts, NKCDC's Communications Manager, about the Kensington Avenue Redevelopment project and their partnership with NeighborWorks Capital.

The history of disinvestment and departure of industry in Kensington have led to intersecting crises including the opportunity for the drug trade to supplant what industry used to exist. Residents are isolated and experiencing violence, poverty, blighted properties, drug use, and lack of access to healthy foods and health services. By centering community voices, NKCDC seeks to help create new conditions for residents and community members to harness their assets and build upon their existing strengths. The first step in this project is to stabilize key properties along the commercial corridor so that residents have access to critically needed health resources and safe places to engage and push forward a resident-driven plan for development.

One of the first properties to be redeveloped will become a space for community members to safely come together and build capacity so that they can actively shape their neighborhood. NeighborWorks Capital extended a \$1.5 million pre-development line of credit to NKCDC to support this project.

In addition to procuring these flexible funds quickly, the extended term length is of particular benefit to NKCDC as they develop strategies for future development. Knowing they have longer-term access to these funds allows them to strategically plan in a way that they wouldn't be able to with shorter-term resources.

Nicole Westerman, NKCDC's Vice President of Economic Development further amplified the importance of the relationship, saying that "NeighborWorks Capital took the time to get to know us and the environment we're working in, and they have been actively engaged to help us accomplish our goals. Their loans are more flexible and patient than anything we could get from another lender."

NKCDC is publishing a series of reports about this work, the first of which was released in 2023, [Kensington Planning Process: History, Context, Voices](#). The report outlines Kensington's history of disinvestment and imposed strategies, data on the current community conditions, and the first results of an ongoing participatory engagement process that centers the Kensington community's voice. Additional reports will be released in 2024.



The Kensington Avenue Redevelopment: Health, Wellness, and Healing plan includes strategies for increased community participation in decision-making.

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This line of credit is transformative for us and allows us to increase impact in the immediate short-term and the long-term. The properties we are able to rapidly develop are essential resources for residents. They change people's lives by providing services, resources, and opportunities. This line of credit allows us to be responsive in ways that organizations usually can't be.

- Tess Watts, Communications Manager, NKCDC

Equitable Capital Initiative

In 2023 we began launching the Equitable Capital Initiative to expand how we help network organizations grow their work and impact. The Equitable Capital Initiative is an important way we are deepening our strategic collaboration with NeighborWorks America and doing more to bring financial, human, and intellectual capital to NeighborWorks network organizations.



NeighborWorks Capital Green

The Greenhouse Gas Reduction Fund (GGRF) presents a generational opportunity to mobilize financing and private capital to address the climate crisis with a specific focus on communities that have been historically left behind. As a member of the Climate United Collaborative, we are managing the national CDFI channel for multifamily lending, including loans for retrofitting existing properties and the construction of new Net-Zero properties. We are also coordinating training of the industry to engage in energy-related lending and build knowledge of the GGRF opportunity.



NeighborWorks Capital Equity Fund

Collectively, network organizations produce more affordable multifamily units than the top five for-profit developers combined. Yet individually, they typically do not have the size or scale needed to negotiate the same Low Income Housing Tax Credit (LIHTC) terms as top-tier developers. We have partnered with National Equity Fund to bring LIHTC equity to network organizations, regardless of individual size, with equitable terms that are consistent with those received by large developers.



NeighborWorks Capital Consulting

Because of their size and geographic footprint, many network organizations lack the necessary staff resources and access to critical national expertise to advance their work. This is compounded by the national challenge of recruiting and retaining talent in the nonprofit sector. NeighborWorks Capital Consulting is designed to help remove these barriers by connecting organizations with high-quality, diverse consultants who bring national experience and expertise to augment existing staff capacity and offer industry insights and best practices.

Financials

NeighborWorks Capital's financial condition and capital structure continued to be strong in 2023. Our sound capitalization was supported by a net asset to total asset ratio of 45% as the loan portfolio increased to \$104.5 million. We experienced our 14th year of operating surpluses with a self-sufficiency ratio of 111%.

Condensed Statement of Financial Position

	2023	2022
ASSETS		
Cash and Investments	\$ 30,962,130	\$ 13,388,349
Loans Receivable (Net of Allowance)	100,771,983	93,530,731
Property & Equipment (net)	503,259	609,220
Other Assets	846,347	702,265
Total Assets	\$ 133,083,719	\$ 108,230,565
LIABILITIES		
Notes Payable	\$ 57,217,013	\$ 45,839,362
Equity Equivalent Investments	11,500,000	3,500,000
Other Liabilities	4,286,962	3,625,649
Total Liabilities	\$ 73,003,975	\$ 52,965,011
NET ASSETS		
Without Donor Restriction	\$ 33,997,792	\$ 28,899,871
With Donor Restriction	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

Statement of Activities - Operations

	2023	2022
REVENUE		
Loan Interest Income	\$ 5,531,488	\$ 4,401,876
Interest Expense	1,941,966	1,275,697
Net Interest Income	\$ 3,589,522	\$ 3,126,179
Grants	0	125,000
Loan Fees	639,142	557,145
Investment Income and Misc Revenue	529,473	33,856
Total Fee & Grant Income	\$ 1,168,615	\$ 716,001
Total Revenue	\$ 4,758,137	\$ 3,842,180
EXPENSE		
Personnel & Benefits	\$ 3,206,073	\$ 2,694,168
Consulting / Professional	235,934	323,714
Other Operating	735,844	697,482
Total Expenses	\$ 4,177,851	\$ 3,715,364
Net Operating Surplus (Deficit)	\$ 580,286	\$ 126,816
Memo: Revenue excludes NWA & CDFI Fund grants	\$ 3,589,496	\$ 4,326,265
Memo: Expenses excludes loan loss reserve contributions	\$ -150,134	\$ -177,196

Investment & Funding Partners

NeighborWorks Capital has continued our trend of successfully bringing new investors on board while expanding existing relationships. During 2023, we laid the groundwork to build a scalable financial model, closed a new \$8.5 million EQ2 facility with Wells Fargo, and received a \$3 million capital grant from NeighborWorks America.



National Scale Local Impact

NeighborWorks Capital investment and funding partners share our vision of a more equitable capital landscape and work with us to empower community-based and community-driven initiatives.

As a CDFI serving the NeighborWorks network, we deploy funds to highly capable organizations working in communities across the country. NeighborWorks America comprises nearly 250 strong, capable nonprofit housing and community development organizations. One or more of these organizations are likely driving positive community change in your area today.

Your Support

Makes the greatest impact with national scale that's locally driven.

Our NeighborWorks America customer base gives us the ability to deploy funds at a financial and geographic scale that far exceeds other opportunities.

Helps create more equitable and inclusive community engagement.

Unlike many community development approaches that impose solutions from the outside, our NeighborWorks America customer base uses a community-first approach driven by the voices and aspirations of local residents. This helps to break down barriers and empower local resident leadership.

Reaches the hard-to-reach places where they're needed most.

Unlike other national intermediaries that primarily serve large metro areas, we can help you reach urban, suburban, rural, and Native communities. With us, your funds get to the often-overlooked communities and to the people who are working for equity and inclusion in their own neighborhoods.

Works as hard as the people they serve.

Funds can support a wide variety of affordable housing and community development initiatives, allowing us to target your support to achieve any number of purposes.



Matt Glatting

Chief Financial Officer

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Laura Altomare

Chief Growth Officer

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Let's explore ways to partner together!

STAFF

Mike Haas, Senior Loan Officer
Maya Dickens, Director of Loan Closings
Hripsime Grigoryan, Loan Closer
James Henson, Loan Underwriter
Adam Coile, Director, Portfolio Management
Tiana Coll, Director, Analysis & Technology Operations
Vince Episcopo, Portfolio Manager

Jim Peffley, Chief Executive Officer
Steve Peelor, Chief Lending Officer
Beth O’Leary, Chief Risk Officer
Matt Glatting, Chief Financial Officer
Nancy Wagner-Hislip, Chief of Consulting
Laura Altomare, Chief Growth Officer
Lanie Wasserman, Senior Loan Officer

Alexas Koontz, Portfolio Analyst
Rachel Haywood, Office Manager
Brent Bozman, Controller
Leila Zhu, Senior Accountant
Mieva Herbert, Accountant
Rachel Silva, Marketing & Communications Manager
Brendan Barry, Project Manager - Business Growth

BOARD OF DIRECTORS

Charlotte Crow
Fred Dodson
Leah Evans
Emmanuel Kinard

Rosa Rios Valdez, President
Megan Teare, Vice President/Secretary
Caroline Horton, Treasurer
Grace Chionuma

Andy Madeira
Eileen Neely
Jeff Reed

BOARD COMMITTEES

Finance Committee

Caroline Horton, Chair
Grace Chionuma
Charlotte Crow
Eileen Neely
Jeff Reed
Megan Teare

Loan Committee

Fred Dodson, Jr., Chair
Tommy FitzGibbon, Jr.
Emmanuel Kinard
Andy Madeira
Peter Quigley

DEI Committee

Leah Evans, Chair
Rosa Rios Valdez
Fred Dodson
Megan Teare

Our **WHY** Statement

We believe the NeighborWorks America network is a powerful catalyst for locally-driven community advancement. We support their equitable and inclusive work by connecting human, financial, and intellectual capital.



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