



2019 ANNUAL REPORT





LETTER FROM CEO/BOARD PRESIDENT

Dear Friends,

As we reflect on 2019, the Board of Directors and team at NeighborWorks Capital want to thank the customers, partners, investors, and committee volunteers who have supported us in our mission to provide flexible capital to communities across the NeighborWorks network. 2019 marked the completion of the first year of our **2019-2023 Strategic Plan** and we are pleased with the progress we have made and the results and impact on communities across the country!

In fact, 2019 was our biggest year in our history, closing a record number of 32 loans totaling more than \$56 million. We also welcomed 12 new NeighborWorks customers and expanded our financing solutions in a number of areas, with additional resources and an increased focus on rural and enterprise lending, and lines of credit. NeighborWorks Capital is working with organizations in 44 states. Rental and for-sale properties continue to be a substantial and important part of our lending, which created and preserved nearly 1,400 affordable homes.

By the end of the year, we made progress toward these strategic goals:

- ⊙ Increased lending impact by \$56 million
- ⊙ Increased loan capital available by \$10.4 million

As we continue to see increased demand for flexible financing solutions, we remain focused on providing excellent value and customer service. And NeighborWorks Capital's investors remain confident in our performance and growth. In 2019, they committed more than \$10 million in new and increased capital for our lending.

Now with 11 straight years of self-sufficiency, NeighborWorks Capital continues to grow financially stronger, concluding 2019 with \$102 million in total assets, an increase of \$16 million (19%). Our lending impact, strong capital deployment, and portfolio management has allowed us to expand our capacity to assist more NWO projects with more loan products.

We are proud to have a committed and experienced Board of Directors and committee members that understand community development at the grassroots level and the range of financing tools needed to achieve that. NeighborWorks Capital continues to be a valuable source of financing solutions in a constantly changing affordable housing finance sector. We remain committed to being flexible, creative, and a partner to the NeighborWorks network as it addresses local community development needs.



Kristin Faust
Board Chair



Jim Ferris
Chief Executive Officer



PRODUCTION



ACQUISITION

10 loans
460 homes

\$18,930,502



CONSTRUCTION

2 loans
58 homes

\$16,444,000



PERMANENT

3 loans
198 homes/
25,000 SF commercial

\$5,267,143



PREDEVELOPMENT

5 loans
180 homes/
12,332 SF commercial

\$3,075,000



LINE OF CREDIT

4 loans
250 homes

\$4,700,000



ENTERPRISE CAPITAL

8 loans
272 homes

\$7,740,000

2019

NeighborWorks® CAPITAL Impact

TOTAL



1,418
HOMES



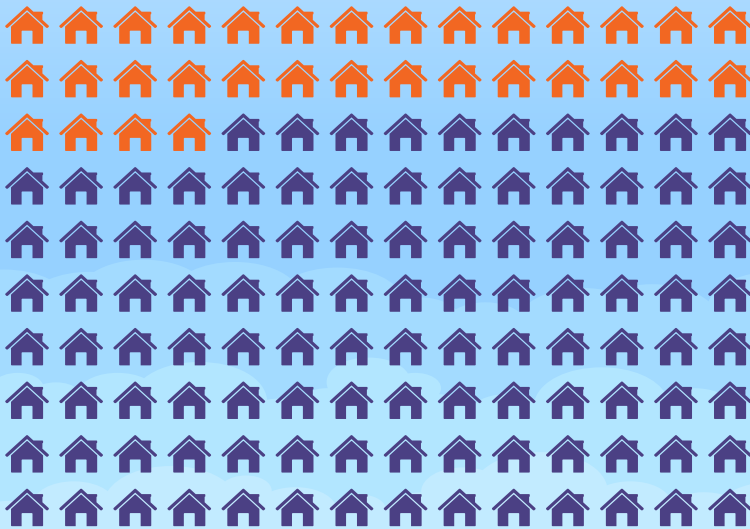
30
LOANS



\$56M
INVESTED

BREAKDOWN

HOMES



For Sale Rental

NUMBER OF LOANS



16 ENTERPRISE LOANS



9 RENTAL LOANS



4 FOR SALE LOANS



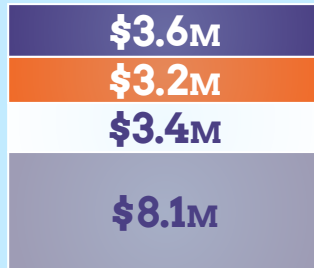
1 COMMERCIAL LOAN

INVESTMENTS

NEW BORROWERS



REPEAT BORROWERS



Rental



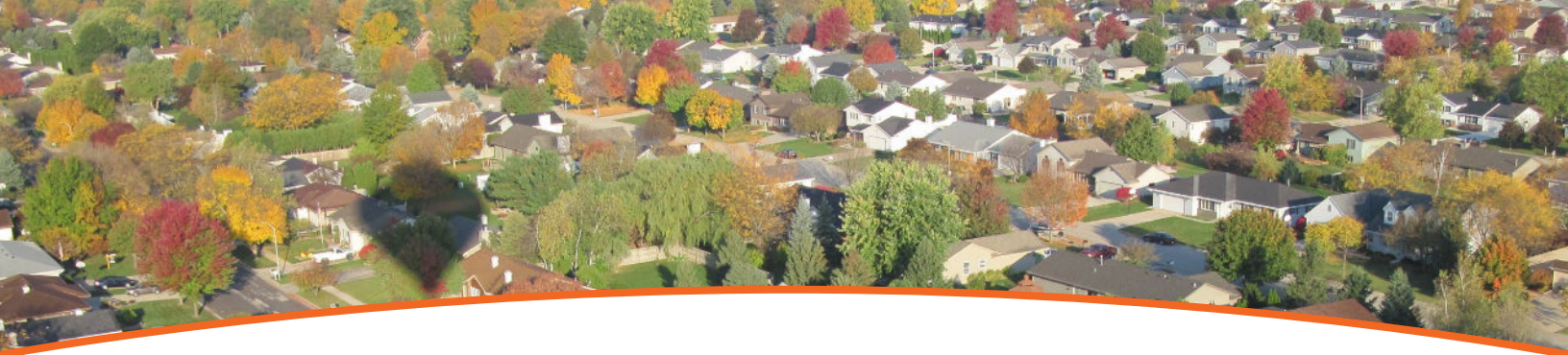
For Sale



Enterprise



Commercial



STORIES



ACQUISITION: LAS HACIENDAS



To address an affordable housing shortage, network member Community HousingWorks (CHW), located in San Diego, requested two loans for their new Las Haciendas development: a \$3.65 million land acquisition, and a \$1.2 million predevelopment loan with up to 105 percent LTV. The predevelopment budget includes standard predevelopment expenses, such as legal, architect/engineering, and tax-credit application related costs and fees. "Working with NeighborWorks Capital was an incredibly streamlined process backed by a strong team of origination, underwriting, and closing professionals. In addition to the land acquisition financing, the predevelopment loan option allows us to draw down funds as we incur costs prior to construction close," said Stephen Swiecicki, Acquisitions Manager for CHW. [READ MORE](#)



CONSTRUCTION: FLOGROVE



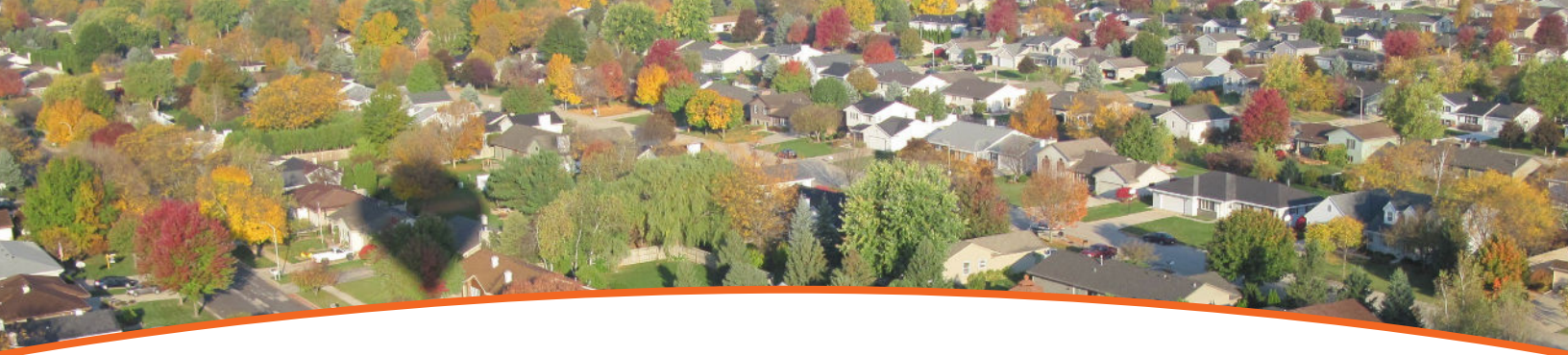
To help fulfill the great need for single-family construction in rural Oregon, we provided DevNW a \$3 million loan for 18 new homes in two locations 80 miles apart. The organization broke ground in January 2020 for its FloGrove development, which will cater to families below 80 percent AMI (\$51,900 for a family of four) and includes 1-, 2-, and 3-bedroom homes. "It was quite a feat to get FloGrove fully funded," said Erin Dey, Director of Real Estate Development for DevNW. "When we first started, this project was risky, new, and innovative, because it was a new funding source. NeighborWorks Capital got behind the project and was willing to work with us. We were definitely a team throughout the process," Dey said. [READ MORE](#)



PERMANENT: KENSINGTON VILLAGE



NeighborWorks Capital provided a \$1.5 million mezzanine loan to Community Housing Partners (CHP) to acquire the Kensington Village property in Winston-Salem, NC, which included CHP's assumption of an existing \$4.6M Freddie Mac mortgage. Kensington Village features 142 affordable 1-, 2-, and 3-bedroom apartments. "As the project financing changed, NeighborWorks Capital was able to remain flexible to enable us to get the financing to acquire this property," said Kirsten Anderson, Vice President of Asset Management for CHP. "NeighborWorks Capital understands the mission of what we're doing. Affordable housing isn't always as understood in the commercial banking world. NeighborWorks Capital is very supportive of the mission and very easy to work with." [READ MORE](#)



STORIES



PREDEVELOPMENT: FIFTH AVENUE COMMITTEE



Fifth Avenue Committee (FAC) is bringing 84 affordable apartments for seniors to Brooklyn's Sunset Park, where the median income for those 65 and older is \$26,700 and market rents are \$2,000 per month for a studio. "The housing crisis is especially acute for low-income seniors, so we wanted to focus on providing homes for them," said FAC Project Manager Vincent DeCesare. FAC reached out to NeighborWorks Capital for a \$400,000 loan for predevelopment costs for the new construction and rehab project, in advance of securing an LIHTC allocation. This project has significant support, and FAC has also secured major financing from NYC HPD, NYC School Construction funds, and has a permanent loan commitment from CPC. [READ MORE](#)



ENTERPRISE CAPITAL: CAPNA



NeighborWorks Capital develops deep partnerships with the organizations we invest in and we're betting on them. Our knowledge of the borrower and previous experience with them means we know their track record, and have confidence in their ability to deliver. Our short-term bridge loans help organizations with liquidity needed to complete their projects, so they can increase their pace of development, which leads to more affordable housing for families in the areas that need it most. When Alabama's leading nonprofit affordable housing developer, Community Action Program of North Alabama (CAPNA) secured LIHTCs for two projects, it turned to NeighborWorks Capital to bridge the gap created by predevelopment costs and state-required 15% deposits. NeighborWorks Capital provided working capital through an \$800,000 enterprise loan. [READ MORE](#)

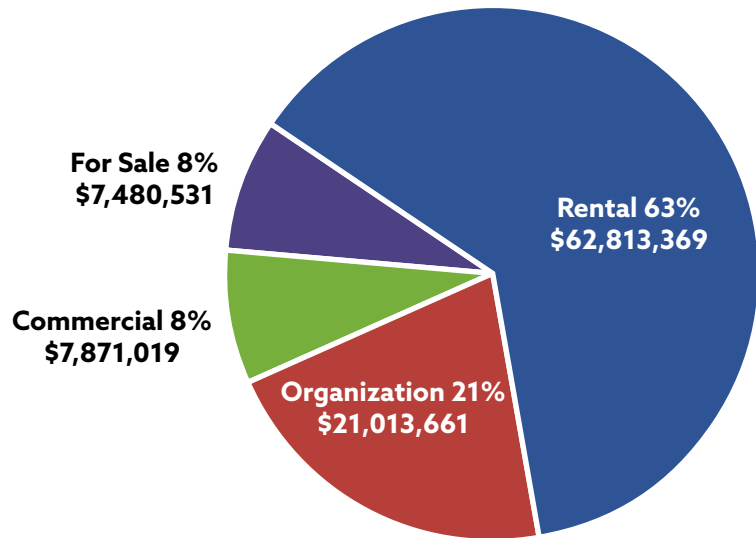


LOAN PORTFOLIO

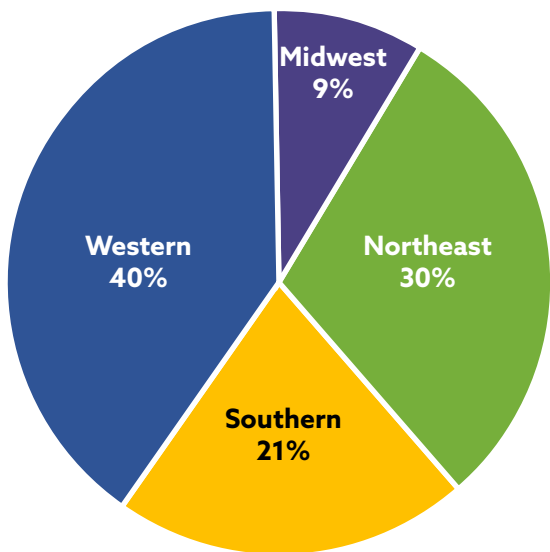
At end of 2019 NeighborWorks Capital loan portfolio data:

- Total portfolio managed grew by almost 24% to \$97.4 million with an additional \$48.8 million in loan commitments (Lines of Credit and Construction)
- 89 loans to 53 NWOs
- Average loan size of \$1.1 million
- No loan charge-offs in last four years
- Strong credit quality: P-1 (1%), P-2 (45%), P-3 (50%), Questionable (4%)

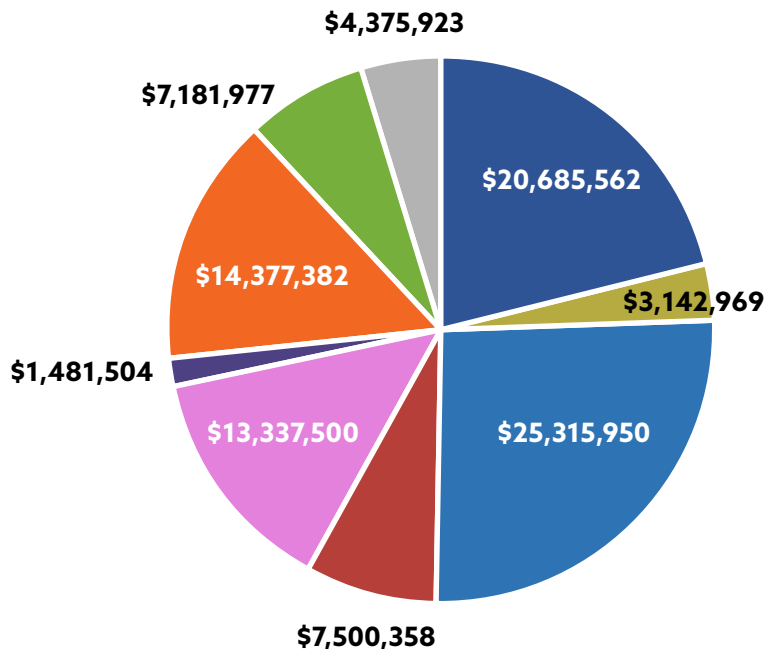
Portfolio by Use



Portfolio by Region



Portfolio by Loan Type



- ACQUISITION-LAND
- BRIDGE
- BUILDING ACQUISITION
- CONSTRUCTION
- ENTERPRISE GROWTH
- MEZZANINE/EQUITY
- MINI-PERM
- PERMANENT
- PREDEVELOPMENT

FINANCIALS

Condensed Statement of Financial Position

	2019	%	2018	%	% Change
ASSETS					
Cash and Investments	\$7,403,680		\$9,707,778		-24%
Loans Receivable (Net of Allowance)	93,990,155		75,879,441		24%
Capital Assets (net)	88,940		21,068		322%
Other Assets	484,762		403,565		20%
Total Assets	\$101,967,537	100%	\$86,011,852	100%	19%
LIABILITIES					
Notes Payable	\$53,719,749		\$40,699,958		32%
Equity Equivalent Investments	2,000,000		2,000,000		0%
Other Liabilities	546,188		447,076		22%
Total Liabilities	\$56,265,937	55%	\$43,147,034	50%	30%
NET ASSETS					
Without Donor Restriction	\$17,649,142		\$14,857,360		19%
With Donor Restriction	28,052,458		28,007,458		0%
Total Net Assets	\$45,701,600	45%	\$42,864,818	50%	7%
Total Liabilities and Net Assets	\$101,967,537	100%	\$86,011,852	100%	19%

Statement of Activities - Operations

	2019	2018	% Change
REVENUE			
Loan Interest	\$4,508,465	\$3,989,561	13%
Interest Expense	1,616,341	1,313,963	23%
Net Interest Income	\$2,892,124	\$2,675,598	8%
GRANT	0	150,000	-100%
Loan Fees	676,456	445,082	52%
Investment Income and Misc Revenue	64,677	37,931	71%
Satisfaction of Program Restrictions	30,000	75,117	100%
Total Fee & Grant Income	771,133	708,130	9%
Total Revenue	\$3,663,257	\$3,383,728	8%
EXPENSE			
Personnel & Benefits	1,624,837	1,496,221	9%
Consulting / Professional	430,901	311,013	39%
Other Operating	558,872	611,144	-9%
Total Expenses	\$2,614,610	\$2,418,378	8%
Net Operating Surplus (Deficit)	\$1,048,647	\$965,350	9%
<i>Memo: Revenue excludes NWA grants</i>	\$2,400,000	\$2,150,000	
<i>Memo: Expenses excludes loan loss reserve contributions</i>	\$656,865	\$311,256	
<i>Memo: Revenue excludes other restricted grants</i>	\$75,000	\$-	



INVESTORS

NeighborWorks Capital would like to thank the continued strong commitment and growth from our equity and debt investors. In 2019, NC's available capital to lend increased 13% to \$136.5 million.



Morgan Stanley



THE KRESGE FOUNDATION



charles SCHWAB BANK





OUR TEAM

STAFF

Jim Ferris, Chief Executive Officer

Brent Bozman, Controller

Jarrod Brennet*, Portfolio Manager

Joshua Chatman*, Business Analyst

Adam Coile, Senior Portfolio Manager

Emily Dorfman, Senior Loan Officer

Mieva Herbert, Accountant

Jack Holtgreive, Senior Portfolio Analyst

Versia Lewis*, Office Manager

Leila Lucas, Manager, Loan Closings

Dana Moore, Chief Financial Officer

Beth O'Leary, Chief Portfolio Officer

Steve Peelor, Chief Lending Officer

Tamar Sarkisian, Senior Loan Officer

*new staff

BOARD OF DIRECTORS

Kristin Faust, President | President,
NHS of Chicago

Jeanne Pinado, Vice President | Chief Executive
Officer, Madison Park Development Corp.

Jeff Reed, Treasurer | President, Community
Housing Partners

Peter Daly | Executive Director, Cambridge
Neighborhood Apartment & Housing Services

Michael Carroll | Director of Lending, Rural LISC

Caroline Horton | Chief Financial Officer, Aeon

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

Rosa Rios Valdez | Executive Director, BCL of Texas

Rebecca Regan | President, Capital Markets
Housing Partnership Network

VISION:

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

MISSION:

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



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