

NeighborWorks® Capital Corporation

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

December 31, 2024 and 2023



NeighborWorks® Capital Corporation

Index

	<u>Page</u>
Independent Auditor's Report	2
Consolidated Financial Statements	
Consolidated Statements of Financial Position	5
Consolidated Statements of Activities	7
Consolidated Statements of Functional Expenses	9
Consolidated Statements of Cash Flows	10
Notes to Consolidated Financial Statements	12
Supplementary Information	
Schedule of Expenditures of Federal Awards	33
Notes to Schedule of Expenditures of Federal Awards	34
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	35
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance	37
Schedule of Findings and Questioned Costs	40

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, 2024 and 2023, 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, 2024 and 2023, 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, 2025 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.



Bethesda, Maryland
April 25, 2025

NeighborWorks® Capital Corporation

Consolidated Statements of Financial Position December 31, 2024 and 2023

	<u>Assets</u>	
	<u>2024</u>	<u>2023</u>
Current assets		
Cash and cash equivalents		
Operations	\$ 3,608,742	\$ 3,055,991
Operating restricted	620,000	24,486
Operating borrower escrows	2,156,482	1,823,443
Loan capital	26,800,436	26,058,210
Accounts receivable	40,327	31,579
Contributions receivable	380,000	-
Loans receivable, net of allowance for loan losses of \$760,486 and \$1,288,960, respectively (Note 4)	20,074,758	35,225,484
Interest receivable	359,705	353,418
Prepaid expenses	85,422	79,731
	<u>54,125,872</u>	<u>66,652,342</u>
Total current assets		
	<u>82,653</u>	<u>373,719</u>
Interest receivable		
	<u>79,947,271</u>	<u>65,546,499</u>
Loans receivable, net of allowance for loan losses of \$2,509,680 and \$2,398,456, respectively (Note 4)		
Property and equipment		
Office furniture and equipment, net	100,939	66,446
Right-of-use asset, net	305,500	432,510
Leasehold improvements, net	2,385	4,303
	<u>408,824</u>	<u>503,259</u>
Total property and equipment, net		
	<u>92,000</u>	<u>-</u>
Investments		
	<u>7,900</u>	<u>7,900</u>
Other assets		
	<u>\$ 134,664,520</u>	<u>\$ 133,083,719</u>
Total assets		

NeighborWorks® Capital Corporation

Consolidated Statements of Financial Position December 31, 2024 and 2023

Liabilities and Net Assets

	<u>2024</u>	<u>2023</u>
Current liabilities		
Accounts payable and accrued liabilities	\$ 508,969	\$ 486,572
Operating lease liability	138,795	136,931
Borrower escrow and interest reserve	2,156,482	1,823,443
Accrued interest	373,098	372,998
Refundable agreement	-	764,338
Provision for unfunded commitments	494,458	363,785
Notes payable, current portion (Note 6)	<u>2,500,000</u>	<u>10,488,045</u>
Total current liabilities	<u>6,171,802</u>	<u>14,436,112</u>
Operating lease liability	200,101	338,895
Notes payable, net of current portion and unamortized debt issuance costs (Note 6)	40,893,009	46,728,968
Equity equivalent investments (Note 6)	<u>22,500,000</u>	<u>11,500,000</u>
Total liabilities	<u>69,764,912</u>	<u>73,003,975</u>
Commitments and contingencies		
Net assets		
Without donor restrictions		
Operating	9,505,657	9,236,708
Board designated - lending capital	32,031,623	28,767,285
Loan loss reserve	<u>(3,719,624)</u>	<u>(4,006,201)</u>
Total net assets without donor restrictions	<u>37,817,656</u>	<u>33,997,792</u>
With donor restrictions		
Restricted until first use (Note 7)	4,363,746	3,650,325
Restricted until donor release (Note 7)	<u>22,718,206</u>	<u>22,431,627</u>
Total net assets with donor restrictions	<u>27,081,952</u>	<u>26,081,952</u>
Total net assets	<u>64,899,608</u>	<u>60,079,744</u>
Total liabilities and net assets	<u>\$ 134,664,520</u>	<u>\$ 133,083,719</u>

See Notes to Consolidated Financial Statements.

NeighborWorks® Capital Corporation

Consolidated Statement of Activities Year Ended December 31, 2024

	Without donor restrictions			With donor restrictions		Total
	Operations	Lending capital	Loan loss reserve	Restricted until first use	Restricted until donor release	
Revenue						
NeighborWorks® America grants	\$ -	\$ -	\$ -	\$ 2,500,000	\$ -	\$ 2,500,000
Community Development Financial Institutions Fund grants	-	764,338	-	-	-	764,338
Contribution revenue	284,250	-	-	1,000,000	-	1,284,250
Loan fee income, net of participation	380,656	-	-	-	-	380,656
Interest income - loans	6,128,585	-	-	-	-	6,128,585
Interest income - investments	957,437	-	-	-	-	957,437
Loan service fee	11,731	-	-	-	-	11,731
Consulting income	106,118	-	-	-	-	106,118
Net assets released from restrictions						
Satisfaction of program restrictions	-	2,500,000	-	(2,786,579)	286,579	-
Total revenue	7,868,777	3,264,338	-	713,421	286,579	12,133,115
Expenses						
Program services						
Interest	2,067,289	-	-	-	-	2,067,289
Provision for credit losses	-	-	(286,577)	-	-	(286,577)
Program expenses	3,861,369	-	-	-	-	3,861,369
Total program services	5,928,658	-	(286,577)	-	-	5,642,081
Support services						
Management and general	1,197,048	-	-	-	-	1,197,048
Fundraising	474,122	-	-	-	-	474,122
Total support services	1,671,170	-	-	-	-	1,671,170
Total expenses	7,599,828	-	(286,577)	-	-	7,313,251
Increase in net assets	268,949	3,264,338	286,577	713,421	286,579	4,819,864
Net assets, beginning of year	9,236,708	28,767,285	(4,006,201)	3,650,325	22,431,627	60,079,744
Adoption of ASC 326	-	-	-	-	-	-
Net assets, end of year	\$ 9,505,657	\$ 32,031,623	\$ (3,719,624)	\$ 4,363,746	\$ 22,718,206	\$ 64,899,608

NeighborWorks® Capital Corporation

Consolidated Statement of Activities Year Ended December 31, 2023

	Without donor restrictions			With donor restrictions		Total
	Operations	Lending capital	Loan loss reserve	Restricted until first use	Restricted until donor release	
Revenue						
NeighborWorks® America grants	\$ -	\$ -	\$ -	\$ 3,000,000	\$ -	\$ 3,000,000
Community Development Financial Institutions Fund grants	-	646,166	-	-	-	646,166
Contribution revenue	-	-	-	-	-	-
Loan fee income, net of participation	635,400	-	-	-	-	635,400
Interest income - loans	5,531,488	-	-	-	-	5,531,488
Interest income - investments	529,473	-	-	-	-	529,473
Loan service fee	3,742	-	-	-	-	3,742
Consulting income	-	-	-	-	-	-
Net assets released from restrictions						
Satisfaction of program restrictions	-	3,000,000	283,731	(4,371,573)	1,087,842	-
Total revenue	6,700,103	3,646,166	283,731	(1,371,573)	1,087,842	10,346,269
Expenses						
Program services						
Interest	1,941,966	-	-	-	-	1,941,966
Provision for credit losses	-	-	(1,087,842)	-	-	(1,087,842)
Program expenses	3,158,284	-	-	-	-	3,158,284
Total program services	5,100,250	-	(1,087,842)	-	-	4,012,408
Support services						
Management and general	668,926	-	-	-	-	668,926
Fundraising	350,641	-	-	-	-	350,641
Total support services	1,019,567	-	-	-	-	1,019,567
Total expenses	6,119,817	-	(1,087,842)	-	-	5,031,975
Increase (decrease) in net assets	580,286	3,646,166	1,371,573	(1,371,573)	1,087,842	5,314,294
Net assets, beginning of year	8,656,422	25,121,119	(4,877,670)	5,021,898	21,343,785	55,265,554
Adoption of ASC 326	-	-	(500,104)	-	-	(500,104)
Net assets, end of year	\$ 9,236,708	\$ 28,767,285	\$ (4,006,201)	\$ 3,650,325	\$ 22,431,627	\$ 60,079,744

See Notes to Consolidated Financial Statements.

NeighborWorks® Capital Corporation

Consolidated Statements of Functional Expenses Years Ended December 31, 2024 and 2023

Expenditures	2024				2023			
	Program services	Management and general	Fundraising	Total	Program services	Management and general	Fundraising	Total
Salaries and benefits	\$ 2,897,116	\$ 886,739	\$ 345,664	\$ 4,129,519	\$ 2,371,753	\$ 549,963	\$ 284,357	\$ 3,206,073
Interest	2,067,289	-	-	2,067,289	1,941,966	-	-	1,941,966
Service fee expense	1,140	-	-	1,140	1,708	-	-	1,708
Professional fees	184,470	212,150	89,390	486,010	163,457	41,239	31,238	235,934
Occupancy	117,835	22,094	7,365	147,294	116,190	21,786	7,262	145,238
Office expenses	5,982	598	66	6,646	7,074	707	79	7,860
Travel	117,637	14,705	14,705	147,047	98,982	12,373	12,373	123,728
Telephone	28,494	3,352	1,676	33,522	32,752	3,853	1,927	38,532
Special events and board retreats	10,851	2,713	-	13,564	1,368	342	-	1,710
Depreciation and amortization, property and equipment	28,890	7,704	1,926	38,520	22,624	6,033	1,508	30,165
Marketing	55,581	-	6,176	61,757	58,089	-	6,454	64,543
Insurance	37,824	4,450	2,225	44,499	34,608	4,072	2,036	40,716
Miscellaneous	55,412	9,779	-	65,191	42,762	7,547	-	50,309
Technology and maintenance	266,872	26,687	2,965	296,524	170,837	17,084	1,898	189,819
Dues	19,823	2,202	-	22,025	10,205	1,134	-	11,339
Staff development	32,487	3,822	1,911	38,220	21,830	2,568	1,284	25,682
Printing	955	53	53	1,061	4,045	225	225	4,495
Provision for credit losses	(286,577)	-	-	(286,577)	(1,087,842)	-	-	(1,087,842)
	<u>\$ 5,642,081</u>	<u>\$ 1,197,048</u>	<u>\$ 474,122</u>	<u>\$ 7,313,251</u>	<u>\$ 4,012,408</u>	<u>\$ 668,926</u>	<u>\$ 350,641</u>	<u>\$ 5,031,975</u>

See Notes to Consolidated Financial Statements.

NeighborWorks® Capital Corporation

Consolidated Statements of Cash Flows Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities		
Changes in net assets	\$ 4,819,864	\$ 5,314,294
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization, property and equipment	38,520	30,165
Amortization, right-of-use asset	127,010	128,989
Amortization, debt issuance costs	30,467	46,567
Credit losses - Recovery of provision for loan loss	(417,250)	(951,523)
Credit losses - Change in allowance for unfunded commitments	130,673	(136,319)
Unrealized gain on investments	-	(3,958)
Changes in operating assets and liabilities		
Accounts receivable	(8,748)	43,667
Contributions receivable	(380,000)	-
Interest receivable	284,779	(191,345)
Prepaid expenses	(5,691)	596
Investments	(92,000)	-
Other assets	-	3,000
Accounts payable and accrued liabilities	22,397	209,701
Borrower escrow and interest reserve	333,039	667,545
Operating lease liability	(136,930)	(135,091)
Refundable agreement	(764,338)	(646,166)
Accrued interest	100	201,539
	<u>3,981,892</u>	<u>4,581,661</u>
Net cash provided by operating activities		
Cash flows from investing activities		
Advances on loans receivable	(44,240,021)	(42,552,175)
Repayments of loans receivable	45,407,225	36,262,446
Purchases of property and equipment	(71,095)	(53,193)
Proceeds from sales of investments in marketable securities	-	530,502
	<u>1,096,109</u>	<u>(5,812,420)</u>
Net cash provided by (used in) investing activities		
Cash flows from financing activities		
Proceeds from notes payable	8,000,000	37,244,212
Repayments on notes payable	(10,820,821)	(17,910,628)
Debt issuance costs paid	(33,650)	(2,500)
	<u>(2,854,471)</u>	<u>19,331,084</u>
Net cash (used in) provided by financing activities		
Net increase in cash and cash equivalents	<u>2,223,530</u>	<u>18,100,325</u>
Cash and cash equivalents, beginning	<u>30,962,130</u>	<u>12,861,805</u>
Cash and cash equivalents, end	<u>\$ 33,185,660</u>	<u>\$ 30,962,130</u>

NeighborWorks® Capital Corporation

Consolidated Statements of Cash Flows
Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Supplemental disclosure of cash flow information		
Adoption of ASC 326	<u>\$ -</u>	<u>\$ (500,104)</u>
Cash paid during the year for interest	<u>\$ 2,055,614</u>	<u>\$ 1,684,730</u>
Reconciliation of cash and cash equivalents		
Cash and cash equivalents	\$ 30,409,178	\$ 29,114,201
Restricted cash and cash equivalents	<u>2,776,482</u>	<u>1,847,929</u>
Total cash and cash equivalents presented in the statements of cash flows	<u>\$ 33,185,660</u>	<u>\$ 30,962,130</u>
Significant noncash investing and financing activities		
Loans receivable written off against the allowance for loan loss	<u>\$ -</u>	<u>\$ 283,731</u>
Disposal of property and equipment	<u>\$ 39,599</u>	<u>\$ 38,655</u>

See Notes to Consolidated Financial Statements.

NeighborWorks® Capital Corporation

Notes to Consolidated Financial Statements December 31, 2024 and 2023

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, and 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, 2024 and 2023, \$21,500,808 and \$21,833,584 of the total loan portfolio is funded by NC PL LLC's funds and recorded under NC PL LLC, respectively.

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.

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.

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, 2024 and 2023, NeighborWorks Capital Green, LLC as of and for the years ended December 31, 2024 and 2023, and NeighborWorks Capital Consulting, LLC as of and for the years ended December 31, 2024 and 2023 (the "financial statements"). Accordingly, all significant inter-entity balances and transactions are eliminated in consolidation. For

NeighborWorks® Capital Corporation

Notes to Consolidated Financial Statements December 31, 2024 and 2023

the years ended December 31, 2024 and 2023, 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, 2024 and 2023, \$0 in capital funds with no identified restriction were received by the Organization. First Use capital funds of \$2,500,000 and \$3,000,000 were received in each of fiscal years 2024 and 2023 by the Organization and recorded as a component of net assets with donor restrictions, respectively. During the years ended December 31, 2024 and 2023, these funds were deployed for prescribed eligible purposes and were reclassified to net assets without donor restrictions - lending capital. During the years ended

NeighborWorks® Capital Corporation

Notes to Consolidated Financial Statements December 31, 2024 and 2023

December 31, 2024 and 2023, \$0 and \$283,731 were, upon request and consent, released from Donor Release.

The MIA contains certain financial and production covenants. During 2023, the Organization sought and was granted waivers related to certain covenants related to production. As of December 31, 2024 and 2023 there were no known compliance issues.

CDFI Fund 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 2024 and 2023, \$764,338 and \$646,166 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, 2024 and 2023, undeployed funds of \$0 and \$764,338, 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 three 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, 2024 and 2023, 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, 2024 and 2023, Treasury bills held by the Organization were \$2,732,391 and \$21,432,072, respectively. Interest earned on treasury bills during the years ended December 31, 2024 and 2023 was \$529,429 and \$293,462, respectively. In April 2023, the Board of Directors approved an update of the Organization's policies to allow investment of the Organization's excess lending capital into short-term Treasury bills. During the years ended December 31, 2024 and 2023, unrealized gains on short-term Treasury bills were \$9,282 and \$0, respectively.

NeighborWorks® Capital Corporation

Notes to Consolidated Financial Statements December 31, 2024 and 2023

Investments

From time to time, the Organization invests in marketable securities. The Organization's cash management policy allows for 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. During the years ended December 31, 2024 and 2023, unrealized gains on investments were \$0 and \$3,958, respectively, and are included as a component of interest income - investments on the accompanying statements of activities.

In 2024, the Organization was granted membership to the Federal Home Loan Bank of Atlanta ("FHLB"). As a member of the FHLB, the Organization is required to maintain an investment in capital stock of the FHLB. FHLB stock does not have a readily determinable value as ownership is restricted and there is no ready market for this stock. As a result, this investment is carried at cost and evaluated periodically by management for impairment. At December 31, 2024, the investment was \$92,000. Management reviews for impairment based on the ultimate recoverability of the cost basis of the FHLB stock. No impairment was noted as of December 31, 2024.

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.

NeighborWorks® Capital Corporation

Notes to Consolidated Financial Statements December 31, 2024 and 2023

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, 2024 and 2023 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 \$82,653 and \$373,719 in deferred interest as of December 31, 2024 and 2023, respectively.

Allowance for loan loss

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 credit enhancements in the form of guarantees, 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

NeighborWorks® Capital Corporation

Notes to Consolidated Financial Statements December 31, 2024 and 2023

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, 2024 and 2023, the allowance for loan loss was \$3,270,166 and \$3,687,416, respectively, of which \$760,486 and \$1,288,960 relates to the current portion of loans receivable, respectively. Additionally, as of December 31, 2024 and 2023, the allowance for unfunded commitments was \$494,458 and \$363,785, respectively, 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, 2024, the Organization wrote off no loans. 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 years ended December 31, 2024 and 2023, the Organization recognized no recovery on loans receivable previously written off. Since its inception in 2000, as of December 31, 2024 and 2023, the Organization has cumulatively had \$3,596,256 of loans receivable written off and \$390,248 of recoveries of loans receivable previously written off.

Sales of loans receivable

The Organization accounts for transfer and servicing of financial assets based on the financial and servicing assets it controls and liabilities it has incurred. The Organization derecognizes financial assets when control has been surrendered and derecognizes liabilities when extinguished. This method conforms closely with current industry practice.

Deferred revenue

The Organization earns fees and incurs costs associated with originating loans receivable during the normal course of business. In accordance with generally accepted accounting principles ("GAAP"), the portion of these costs that are attributable to originating loans receivable are to be netted against related fees earned and net origination fees are to be deferred and recognized as an adjustment to interest income over the life of the loan. The Organization instead recognizes loan origination fees as revenue when the loan closes and recognizes loan origination costs as expenses as they are incurred. The effect of recognizing loan origination fees and loan origination costs in this manner is immaterial, and management analyzes the projected difference each quarter to make sure the financial statements are not materially misstated.

Property and equipment

Property and equipment are stated at cost. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets ranging from three to seven years. The Organization capitalizes assets that cost \$1,000 or more. Leasehold improvements are amortized over the shorter of their useful lives or the term of the associated lease. As of December 31, 2024 and 2023, accumulated depreciation and amortization were \$173,952 and \$175,031, respectively, net of disposals during 2024 and 2023 of \$39,599 and \$38,655, respectively. There were no losses on disposals of property and equipment during 2024 or 2023. Depreciation and amortization expense for the years ended December 31, 2024 and 2023 were \$38,520 and \$30,165, 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

NeighborWorks® Capital Corporation

Notes to Consolidated Financial Statements December 31, 2024 and 2023

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, 2024 and 2023 was \$30,467 and \$46,567, respectively. Estimated amortization expense for each of the ensuing years through December 31, 2029 is \$19,078, \$12,082, \$6,072, \$4,940, and \$2,821, 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 2021 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.

Subsequent events

Events that occur after the consolidated statement of financial position date but before the consolidated 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 consolidated statement of financial position date are recognized in the accompanying consolidated financial statements. Subsequent events which provide evidence about conditions that existed after the consolidated statement of financial position date require disclosure in the accompanying notes. Management evaluated the activity of the Organization through April 25, 2025, (the date the financial statements were available to be issued) and concluded that other than the subsequent event disclosed in Note 4 and Note 6, no other subsequent events have occurred that would require recognition in the consolidated financial statements.

NeighborWorks® Capital Corporation

Notes to Consolidated Financial Statements December 31, 2024 and 2023

Note 3 - Availability and liquidity

The following represents Organization's financial assets at December 31, 2024 and 2023:

	2024	2023
Financial assets at year end		
Cash and cash equivalents	\$ 33,185,660	\$ 30,962,130
Accounts receivable	40,327	31,579
Interest receivable	359,705	353,418
	<u>33,585,692</u>	<u>31,347,127</u>
Total financial assets		
	<u>33,585,692</u>	<u>31,347,127</u>
Less: Financial assets not available for general		
Cash - operating restricted	(620,000)	(24,486)
Cash - operating borrower escrows	(2,156,482)	(1,823,443)
Cash - loan capital	(26,800,436)	(26,058,210)
	<u>(29,576,918)</u>	<u>(27,906,139)</u>
Total assets available over the next 12 months to meet general expenditures	<u>\$ 4,008,774</u>	<u>\$ 3,440,988</u>

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.

NeighborWorks® Capital Corporation

Notes to Consolidated Financial Statements December 31, 2024 and 2023

- 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.

NeighborWorks® Capital Corporation

Notes to Consolidated Financial Statements December 31, 2024 and 2023

The following is a summary of loans receivable as of December 31, 2024 and 2023:

Type	2024		2023	
	Number of loans	Net loan amount	Number of loans	Net loan amount
Predevelopment	20	\$ 14,844,596	19	\$ 18,345,220
Acquisition - Land	12	13,166,205	14	19,739,964
Bridge	2	309,379	3	900,000
Building acquisition	4	13,581,447	4	13,516,123
Construction	9	7,430,886	9	2,362,524
Enterprise	10	10,800,000	5	5,225,000
Mezzanine/equity	1	350,000	1	318,523
Mini-Permanent	7	6,589,653	8	7,178,883
Other	1	399,692	1	399,692
Permanent	21	35,820,337	21	36,473,470
Total	87	103,292,195	85	104,459,399
Less: Allowance for loan losses		(3,270,166)		(3,687,416)
Total		100,022,029		100,771,983
Current portion		20,074,758		35,225,484
Long-term portion		\$ 79,947,271		\$ 65,546,499

Principal maturities of the remaining loans receivable as of December 31, 2024, are as follows:

2025	\$ 20,056,818
2026	13,405,458
2027	20,131,933
2028	3,659,547
2029	4,863,040
2030	1,376,565
2031	16,543,556
2032	8,861,213
2033	6,444,019
2034	295,724
2036	957,550
2038	2,256,675
2040	1,473,488
2042	1,000,000
2043	1,966,609
	<u>\$ 103,292,195</u>

NeighborWorks® Capital Corporation

Notes to Consolidated Financial Statements December 31, 2024 and 2023

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, 2024 and 2023 is as follows:

December 31, 2024		Current	31-60 days past due	61-90 days past due	90+ days past due	Total	Nonaccruing loans
Predevelopment	20	\$ 14,844,596	\$ -	\$ -	\$ -	\$ 14,844,596	\$ -
Acquisition - Land	12	13,166,205	-	-	-	13,166,205	-
Bridge	2	309,379	-	-	-	309,379	-
Building acquisition	4	13,581,447	-	-	-	13,581,447	-
Construction	9	7,430,886	-	-	-	7,430,886	-
Enterprise	10	10,800,000	-	-	-	10,800,000	-
Mezzanine/equity	1	350,000	-	-	-	350,000	-
Mini-Permanent	7	5,589,653	1,000,000	-	-	6,589,653	-
Other	1	399,692	-	-	-	399,692	-
Permanent	21	35,820,337	-	-	-	35,820,337	-
		<u>\$ 102,292,195</u>	<u>\$ 1,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 103,292,195</u>	<u>\$ -</u>
Nonaccruing loans		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
December 31, 2023		Current	31-60 days past due	61-90 days past due	90+ days past due	Total	Nonaccruing loans
Predevelopment	19	\$ 18,345,220	\$ -	\$ -	\$ -	\$ 18,345,220	\$ -
Acquisition - Land	14	19,739,964	-	-	-	19,739,964	-
Bridge	3	900,000	-	-	-	900,000	-
Building acquisition	4	13,516,123	-	-	-	13,516,123	-
Construction	9	2,362,524	-	-	-	2,362,524	-
Enterprise	5	5,225,000	-	-	-	5,225,000	-
Mezzanine/equity	1	318,523	-	-	-	318,523	-
Mini-Permanent	8	5,648,233	-	-	1,530,650	7,178,883	1,530,650
Other	1	399,692	-	-	-	399,692	-
Permanent	21	35,163,902	1,309,568	-	-	36,473,470	-
		<u>\$ 101,619,181</u>	<u>\$ 1,309,568</u>	<u>\$ -</u>	<u>\$ 1,530,650</u>	<u>\$ 104,459,399</u>	<u>\$ 1,530,650</u>
Nonaccruing loans		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,530,650</u>	<u>\$ 1,530,650</u>	

At December 31, 2023, there is one non-accruing loan totaling \$1,530,650. There are no non-accruing loans at December 31, 2024.

The nonaccruing loan 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. The loan was repaid in December 2024.

As of January 1, 2025, a borrower was placed on nonaccrual due to slower than anticipated sales of housing lots. Accrued interest on the loan was written off through December 31, 2024.

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

NeighborWorks® Capital Corporation

Notes to Consolidated Financial Statements December 31, 2024 and 2023

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.

The table below details the Organization's loans by loan type according to their risk rating categories for the years December 31, 2024 and 2023:

December 31, 2024	P-1	P-2	P-3	Questionable	Substandard	Doubtful	Total
Predevelopment	\$ -	\$ 5,574,710	\$ 9,269,886	\$ -	\$ -	\$ -	\$ 14,844,596
Acquisition - Land	-	7,810,055	4,387,881	968,269	-	-	13,166,205
Bridge	-	309,379	-	-	-	-	309,379
Building acquisition	-	3,000,000	10,581,447	-	-	-	13,581,447
Construction	-	1,264,726	6,166,160	-	-	-	7,430,886
Enterprise	-	-	10,800,000	-	-	-	10,800,000
Mezzanine/equity	-	-	350,000	-	-	-	350,000
Mini-Permanent	-	4,223,206	2,366,447	-	-	-	6,589,653
Other	-	-	399,692	-	-	-	399,692
Permanent	679,453	28,915,204	4,929,527	1,296,153	-	-	35,820,337
	<u>\$ 679,453</u>	<u>\$ 51,097,280</u>	<u>\$ 49,251,040</u>	<u>\$ 2,264,422</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 103,292,195</u>
	P-1	P-2	P-3	Questionable	Substandard	Doubtful	Total
Current	\$ 679,453	\$ 50,097,280	\$ 49,251,040	\$ 2,264,422	\$ -	\$ -	\$ 102,292,195
Past due 31- 60 days	-	1,000,000	-	-	-	-	1,000,000
Past due 61 - 90 days	-	-	-	-	-	-	-
Past due 90+ days	-	-	-	-	-	-	-
	<u>\$ 679,453</u>	<u>\$ 51,097,280</u>	<u>\$ 49,251,040</u>	<u>\$ 2,264,422</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 103,292,195</u>
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
	<u>\$ -</u>	<u>\$ 57,216,453</u>	<u>\$ 43,420,459</u>	<u>\$ 3,822,487</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 104,459,399</u>
	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
	<u>\$ -</u>	<u>\$ 57,216,453</u>	<u>\$ 43,420,459</u>	<u>\$ 3,822,487</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 104,459,399</u>

NeighborWorks® Capital Corporation

Notes to Consolidated Financial Statements December 31, 2024 and 2023

The following table presents an analysis of the allowance for loan losses for the years ended December 31, 2024 and 2023:

December 31, 2024	Pre-development	Acquisition - Land	Bridge	Building Acquisition	Construction	Enterprise	Mezzanine/Equity	Mini-Permanent	Other	Permanent	Total
Beginning 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
(Recovery) provision for loan losses	(105,759)	(216,252)	(20,478)	18,604	187,830	209,757	1,531	(12,893)	482	(480,072)	(417,250)
Write-off	-	-	-	-	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-	-	-	-	-
Ending balance	<u>\$ 541,828</u>	<u>\$ 480,566</u>	<u>\$ 11,292</u>	<u>\$ 495,723</u>	<u>\$ 271,227</u>	<u>\$ 394,200</u>	<u>\$ 12,775</u>	<u>\$ 240,522</u>	<u>\$ 14,591</u>	<u>\$ 807,442</u>	<u>\$ 3,270,166</u>
December 31, 2023	Pre-development	Acquisition - Land	Bridge	Building Acquisition	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	<u>\$ 647,587</u>	<u>\$ 696,818</u>	<u>\$ 31,770</u>	<u>\$ 477,119</u>	<u>\$ 83,397</u>	<u>\$ 184,443</u>	<u>\$ 11,244</u>	<u>\$ 253,415</u>	<u>\$ 14,109</u>	<u>\$ 1,287,514</u>	<u>\$ 3,687,416</u>

NeighborWorks® Capital Corporation

Notes to Consolidated Financial Statements December 31, 2024 and 2023

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, 2024 and 2023. There was no gain or loss recognized on the sale of these participation interests. The total balance of loan participations serviced was \$11,001,597 and \$1,262,439 as of December 31, 2024 and 2023, 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, 2024 and 2023, respectively.

During the years ended December 31, 2024 and 2023, loan participation interest expense totaling \$183,902 and \$77,876, 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, 2024 and 2023, loan participation interest expense payable was \$23,475 and \$4,583, 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, 2024, 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, 2024 and 2023:

Lender	Total credit facility commitments at 12/31/2024	Maturity date	Scheduled repayments				Principal balance at 12/31/2024	Principal balance at 12/31/2023
			Principal		Interest			
			Amount	Due	Annual rate	Due		
Notes payable								
Ally Bank	\$ 15,000,000	Draw period terminates on 5/30/2025. The Organization can select a 1, 3, or 5 year amortization period when the draw is made. Final maturity of the loan will be 5 years from the draw date	\$ -	Maturity	1 year advance - 4.85% 3 year advance - 4.60% 5 year advance - 4.85%	Quarterly	\$ -	\$ 5,000,000
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

NeighborWorks® Capital Corporation

Notes to Consolidated Financial Statements December 31, 2024 and 2023

Lender	Total credit facility commitments at 12/31/2024	Maturity date	Scheduled repayments				Principal balance at 12/31/2024	Principal balance at 12/31/2023
			Principal		Interest			
			Amount	Due	Annual rate	Due		
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	6/30/2029	-	Maturity	30 day SOFR+ 2%, 2.15% floor	Monthly	-	-
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	12/31/2026	-	Maturity	1.627% + 30 day SOFR	Monthly	-	-
TD Bank	10,000,000	6/30/2030	-	Maturity	Lender's open cost of funds + 0.83%	Monthly	-	-
CDFI Fund	-	6/23/2024	-	Maturity	2.00%	Semi- Annual	-	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
HSBC Bank	6,000,000	6/30/2029	6,000,000	Maturity	2.70%	Quarterly	6,000,000	3,000,000
US Bank	-	2/5/2024	-	Maturity	2.12%	Monthly	-	5,000,000
Chase	10,000,000	5/24/2027	-	Maturity	30 day SOFR +2% with 2.25% floor	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	21,500,808	8/30/2038	21,500,808	Maturity	Lesser of swap rate +1.65% or 3.5%	Monthly	21,500,808	21,833,584
Charles Schwab Bank	6,000,000	7/26/2029	6,000,000	Maturity	3.50%	Quarterly	6,000,000	6,000,000
Charles Schwab Bank	9,000,000	7/26/2029	-	Maturity	Federal Funds Range + 1.25% with a floor of 4.75% and a ceiling of 5.25%	Quarterly	-	-
Total notes payable	115,962,763						49,462,763	57,283,584
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
Citizens EQ2	5,000,000	6/24/2029	5,000,000	Maturity	3.00%	Quarterly	5,000,000	-
Wells Fargo EQ2	8,500,000	6/7/2035	1,062,500 1,062,500 1,062,500 1,062,500 1,062,500 1,062,500 1,062,500	7/1/2033 10/1/2033 1/1/2034 4/1/2034 7/1/2034 10/1/2034 1/1/2035	2.00%	Quarterly	8,500,000	8,500,000
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	16,500,000						16,500,000	11,500,000
Total notes payable and equity equivalent investments	\$ 132,462,763						\$ 65,962,763	\$ 68,783,584

NeighborWorks® Capital Corporation

Notes to Consolidated Financial Statements December 31, 2024 and 2023

Subsequent to year-end, the maturity date of the Capital One loan was extended to June 20, 2025.

Undrawn commitments on credit facilities at December 31, 2024 and 2023 were \$66,500,000 and \$67,500,000, 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, 2024 and 2023, notes payable included \$16,500,000 and \$11,500,000 of EQ2 investments, respectively.

The following schedule lists the maturities of all notes payable and equity equivalent investments at December 31, 2024:

2025	\$	2,500,000
2026		5,000,000
2027		1,000,000
2028		1,511,955
2029		18,950,000
Thereafter		<u>37,000,808</u>
	\$	<u><u>65,962,763</u></u>

Unamortized debt issuance costs of \$69,754 and \$66,571 as of December 31, 2024 and 2023, respectively, are reported as a direct deduction from notes payable (see Note 2). Amortization expense for each of the years ended December 31, 2024 and 2023 was \$30,467 and \$46,567, respectively, and is included as a component of interest expense on the accompanying statement of activities.

NeighborWorks® Capital Corporation

Notes to Consolidated Financial Statements December 31, 2024 and 2023

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

Net assets restricted until first use as of December 31, 2024 and 2023 are as follows:

	2024			
	12/31/2023	Contributions received	Satisfaction of donor restrictions	12/31/2024
<u>Operations</u>				
NeighborWorks® America Expendable Grants - Home Depot Award	\$ 24,228	\$ -	\$ -	\$ 24,228
NeighborWorks® America Expendable Grants - Home Depot Award	-	-	-	-
NeighborWorks® America - Match	75,000	1,000,000	-	1,075,000
Contributions from Banks and Foundations				
Total Operations	99,228	1,000,000	-	1,099,228
<u>Lending Activity</u>				
NeighborWorks® America Revolving Loan & Capital Projects Fund (Subsequent to Amendment)	-	2,500,000	(2,500,000)	-
Loans written off, approved by NeighborWorks® America for Release of Restrictions	(3,596,256)	-	-	(3,596,256)
Loan Loss Reserve Provision	7,147,353	-	(286,579)	6,860,774
Total Lending activity	3,551,097	2,500,000	(2,786,579)	3,264,518
Total	\$ 3,650,325	\$ 3,500,000	\$ (2,786,579)	\$ 4,363,746
	2023			
	12/31/2022	Contributions received	Satisfaction of donor restrictions	12/31/2023
<u>Operations</u>				
NeighborWorks® America Expendable Grants - Home Depot Award	\$ 24,228	\$ -	\$ -	\$ 24,228
NeighborWorks® America Expendable Grants - Home Depot Award	-	-	-	-
NeighborWorks® America - Match	75,000	-	-	75,000
Contributions from Banks and Foundations				
Total Operations	99,228	-	-	99,228
<u>Lending Activity</u>				
NeighborWorks® 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

NeighborWorks® Capital Corporation

Notes to Consolidated Financial Statements December 31, 2024 and 2023

Net assets restricted until donor release as of December 31, 2024 and 2023 are as follows:

	12/31/2023	Contributions received	Reclassification of allowance for loan loss	12/31/2024
NeighborWorks® America Revolving Loan & Capital Projects Fund	\$ 29,578,980	\$ -	\$ -	\$ 29,578,980
Loan Loss Reserve Provision	(7,147,353)	-	286,579	(6,860,774)
Total	<u>\$ 22,431,627</u>	<u>\$ -</u>	<u>\$ 286,579</u>	<u>\$ 22,718,206</u>
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	<u>\$ 21,343,785</u>	<u>\$ -</u>	<u>\$ 1,087,842</u>	<u>\$ 22,431,627</u>

Note 8 - Loan commitments - NeighborWorks® America affiliates

As of December 31, 2024 and 2023, the Organization has committed to make loans to various NeighborWorks® America affiliates totaling \$38,985,059 and \$49,418,799, 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. As of June 1, 2020, base monthly rent is \$10,664.

Based on the terms of the lease, the Organization recognized a lease liability, which was measured at the present value of future minimum lease payments and a corresponding right-of-use asset. The Organization determined an appropriate discount rate to apply when it determined the present value of the remaining lease payments for purposes of measuring its lease 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.

NeighborWorks® Capital Corporation

Notes to Consolidated Financial Statements December 31, 2024 and 2023

As of December 31, 2024 and 2023, the unamortized right-of-use asset was \$305,500 and \$432,510, respectively, and the unamortized operating lease liability was \$338,896 and \$475,826, respectively.

During the years ended December 31, 2024 and 2023, rent expense (including imputed interest and amortization of the right-of-use asset) related to its office leases was \$147,294 and \$145,238, 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, cancelable by either the sublessee or sublessor with 60 days notice.

Future minimum rent payments due under the noncancelable lease as of December 31, 2024, are summarized as follows:

2025	\$	146,558
2026		150,589
2027		64,471
		<hr/>
		361,618
Less: Interpolation of the US Treasury		
Daily Par Yield Curve rate for points		
in between periods of the remaining		
lease term - 1.37%		
		<hr/>
		(22,722)
		<hr/>
	\$	338,896
		<hr/>

Note 10 - Pension plan

During 2024 and 2023, 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, 2024 and 2023 totaled \$180,235 and \$142,899, 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, 2024 and 2023, the Organization had nine and seven loans outstanding, respectively, totaling \$9,427,661 and \$6,820,775, respectively, to such entities or their affiliates.

NeighborWorks® Capital Corporation

Notes to Consolidated Financial Statements December 31, 2024 and 2023

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, 2024 and 2023 is as follows:

	2024	2023
Notes payable and EQ2s	\$ 65,962,763	\$ 68,783,584
Undrawn credit facility commitments	66,500,000	67,500,000
Board designated - lending capital	32,031,623	28,767,285
Restricted until donor release	22,718,206	22,431,627
Total available lending capital	<u>\$ 187,212,592</u>	<u>\$ 187,482,496</u>

As of December 31, 2024 and 2023, total lending capital deployed as loans receivable, net of the allowance for loan losses, was \$100,022,029 and \$100,771,983, respectively.

Supplementary Information

NeighborWorks® Capital Corporation

**Schedule of Expenditures of Federal Awards
Year Ended December 31, 2024**

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.U01-118-42	N/A	\$ -	\$ 28,482,724
			<u>-</u>	<u>28,482,724</u>
Community Development Financial Institutions Fund Program				
Capital Magnet Fund	21.011		-	764,338
Loan Program	21.020		<u>-</u>	<u>1,950,000</u>
Total U.S. Department of Treasury			<u>-</u>	<u>31,197,062</u>
Total Expenditures of Federal Awards			<u><u>\$ -</u></u>	<u><u>\$ 31,197,062</u></u>

The accompanying notes are an integral part of this schedule.

NeighborWorks® Capital Corporation

Notes to Schedule of Expenditures of Federal Awards December 31, 2024

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 programs of the federal government for the year ended December 31, 2024. 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, 2024 consists of:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Outstanding Balance at December 31, 2024</u>
21.020	CDFI Fund - Loan Program	\$ 1,461,955

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, 2024, 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, 2025. 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.



Bethesda, Maryland
April 25, 2025

Independent Auditor's Report on Compliance for Each Major Federal Program and Report
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, 2024. 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, 2024.

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.



Bethesda, Maryland
April 25, 2025

NeighborWorks® Capital Corporation

**Schedule of Findings and Questioned Costs
December 31, 2024**

Section I - 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 | <u>Unmodified</u> |
| 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 | <u>Unmodified</u> |
| 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 | |
| <u>Assistance Listing Number(s)</u> | <u>Name of Federal Program</u> |
| #99.U01-118-42 | Neighborhood Reinvestment Corporation Act |
| 5. Dollar threshold used to distinguish between Type A and Type B programs | \$935,912 |
| 6. Auditee qualified as low-risk auditee? | Yes |

Section II - Financial Statement Audit Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.



Independent Member of Nexia

cohnreznick.com