Transforming Lives, Strengthening Communities

NeighborWorks® America and the NeighborWorks® Network
Annual Report 2004
NeighborWorks® America Board of Directors

Edward M. Gramlich
Chairman
Member, Board of Governors
The Federal Reserve System

Debbie Matz
Vice Chairman
Member, Board of Directors
National Credit Union Administration

Thomas J. Curry
Board Member
Federal Deposit Insurance Corporation

James E. Gilleran
Director, Office of Thrift Supervision

Alphonso Jackson
Secretary, U.S. Department of Housing and Urban Development

John C. Weicher
Assistant Secretary for Housing/
Federal Housing Commissioner
U.S. Department of Housing and Urban Development (Designate)

Julie Williams
Acting Comptroller
Office of the Comptroller of the Currency
U.S. Department of the Treasury
The 2004 Annual Report is a brief overview of the status of the NeighborWorks® system at the conclusion of the fiscal year. The NeighborWorks® system includes NeighborWorks® America, the NeighborWorks® network, and Neighborhood Housing Services of America. For regular updates on the system’s progress, visit its Web site at www.nw.org or call (202) 220-2300 and ask to be placed on the mailing list for NeighborWorks® America publications.

If you would like additional copies of the 2004 Annual Report, please contact Joann Parker at (202) 220-2368, e-mail jparker@nw.org. This report also is available at www.nw.org.

Neighborhood Reinvestment Corporation is a public, nonprofit corporation established by an Act of Congress in 1978 (P.L. 95-557).

In 2004, the Corporation’s board approved a new trade name, “NeighborWorks® America,” which was adopted in 2005.

NeighborWorks® is a registered service mark for the neighborhood revitalization and educational services offered by NeighborWorks® America, Neighborhood Housing Services of America, and a national network of private/public partnerships, including neighborhood housing services, mutual housing associations, and similar community-based development organizations. It identifies the provider of those services as a member of the national NeighborWorks® network.

A NeighborWorks® Publication
© Neighborhood Reinvestment Corporation 2005
NeighborWorks® America
1325 G Street N.W., Suite 800
Washington, DC 20005-3100
(202) 220-2300
www.nw.org

The 2004 Annual Report was prepared by NeighborWorks® America.

Project Management and Writing
Thomas F. Austin, Senior Web Editor • Prentice Bowsher, Publishing Project Manager
Patricia Anderson Brown, Manager, Corporate Editorial and Design
Jeffrey Epremian, Director, Development and Communications
Kathryn (Kim) Kimlin, Executive Director, NCC • Janis Oppelt, Consultant
Kris Pearson, Executive Director, RNA Community Builders
Cathy Smith, Consultant • Charlotte Underwood, Publishing Specialist
Andrea Washburn, Communications Officer, NHSA

Design
David Plihal, Publishing Project Manager • Brian M. Lapierre, Graphic Designer

Photo Credits
The photos of families, individuals and architectural details throughout the 2004 Annual Report were taken in selected NeighborWorks® communities across the country. These images, viewed as a whole, convey the diversity and texture of the communities served by the NeighborWorks® system.

All photos, unless otherwise noted, are by Sean Bennett, photography/video specialist, NeighborWorks® America. Other credits: Home HeadQuarters, Community Housing Partners Corporation, Housing Partnership of Jacksonville, Central Area Development Association, pages 4-5; images.com, page 7; Community Housing Partners Corporation, page 9; nonstock.com, page 11; veer.com, page 15; Central Area Development Association, page 17; images.com, page 19; Home HeadQuarters, page 21; Ron Caesar, page 31; Housing Partnership of Jacksonville, page 33; Community HousingWorks, page 33; eyewire, page 35.

The 2004 Annual Report was printed by Doloff Printing, Laurel, Maryland.
NeighborWorks® America and The NeighborWorks® Network

Annual Report 2004

Contents
ii NeighborWorks® America Board of Directors
2 A Letter from the Chairman
3 A Letter from the CEO
4 Highlights of the Year

Telling the NeighborWorks® Performance Story
6 Fosters Innovation
10 Builds Skills and Performance
14 Leverages Strategic Partners and Resources
18 Network of Excellence

22 NeighborWorks® America Districts
24 NeighborWorks® Organizations by State
26 The NeighborWorks® System
28 The NeighborWorks® Heritage

Specialized Capital Corporations
30 Neighborhood Housing Services of America
32 Neighborhood Capital Corporation
34 RNA Community Builders Inc.

36 NeighborWorks® America Officers, Division and Office Directors
37 A Salute to Our Funding Partners

Appendices
Graphs and Charts
40 NeighborWorks® Organizations’ Total Investment Leveraged by Neighborhood Reinvestment’s Appropriation
40 NeighborWorks® Organizations’ Annual Trend in Affordable Housing Units
41 NeighborWorks® Organizations’ Owned and/or Managed Rental Units
41 Ethnicity of Homebuyers: NeighborWorks® Campaign for Home Ownership vs. Conventional Lenders
41 Household Income of Buyers: NeighborWorks® Campaign for Home Ownership vs. Conventional Lenders
42 Financial Statements and Independent Auditors’ Report

Editor's Note: On April 11, 2005, Neighborhood Reinvestment Corporation introduced “NeighborWorks® America” as its new, everyday trade name. The Corporation retained “Neighborhood Reinvestment” as its legal, incorporated name.
A Letter from the Chairman

Accessing New Capital Markets

Helping people organize, develop and advance their communities is the core mission of the NeighborWorks® system, which now serves more than 2,700 communities across the United States.

We recently celebrated the 25th anniversary of NeighborWorks® America and the 30th anniversary of our partner, Neighborhood Housing Services of America (NHSA). Together with our more than 225 local NeighborWorks® organizations, we have created millions of new homeowners down through the years – homeowners who would not have been able to participate in the American dream without our assistance. These homeowners, with their ownership stake, are the foundation of many of the communities we serve.

We are a laboratory. Our job is to comprehend the full range of residential, educational, economic and leadership needs in our communities and connect them with mainstream resources.

The trailblazing work we have done in identifying gaps in the market and developing and documenting proper risk-management techniques has helped produce the record levels of homeownership we currently enjoy. Today, conventional lenders lend to homeowners they would not have approved five years ago – and they make these loans now in the normal course of business. Our work has helped move the market.

But our work is not done. While homeownership rates are at a record high, many worthy families and individuals are still left out. Moreover, we still have not built the connection between the needs at street level and the inexpensive and efficient forms of financing available in the capital markets.

At NeighborWorks® America and NHSA, we have been working on a number of initiatives to address this challenge. We are conducting a comprehensive analysis of key products and services for low-income homebuyers. We are developing a Web-based underwriting platform that enables NHSA and our local NeighborWorks® organizations to provide quick approval on a wide range of home mortgage products for nonconforming levels of risk. We are working with Fannie Mae on a pilot program that brings second-lien down-payment assistance loans to the capital markets.

Access to the capital markets can introduce vast quantities of capital to our constituents, and it can significantly leverage the federal subsidy with which we are entrusted. Access to the capital markets is a giant step toward helping low- and moderate-income families realize their dreams of homeownership.

Of course, this larger design, this heightened connection with the mainstream markets, is not confined to homeownership. We also are continually seeking similar ways to build public-private partnerships in the other disciplines of community development, such as homeownership counseling, community leadership, multifamily housing, economic development, and rural development.

As we expand and activate the mainstream channels for homeownership, we are also looking to expand and activate the channels for constituents at the other stages of individual and family development. We hope and expect to see these flourish as well in the coming years.
A Letter from the CEO

On Track and On Target

NeighborWorks® America and the entire NeighborWorks® network continued to forge ahead in 2004 toward meeting the four primary objectives of our 2002-2006 strategic plan for further increasing investment in lower-income communities and helping all Americans enjoy safe, affordable housing.

The strategic plan’s key objectives are fostering innovation, building skills and performance in the housing and community development field, leveraging strategic partners and resources, and building and sustaining a network of excellence. Taken together, these efforts support the NeighborWorks® system and the entire community development field to improve people’s lives and strengthen communities across America.

We are on track and on target to meet our objectives.

Two major advances in the year illustrate our progress – the launch of the NeighborWorks® Center for Homeownership Education and Counseling (NCHEC) and the unanimous action of our board authorizing the Neighborhood Reinvestment Corporation to do business as NeighborWorks® America.

NCHEC will work with industry partners to promote quality standards for homeownership counseling and education; provide expanded training and certification opportunities for existing counselors; and support counselors with tools, information, and continuing education.

NCHEC aims to increase the number of homeownership counselors and educators trained and certified by NeighborWorks® America from 700 to more than 2,000 a year – ensuring the quality education and counseling of several million individuals and families by 2007.

Adopting a new trade name for the Corporation is a major step toward a unified NeighborWorks® brand that will bring greater understanding of the value of the NeighborWorks® system to our stakeholders.

By using NeighborWorks® America as our public trade name, we elevate our key brand, strengthen our niche in community-based development as the builder and supporter of a network of excellence, and increase network organizations’ appeal to funders and supporters through their linkage to a national brand.

The NeighborWorks® network has accomplished a great deal over the past year and is well positioned to expand our reach. There still is much to be done, but the NeighborWorks® network is energized and seasoned, and NeighborWorks® America will continue to seek out and provide new resources, as well as the finest technical assistance and training, for its ongoing success.

In the coming year, we will explore additional promising strategies for sustaining our gains and strengthening the communities we serve. Our goals, as always, are to revitalize the nation’s communities and help families achieve and preserve the American dreams of more affordable housing and successful homeownership.

Kenneth D. Wade
Chief Executive Officer
NeighborWorks® America
Productivity.

In 2004, more than 225 NeighborWorks® organizations, serving 2,741 communities, assisted more than 176,000 families or individuals with affordable housing or homeownership counseling.

Community Reinvestment.

NeighborWorks® revolving loan and capital investments of $151.8 million leveraged $2.1 billion from other sources for a total reinvestment of $2.2 billion in American communities.
Capacity-Building.

NeighborWorks® Training Institutes provided 203,481 training contact hours and awarded 6,100 training certificates to community development practitioners throughout the country.

Homeownership Education and Counseling.

The NeighborWorks® Center for Homeownership Education and Counseling, launched in August, will promote quality standards for the field and nearly triple the annual output of trained and certified educators and trainers.

New Trade Name.

NeighborWorks® America, approved in September, moves toward a unified NeighborWorks® brand and strengthens network organizations’ appeal to funders as part of a national network. Use of the new trade name was adopted in April 2005.
The NeighborWorks® system has been a leading innovator in the housing and community development fields for more than a quarter-century. We continually explore and evaluate new ideas with cutting-edge researchers and practitioners. The results, tools, and best practices are disseminated to practitioners and policymakers throughout the field.
Community Housing Partners Inc. (CHPI), a NeighborWorks® organization based in Richmond, Virginia, launched its Down to Earth Initiative to help expand community awareness of sustainable practices and develop innovative ways of implementing CHPI’s “Principles of Sustainability.”

CHPI has been in the business of supporting economic, social and environmental sustainability for almost 30 years.

Its goal is to use “green” building principles to design, build and rehabilitate housing for low-income residents, at-risk youth, homeless individuals and families, and the disabled.

CHPI’s seven principles of sustainability are: Everything is interdependent; nature is our model; save energy – use resources efficiently; end waste – reuse, reduce, recycle; use materials that are safe and long-lasting; ensure economic vitality – build quality of community; seek constant improvement – share knowledge.

Janaka Casper, president of CHPI, explains that the Down to Earth initiative is “not just another recycling campaign. It is a long-term, wide-reaching effort that focuses on sustainability in every service area in our organization.

As a company,” Casper says, “we are committed to pursuing development that meets the needs of the present generation without endangering the needs of future generations. All of our employees are encouraged to focus on developing sustainable practices in their everyday work environments.”

To help launch Down to Earth, CHPI hired Karl Bren, president of GreenVisions Consulting of Richmond, who became interested in the concept of green building more than 10 years ago when he was nonprofit affairs director at the Virginia Housing Development Authority. Now he advises nonprofits and government entities, and conducts training about these principles and practices.

Bren said, “CHPI has made a corporate commitment to making their building projects environmentally friendly. It’s very exciting because there aren’t many nonprofits – none that I personally know of – that have committed to sustainability as an overall corporate commitment.”

After CHPI leaders adopted sustainable principles on paper, they had to “put legs under them and make them work,” said Bren. To help achieve that, he worked with Bob Adams, CHPI’s executive vice president, and his colleagues to develop a methodology through which they could take the organization toward sustainability.

This, said Bren, is a “never-ending journey but one that will, in the long run, greatly enhance the organization. It will allow them to have a lighter footprint on the earth in terms of what they’re doing.” Making it happen is not, of course, so simple.

“One once the commitment to sustainability is made,” Bren said, “it’s a matter of taking stock of the impact you’re having on the earth in your particular service – in CHPI’s case, that’s primarily building and community development – and then taking steps to reduce the impact.”

Since its Down to Earth launch, CHPI has taken significant steps along its sustainability path. It recently dedicated, for example, a 10,871 square-foot, $1.8 million “Tekoa Youth Campus,” which is a residential facility for at-risk boys in Christiansburg. It was designed by architect Colin Arnold, a LEED® (Leadership in Energy and Environmental Design) 2.0 accredited professional and director of CHPI’s newly formed Community Design Studio. Community Housing Partners’ construction division acted as general contractor.

Under Arnold’s guidance and using the U.S. Green Building Council’s LEED® model, CHPI incorporated green and sustainable principles, products and practices in the design and construction of the building. It was able to create a healthier, more efficient living environment, as a result. For instance, it used low-impact site development; diverted construction waste; used sustainable products: Forest Stewardship Council-certified woods; low-VOC (volatile organic compound) sealers, paints, adhesives; reduced water consumption; and included Energy Star systems and appliances.

In fact, this project, which highlights CHPI’s commitment to low-impact development and energy-smart practices and technologies, was recognized as the Best Housing Development for 2004 at the annual Governor’s Housing Conference in Norfolk.

“Why have I embraced a commitment to green?” asks Bob Adams, CHPI’s director of operations, “For my children and their children. As they make their way in the world, I know the planet they will inherit will be a product of my generation’s decisions and actions.”
Affordability and sustainability are key elements in the properties of NeighborWorks® affiliate Community Housing Partners Inc. It owns or manages more than 3,000 rental units.
NeighborWorks® Builds Skills and Performance.

Assisting NeighborWorks® organizations in attracting and retaining dedicated and talented staff is an enduring objective of the NeighborWorks® system. Needed skills, knowledge and capacity are acquired and refined through the latest techniques and tools of NeighborWorks® Training Institutes.
Building Skills, Achieving Excellence

‘The Best Combination that Helps Leaders Produce Results’

“The most helpful aspect of NeighborWorks® America’s Achieving Excellence program was the opportunity to look at big, difficult challenges and find support for the struggle,” says Stuart Mitchell, president and CEO of Rural Opportunities Inc., a NeighborWorks® organization based in Rochester, New York.

“Without Achieving Excellence,” he continued, “we would not have put together the strategic agenda that has become an integral tool in policy-setting for the ROI board of directors and leadership staff.”

Mitchell was one of 44 executive leaders in community-based development who improved their organizations’ performance by completing the first round of NeighborWorks® America’s “Achieving Excellence in Community Development” program.

Achieving Excellence, designed by NeighborWorks® America’s Sally Digges, leadership consultant and author Douglas K. Smith, and Christine Letts and other faculty from Harvard’s Kennedy School of Government, is a unique and innovative approach to community development leadership education.

In addition to the course material delivered by the Kennedy School, the program also requires participants to identify and tackle performance challenges at the heart of their organizations’ agendas. The central principle of the program’s design is to be “performance-, not curriculum-centric,” because, as Smith emphasizes, “performance is the primary object of change, not change itself.”

Performance

Participating executive directors were encouraged to set a wide spectrum of goals that mirrored the variety of challenges confronting their organizations (which ranged in staff from a handful to 300 and in budgets from less than $1 million to more than $30 million).

Key criteria for identifying critical performance challenges included that they went to the heart of what matters to the organization’s performance and future; that they should take 12 to 20 months to achieve measurable progress; that they would demand change and learning; and that it really made sense to take them on at this time.

Beneficiaries included community-based development organizations and communities both within and beyond the NeighborWorks® network. One participant from outside the network was Yvonne Stennett, executive director of New York’s Community League of West 159th Street.

“I came to the first meeting of Achieving Excellence,” Stennett says, “thinking the course would enable me to make a few small but nagging changes in my organization. In the end, I transformed the organization into a dynamic and exciting vehicle for community change. It is exhilarating to go to work every day.”

Learning

Performance drove the learning of the executive directors and their organizations. Having carved out and committed to critical performance challenges, the participants took advantage of the curriculum at Harvard and the tools and frameworks provided by NeighborWorks® America, Smith, and a team of coaches who guided participants’ performance and learning.

An independent evaluation commissioned by NeighborWorks® America found that, as a result of Achieving Excellence, 90 percent of executive directors could point to specific skills they learned and now use in managing and leading their organizations; more than 75 percent of those contacted among the participants’ staffs, boards and local communities could confirm this; and nearly three out of four staff in participating organizations – people not formally in the program, themselves – reported that they, too, learned significant new skills.

Concluded Harvard’s Christine Letts, “The combination of educational retreats, working on organizational challenges, sponsorship by NeighborWorks® America, and coaching from the consulting team, is the best combination that helps leaders produce results that I’ve ever seen.”

Results

Initial results from the first round of Achieving Excellence have been astounding. More than two-thirds of the organizations achieved results. They included helping more than 28,000 additional residents in participating communities (through, among other things, an increase of more than 5,500 owned or rented residential units); gaining nearly 150,000 square feet of commercial space; raising more than $31 million in improved organization-al income; attracting nearly a half-billion dollars in new capital; and reaching out to hundreds of critical new relationships with institutions and other partners.

“I don’t naturally gravitate towards structure,” says Michael Loftin, executive director of Homewise Inc. (formerly Neighborhood Housing Services of Santa Fe), “however, organizations can benefit from more structure, more formality and explicit work plans and work process-
es.” Homewise initially had set a goal of reaching 150 new first-time homebuyers, a goal it failed to reach for three consecutive years. After Loftin completed the Achieving Excellence program, Homewise surpassed its goal in a housing market where the median sales price exceeds $290,000.

Added Martina Guilfoil, executive director of Inglewood Neighborhood Housing Services: “As a result of Achieving Excellence, we bought a building to develop into artist lofts. Then more land became available, so we bought that as well, putting the original concept on hold so we could do an even bigger project. It’ll be one or two years down the line, but once we put these parcels together, we’ll have an awesome project directly attributable to Achieving Excellence.”

**Achieving Excellence II**

In August, a new group of 40 executive directors from more than 20 states (more than half NeighborWorks® members) began the second round of Achieving Excellence. This new group is eager and ready to use performance to drive change and learning among themselves and their organizations.

*Among the presenters at a NeighborWorks® symposium on Achieving Excellence were Bruce Gottschall of NHS of Chicago; Doug Smith, consultant and author; Jerry Petrik of NCS of Barberton, Mike Loftin of Homewise; and Christine Letts of Harvard’s Center for Nonprofit Organizations.*
NeighborWorks® Leverages Strategic Partners and Resources.

NeighborWorks® partners in both the public and private sectors know that their resources will be leveraged to maximize their impact. The NeighborWorks® system is constantly demonstrating the effectiveness and impact of its efforts to relevant, interested audiences.
Central Area Development Association (CADA), a NeighborWorks® organization in Seattle, has celebrated the completion of Welch Plaza, the largest mixed-use development in the city’s central area in more than 30 years.

Welch Plaza consists of three buildings that include 162 units of rental housing as well as 18,000 square feet of commercial space. As a result of the new plaza, residents enjoy many conveniences such as access to major bus routes, schools, health services, food outlets and various businesses.

In the $27 million joint venture with Lorig & Associates, a leading Seattle real-estate developer, CADA purchased land from the city of Seattle and a long-term ground lease from the Welch family, which formerly owned the neighborhood’s Welch Hardware store. The store was forced to close due to unfavorable economic conditions, but in honor of the Welches’ longevity and business investment in the neighborhood, the new property was named Welch Plaza.

Other investors in the project included Bank of America, city of Seattle’s offices of Economic Development and Housing, and private equity investors. NeighborWorks® America provided critical operating support during the predevelopment and development processes.

On hand to commemorate CADA’s grand celebration were Seattle Mayor Greg Nickels, Seattle Seahawk’s Shaun Alexander, and Washington Mutual’s Bob Flowers, among others.

“I think it’s great,” said Akilah Stewart, who works across the street from Welch Plaza. “It’s been a good addition to the community – it went up quickly; therefore, it didn’t inconvenience the neighborhood.”

Erica Porter, CADA’s assistant project manager summarized community residents’ sentiments this way: “Residents really like the new plaza, particularly because it’s so convenient – it has everything they need. Washington Mutual is in the neighborhood now. Residents don’t have to go downtown to conduct business.”

“Washington Mutual remains committed to deepening our roots in local, urban areas,” said Bob Flowers, vice president of community lending and investment. “We’re excited to offer financial services to this growing community.”

Welch Plaza’s construction brought many job opportunities for a diverse community. Fifty-nine percent of the workers came from low-income households. Many new jobs have also been created as a result of the new businesses in the plaza.

According to CADA Chief Executive Officer George Staggers, “This project epitomizes the dedication of this community to come together and work together toward the future. Everyone in this project has contributed to the revitalization of this neighborhood, one of the steps in the continued growth of this area.”

To augment this revitalization effort, which includes revitalization of a major artery in the community, two additional mixed-use and affordable housing projects are planned for the near future.

Leveraging Resources for Welch Plaza

Seattle’s CADA Completes $27 Million Mixed-Use Development
At $27 million and 216,000 square feet, Welch Plaza is the biggest mixed-use development in Seattle’s Central District in years. No wonder, then, that so many of NeighborWorks® affiliate CADA’s friends, supporters and partners turned out in celebration of the grand opening.
NeighborWorks® Is a Network of Excellence.

Building and sustaining a network of excellence go to the heart of the NeighborWorks® mission. Strategic investments, technical assistance, peer networking, and access to a secondary market all help build NeighborWorks® organizations. Chartering new members and assessing ongoing organizational performance help sustain quality.
Sheila Jones walked past the house on her way to work hundreds of times and never noticed it. Then one day, “The house just grabbed me, like ‘Where are you going?’” she said.

As soon as she got to her job at Kirk Park, where she is director of the park department’s recreation center, she called the number she’d jotted down from the sign in the window for Home HeadQuarters, a NeighborWorks® organization in Syracuse, New York. She told them, “I’m calling about my house.’ Now I get teased about how I said it was my house right from the beginning.”

Thus began Jones’s five-month-long adventure in becoming a homeowner – the first ever in her entire extended family.

Jones traveled a carefully thought-out and established path created by Home HeadQuarters just for residents like her. She took advantage of its housing rehab program, since her 80-year-old house required a considerable upgrade. She completed its Certified Homebuyer Education Course.

Her financing was made possible by Home HeadQuarters partnerships with government agencies (she received funds that came through the New York State HOME program and the city of Syracuse’s CDBG funding); contributors to its revolving loan fund; and banks and other financial institutions that support its Down Payment and Closing Cost Loan Program.

With a first mortgage for $30,000 from Fleet Bank, a second mortgage at zero percent interest from two grants supplied through Home HeadQuarters, and a deferred home-improvement loan (she won’t have to repay if she stays in her home for at least 10 years), Jones was able to purchase an $80,000 home that she believes would be worth “more like $175,000” if it were in a less-distressed neighborhood.

“My house looks like a castle,” Jones said. “I call it She Castle or, because it’s painted green, La Green Jones.” The house – which she shares with her 13-year-old son – has an enclosed front porch, a two-car garage, four bedrooms, a bath-and-a-half, a foyer, dining room, kitchen, basement and attic. “I didn’t know it was so huge till I got in it,” she said, her delight and pride evident in her voice.

Homeownership-Plus
The benefits of guiding long-time residents like Jones into homeownership are many.

Syracuse lost about 10 percent of its population between 1990 and 2000, which “put a real strain on the housing market; it became very soft,” said Home HeadQuarters’ Executive Director Kerry Quaglia. There are about 1,200 vacant properties in the city, which, in addition to their blighting effect, “can become drug houses or centers of other illegal activity,” Quaglia said, “lowering property values even further and making it difficult for adjoining properties to get basics, like insurance.”

He is proud that Home HeadQuarters has been able to address hundreds of these vacant properties through demolition or substantial rehab. And once a vacant property is restored, owner occupants are sought instead of landlords.

Dan Hartnett, vice president of Prudential First Properties, the largest residential real-estate company in central New York state, serves as president of Home HeadQuarters’ board of directors. He helped put together a consortium of 16 local lenders and other financial institutions that is generating $3.5 million for home-improvement loans. Now, “lenders really feel as though they are part of the neighborhood,” Hartnett said, “and it’s good for everyone – good business plus good community service. There are rewards for everyone.”

The timing of the consortium couldn’t be better, either, since there’s been a reduction of public-sector support at a time when demand for Home HeadQuarters’ services is high.

Other Strategies
In addition to the programs that benefit potential homebuyers like Sheila Jones, Home HeadQuarters also is implementing a Lead Elimination Action Program (LEAP) funded by HUD as a pilot. It assists 12 to 15 home-based childcare providers with completing both lead-related and other health and safety repairs to their homes.

A recent capital grant of $100,000 from NeighborWorks® America is providing working capital loans to local minority- and women-owned construction contractors. Home HeadQuarters also administers the Syracuse Neighborhood Initiative, and operates a citywide Weed and Seed program that sponsors community-building events and tackles tough issues like youth violence.

With a staff of 32 and an annual budget of about $10 million, Home HeadQuarters is doing a great deal to encourage new investment, create new housing opportunities, and improve the quality of life throughout Syracuse’s neighborhoods.
Homeownership’s Ripples
Sheila Jones became more than a homeowner when she bought her house through Home HeadQuarters. She then joined its board of directors, where she is contributing her unique perspective as “a neighborhood institution,” she said.

The roominess of her four-bedroom house has inspired her to become a certified foster parent so she can open her home “to kids who are less than fortunate.” She’s even considering becoming a certified childcare worker so she can help parents who need affordable childcare in the evenings.

Like the hundreds of other residents Home HeadQuarters has assisted in its first seven years, Jones is helping to prove that buying a home in Syracuse makes good sense, and believes her example and that of others will lead to a migration back to the city.

“It’s so convenient to live here,” Jones said. “Once people see how the downtown is being redone, this is really going to be the area people want to live in.”

New homeowners, pocket parks, landscaping, and rehab are all strategies for revitalizing the community that NeighborWorks® affiliate Home HeadQuarters draws on in Syracuse’s neighborhoods.
NeighborWorks® America Districts
Locations and Contact Information

Great Lakes District
(Indiana, Kentucky, Michigan, Ohio, Tennessee)
Paul Poston, Director
NeighborWorks® America
2368 Victory Parkway, Suite 210
Cincinnati, OH 45206-2810
Phone: (513) 221-4260

New England District
(Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont)
LaRayne Hebert, Director
NeighborWorks® America
855 Boylston Street, Sixth Floor
Boston, MA 02116-4802
Phone: (617) 450-0410

Mid-Atlantic District
(Delaware, Maryland, New Jersey, Pennsylvania, Virginia, Washington, D.C., West Virginia)
Tim Adams, Director
NeighborWorks® America
Latrobe Building
2 East Read Street, Fourth Floor
Baltimore, MD 21202-2470
Phone: (410) 962-3181

New York/ Puerto Rico District
(New York, Puerto Rico, Virgin Islands)
Elisabeth Prentice, Director
NeighborWorks® America
Clinton Hall
108 North Cayuga Street, Third Floor
Ithaca, NY 14850-4346
Phone: (607) 273-8374
North Central District
(Illinois, Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, Oklahoma, South Dakota, Wisconsin)
John Santner, Director
NeighborWorks® America
1111 West 39th Street, Suite 100W
Kansas City, MO 64111-2614
Phone: (816) 931-4176; (800) 823-1428

Rocky Mountain District
(Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Texas, Utah, Wyoming)
Gary Wolfe, Director
NeighborWorks® America
501 South Cherry Street, Suite 400
Denver, CO 80246-3326
Phone: (303) 782-0299

Southern District
(Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina)
Donald R. Phoenix, Director
NeighborWorks® America
One Georgia Center
600 West Peachtree Street NW, Suite 1950
Atlanta, GA 30308-3628
Phone: (404) 347-1004

Pacific District
(Alaska, California, Hawaii, Oregon, Washington)
Margaret Frisbee, Director
NeighborWorks® America
2400 East Katella Avenue, Suite 440
Anaheim, CA 92806-5929
Phone: (714) 940-0144
NeighborWorks® Organizations as of September 30, 2004

ALABAMA  NHS of Birmingham • Community Service Programs of West Alabama (Tuscaloosa)
ARIZONA  NHS of Southwestern Maricopa County (Avondale) • NHS Phoenix • Navajo Partnership for Housing (St. Michael) • Primavera Foundation Inc. (Tucson)
ARKANSAS  Arkansas Land & Farm Development Corporation (Brinkley) • Argenta CDC (North Little Rock) • Universal Housing Development Corporation (Russellville)
CALIFORNIA  NHS of Orange County (Anaheim) • Community HousingWorks (Escondido) • South County Housing (Gilroy) • Inglewood NHS • Los Angeles NHS • Neighborhood Partnership Housing Services (Montclair) • The Unity Council (Oakland) • Pasadena NHS • Richmond NHS • Sacramento MHA • Sacramento NHS • NHS of the Inland Empire (San Bernardino) • NHS of Silicon Valley (San Jose) • Cabrillo Economic Development Corp. (Saticoy) • Rural Communities Housing Development Corp. ( Ukiah) • Vallejo NHS • Self-Help Enterprises (Visalia)
COLORADO  Thistle Community Housing (Boulder) • Rocky Mountain MHA (Denver) • Neighbor to Neighbor Inc. (Fort Collins) • Tri-County Housing & Community Development Organization (Fowler) • Housing Resources of Western Colorado (Grand Junction) • NHS of Pueblo • Colorado Rural Housing Development Corp. (Westminster)
CONNECTICUT  MHA of Greater Hartford • NHS of New Britain • MHA of South Central Connecticut (New Haven) • NHS of New Haven • MHA of Southwestern Connecticut (Stamford) • NHS of Waterbury
DELWARE  National Council on Agricultural Life and Labor Research Fund (Dover) • Interfaith Housing Delaware Inc. (Wilmington)
DISTRICT OF COLUMBIA  Manna Inc. FLORIDA  Clearwater NHS • Centro Campesino Farmworker Center (Florida City) • Neighborhood Housing & Development Corp. (Gainesville) • Housing Partnership of Jacksonville Inc. • Miami-Dade NHS • Orlando Neighborhood Improvement Corp. • Housing Partnership Inc. (West Palm Beach) • St. Petersburg NHS • Corporation to Develop Communities of Tampa
GEORGIA  Atlanta MHA • Historic District Development Corporation (Atlanta) • Reynoldstown Revitalization Corporation (Atlanta) • Columbus Housing Initiative • The IMPACT! Group (Duluth) • DASH for LaGrange • Cobb Housing Inc. (Marietta)
HAWAII  Hawaii HomeOwnership Center (Honolulu) • MHA of Hawaii (Honolulu)
IDAHO  NHS Inc. (Boise) • Pocatello NHS
ILLINOIS  Joseph Corporation of Illinois (Aurora) • Mid Central Community Action (Bloomington) • NHS of Chicago • NHS of Elgin • NHS of Freeport • Neighborhood Partners of Kankakee Inc. • Project Renew (Fort Wayne) • LaCasa of Goshen • Lafayette NHS • South Bend Heritage Foundation
IOWA  Mississippi Valley NHS (Davenport) • Neighborhood Finance Corporation (Des Moines) • Kansas City • El Centro Inc. (Kansas City) • Community Housing Services Wichita/Sedgwick County
KENTUCKY  Community Ventures Corp. (Lexington) • Metro Housing Resource Center (Louisville)
LOUISIANA  NHS of New Orleans • Maine Community Concepts (South Paris) • Kennebec Valley Community Action Program Housing Services (Waterville) • MHA of Baltimore • NHS of Baltimore • Cumberland NHS • Interfaith Housing Alliance (Frederick) • Salisbury NHS • Montgomery Housing Partnership (Wheaton)
MASSACHUSETTS  Madison Park Development Corporation (Boston) • Cambridge Neighborhood Apartment & Housing Services • Chelsea NHS • Codman Square NDC (Dorchester) • Neighborhood of Affordable Housing (East Boston) • Twin Cities CDC (Fitchburg) • Lawrence CommunityWorks
MINNESOTA  NHS of Duluth • Northside NHS (Minneapolis) • Community NHS (St. Paul) • Dayton's Bluff NHS (St. Paul) • Southwest Minnesota Housing Partnership (Slayton)
MISSOURI  Voice of Calvary Ministries (Jackson) • North East Community Action Corporation (Bowling Green) • NHS of Kansas City • Westside Housing Organization (Kansas City) • Beyond Housing/NHS of St. Louis
MONTANA  NHS Inc. of Great Falls  NEBRASKA  Neighborhoods Inc. (Lincoln)  NEVADA  NHS of Southern Nevada (North Las Vegas)  NEW HAMPSHIRE  Concord Area Trust for Community Housing  •  Laconia Area Community Land Trust • AHEAD (Littleton) • Manchester NHS • NHS of Greater Nashua  NEW JERSEY  Housing Partnership for Morris County (Dover) • Brand New Day (Elizabeth) • HANDS Inc. (Orange)  NEW MEXICO  NHS of Albuquerque • Tierra del Sol Housing Corp. (Las Cruces) • Homewise Inc. (Santa Fe)  NEW YORK  • Steuben Churchpeople Against Poverty (Bath) • Black Rock-Riverside NHS (Buffalo) • Broadway-Fillmore NHS (Buffalo) • Kensington-Bailey NHS (Buffalo) • NHS of South Buffalo • West Side NHS (Buffalo) • St. Lawrence County Housing Council (Canton) • CDC of Long Island (Centereach) • Housing Assistance Program of Essex County (Elizabethtown) • Housing Resources of Columbia County (Hudson) • Ithaca NHS • Jamaica Housing Improvement (Jamaica) • Rural Ulster Preservation Co. (Kingston) • Chautauqua Home Rehabilitation & Improvement Corporation (Mayville) • NHS of New York City • NHS of Bedford-Stuyvesant/NHS of East Flatbush/NHS of Jamaica/NHS of North Bronx/NHS of Northern Queens/NHS of Staten Island • Niagara Falls NHS • Opportunities for Chenaugo Inc. (Norwich) • Hudson River Housing Inc. (Poughkeepsie) • NHS of Rochester • Rural Opportunities Inc. (Rochester) • Rural Revitalization Corp. (Salamanca) • Home Headquarters Inc. (Syracuse) • Syracuse Model Neighborhood Corp. • Troy Rehabilitation & Improvement Program • Utica NHS  NORTH CAROLINA  NHS of Asheville • Charlotte-Mecklenburg Housing Partnership • DHIC, Inc. (Raleigh)  NORTH DAKOTA  Lewis & Clark CommunityWorks (Bismarck)  OHIO  East Akron Neighborhood Development Corp. (Akron) • Neighborhood Conservation Services of Barberton • The HomeOwnership Center of Greater Cincinnati • NHS of Cleveland • Columbus Housing Partnership (Columbus) • St. Mary Development Corp. (Dayton) • NHS of Hamilton • Neighborhood Development Services (Ravenna) • Neighborhood Housing Partnership of Greater Springfield • NHS of Toledo  OKLAHOMA  Little Dixie Community Action Agency (Hugo) • NHS of Oklahoma City • Community Action Project of Tulsa County (Tulsa)  OREGON  Corvallis NHS • Portland Housing Center • Central Oregon Community Action Agency Network (Redmond) • Umpqua CDC (Roseburg)  PENNSYLVANIA  NHS of the Lehigh Valley (Allentown) • New Kensington CDC (Philadelphia) • Philadelphia NHS • Pittsburgh NHS Inc. • NHS of Reading • Scranton NHS  PUERTO RICO  Ponce NHS • San Juan NHS • INCORE (Iniciativa Comunitaria para la Revitalizacion) (Caguas)  RHODE ISLAND  Greater Elmwood Neighborhood Services (Providence) • West Elmwood Housing Development Corporation (Providence) • Woonsocket NDC  SOUTH CAROLINA  Charleston HomeOwnership Center  SOUTH DAKOTA  NHS of the Black Hills (Deadwood)  TENNESSEE  Chattanooga Neighborhood Enterprise • Knox Housing Partnership (Knoxville) • United Housing (Memphis) • Affordable Housing Resources (Nashville) • Housing Development Corporation of the Clinch Valley (Oak Ridge)  TEXAS  Cen-Tex Certified Development Corp. (Austin) • Foundation Communities (Austin) • NHS of Dimmit County (Carrizo Springs) • Nueces County Community Action Agency (Corpus Christi) • NHS of Fort Worth & Tarrant County • Avenue Community Development Corporation (Houston) • Fifth Ward Community Redevelopment Corporation (Houston) • Tejano Center for Community Concerns (Houston) • Laredo-Webb NHS • Amigos del Valle (Mission) • Alamo Area MHA (San Antonio) • NHS of San Antonio • NHS of Waco  UTAH  NHS of Provo • Salt Lake NHS  VERMONT  Central Vermont Community Land Trust (Barre) • Burlington Community Land Trust • Gilman Housing Trust (Newport) • Rockingham Area Community Land Trust (Springfield) • NeighborWorks® of Western Vermont (West Rutland)  VIRGINIA  AHC Inc. (Arlington) • NHS of Richmond • Community Housing Partners Inc. (Richmond)  WASHINGTON  NeighborWorks® of Grays Harbor County (Aberdeen) • Central Area Development Association (Seattle) • HomeSight (Seattle)  WEST VIRGINIA  CommunityWorks in West Virginia (Charleston) • Fairmont Community Development Partnership • HomeOwnership Center Inc. (Elkins)  WISCONSIN  NHS of Beloit • NHS of Green Bay • NHS of Southeast Wisconsin (Kenosha) • NHS of Milwaukee • NHS of Richland County (Richland Center)
The NeighborWorks® System

Three interrelated components of the NeighborWorks® system fulfill a coordinated mission to promote locally directed community revitalization and expand affordable-housing opportunities in communities across the nation. They are:

- NeighborWorks® America;
- The NeighborWorks® network; and
- Neighborhood Housing Services of America.

Over its 26-year history, the NeighborWorks® system has proven to be an increasingly effective and efficient vehicle for leveraging significant private-sector resources in support of community revitalization and affordable-housing efforts. The NeighborWorks® system relies on public-private partnerships, the leveraging of federal funding, and flexible revolving loan funds to achieve its results. Generating innovations in response to locally identified needs is a hallmark of the system.

NeighborWorks® America

NeighborWorks® America evolved from a 1972 effort by the Federal Home Loan Bank Board to increase thrift-industry lending in declining neighborhoods. The Neighborhood Reinvestment Corporation, a public nonprofit organization, was chartered by Congress in the Housing and Community Development Amendments of 1978 (Public Law 95-557). NeighborWorks® America’s involvement with local housing and community development organizations supports residents, businesses and local governments in their efforts to revitalize their communities. In 2005, the Corporation adopted the trade name “NeighborWorks® America.”

NeighborWorks® America:
- Assists existing NeighborWorks® organizations to expand their geographic and programmatic scope and helps other organizations become charter members of the NeighborWorks® network through extensive educational and partnership-building efforts that involve residents, business leaders and government representatives;
- Supports NeighborWorks® organizations with funding for capital projects and operations to enable them to create and build their own community-revitalization initiatives from a solid asset base;
- Provides a high degree of managerial advice and technical assistance to NeighborWorks® members to better reach underserved communities;
- Assesses NeighborWorks® organizations in terms of their capacity to successfully manage their resources and programmatic risks; and
- Offers training throughout the United States for individuals interested in affordable housing and community revitalization, particularly private- and public-sector practitioners and community leaders.

The NeighborWorks® Network

In the early 1970s, NeighborWorks® America founded the NeighborWorks® network, a collaborative group of community-based nonprofits that has evolved from a few organizations to more than 225 members active in more than 2,700 communities across the country today. NeighborWorks® organizations operate in our nation’s largest cities, suburban neighborhoods, and rural areas across 49 states, as well as Puerto Rico and the District of Columbia. Regardless of the communities they serve, NeighborWorks® organizations function as partnerships of local residents, lenders and other business leaders, and representatives from local government. Members of the NeighborWorks® network produce creative strategies, collaborate on best practices, and develop flexible financing mechanisms.

Each organization is responsible for setting its own strategies, raising funds, and delivering services. Most NeighborWorks® organizations provide homebuyer counseling, rehabilitation monitoring, and targeted lending services that complement conventional lending activity. A great majority of NeighborWorks® organizations also operates a revolving loan fund to meet community credit needs, such as gap financing for home-purchase loans, second mortgages for rehabilitation, small-business loans, and acquisition and development of residential and commercial real estate. The NeighborWorks® network is the only national nonprofit network with extensive expertise in designing, originating and servicing small unconventional loans to lower-income families. The rates and terms are tailored to what borrowers can afford. Clients often require counseling and personalized assistance; however, this extra effort pays off by creating new opportunities for first-time homebuyers and permitting existing homeowners to make affordable improvements.

Neighborhood Housing Services of America (NHSA)

Neighborhood Housing Services of America works in partnership with NeighborWorks® America to meet special secondary market needs of NeighborWorks® organizations and their clients. The primary mission of NHSA is to operate a specialized secondary market created to replenish the revolving loan funds and capital pools of local NeighborWorks® organizations.

With administrative and capital support provided by NeighborWorks® America, NHSA purchases community-development loans, allowing NeighborWorks® organiza-
Keys to the NeighborWorks® System

The NeighborWorks® system is the only coordinated effort of its type in the nation. It is unique in that it:

- Provides national access to a delivery system built on locally directed, community-based partnerships;
- Fosters local and regional leveraging of critical government resources;
- Serves as a laboratory for developing, testing and documenting creative solutions to problems that impede affordable-housing production and neighborhood revitalization;
- Sets stringent chartering standards and requirements for participating in the network;
- Maintains high standards for receiving benefits of membership through a comprehensive system of ongoing organizational assessment;
- Facilitates an environment conducive to benchmarking and disseminating best practices in the field; and
- Creates a controlled environment for testing new products and approaches in the community development area (e.g., Full-Cycle Lending® and Housing Choice Voucher Homeownership Program).

As of September 30, 2004, NHSA had purchased more than $650 million in loans from local NeighborWorks® organizations and their local lending partners, thereby significantly leveraging NeighborWorks® America grant dollars. NHSA secures private-sector capital from a pool of socially responsible national institutional investors that include insurance companies, financial institutions, foundations, and pension funds. Proceeds from these investments are used to purchase NeighborWorks® loans.

A key ingredient in any successful neighborhood-revitalization strategy is assuring that all qualified residents, regardless of income or previous credit history, have access to flexible and affordable loan products for housing rehabilitation and, as appropriate, opportunities that can lead to home purchase. While most Americans can qualify for conventional financing from local financial institutions, many living in distressed communities or on limited incomes may not. In meeting the needs of these communities and residents, NeighborWorks® organizations utilize their revolving loan funds to make loans to borrowers with interest rates and terms based on their ability to repay.

The loans NHSA purchases from NeighborWorks® organizations perform well, to a degree because the payments are affordable, but a critical additional factor is that NeighborWorks® organizations provide ongoing credit and postpurchase counseling. NHSA also carries out many activities internally to assure performance on the loans, such as withdrawing delinquent loans from investor pools and replacing them with performing loans, while NHSA resolves the delinquency and develops workout programs with the delinquent borrower. Delinquency rates on first mortgages purchased by NHSA run slightly higher than the rates on conventional first mortgages and substantially lower than rates on other subsidized programs. A key emphasis for NHSA is to work out loans so that borrowers can keep their homes. NHSA has also met all obligations to its investors; private investors have experienced no losses or defaults.
The roots of the NeighborWorks® system go back to a resident-led, 1968 campaign for better housing in Pittsburgh’s Central North Side neighborhood. Dorothy Mae Richardson, a homemaker and community activist, enlisted city bankers and government officials to join with her block club in a battle against slumlords. Together, they persuaded 16 financial institutions to make conventional loans in the community and a local foundation capitalized a revolving loan fund. They rented a trailer, hired staff, and named the effort Neighborhood Housing Services.

In 1970, the Federal Home Loan Bank (FHLB) System concluded that savings-and-loan loan officers needed special training on lending in older, urban markets. Searching for a model, they were impressed by the local-partnership approach of Neighborhood Housing Services in Pittsburgh. The FHLB trainings continued around the country, but, more and more, they turned into workshops for starting other Neighborhood Housing Services organizations, now referred to as NeighborWorks® organizations.

Expanding Nationally
In 1973, the Department of Housing and Urban Development (HUD) entered into a handshake agreement with the FHLB on a five-year initiative to expand NeighborWorks® organizations across the country. The initiative would be coordinated by a specially created Urban Reinvestment Task Force, for which HUD would provide the funding and the FHLB would provide the staff. The HUD-FHLB partnership was expanded the next year to include the Federal Reserve, the Comptroller of the Currency, and the Federal Deposit Insurance Corporation.

Limited access to funding for the NeighborWorks® organizations’ revolving loan funds threatened the network’s effectiveness and further expansion. At the time, private foundations were practically the only resource. Then Congress enacted the Community Development Block Grant (CDBG) program, and provided that CDBG grants could capitalize NeighborWorks® loan funds. In 1974, NHS partners in Oakland conceived of a national loan-purchase resource that would buy loans from local NHSs, thus replenishing their local loan funds. They named it Neighborhood Housing Services of America (NHSA). Its initial funding came from the Urban Reinvestment Task Force.

In 1978, Congress institutionalized the NHS network by enacting the Neighborhood Reinvestment Corporation Act, which created Neighborhood Reinvestment Corporation (NeighborWorks® America) as the successor to the Urban Reinvestment Task Force. The act charged Neighborhood Reinvestment with promoting reinvestment in older neighborhoods by local financial institutions in cooperation with the community, residents and local governments.

The 1980s
In the early 1980s, network organizations were beginning to see themselves as lasting institutions, assuming long-term responsibility for neighborhoods in need. Then double-digit inflation and sharp drops in state and federal resources combined to pose a formidable threat.

Fewer residents were bankable; soaring demand drained NeighborWorks® loan funds; and even raising operating funds became a challenge.

Selected insurance companies that NeighborWorks® America had been gradually bringing into the NeighborWorks® partnership provided key support. Major financial institutions and corporations provided
other crucial support. Together, the commitments enabled local NeighborWorks® organizations to continue and even accelerate their neighborhood-revitalization work.

Local organizations, searching for broader public support, learned the media value of selected projects, such as major in-fill housing, owner-built homes, and massed-volunteer neighborhood painting projects. Local organizations in 1984 gained further visibility as part of a national network in the first congressionally proclaimed National NeighborWorks® Week.

**The 1990s**

Network organizations moved toward still greater professionalization in the early ’90s with NeighborWorks® America’s move to charter-qualified local efforts. Chartering, among other things, confirmed an organization’s financial stability.

As the 1990s unfolded, NeighborWorks® America was increasingly able to attract investments from national financial partners. To harness the investments, it developed a series of new programmatic strategies.

In the first effort, NeighborWorks® America in 1991 facilitated the launch of RNA Community Builders Inc. This alliance of rural NeighborWorks® organizations banded together to find creative ways of addressing rural housing concerns.

In 1992, 20 NeighborWorks® organizations came together and launched the NeighborWorks® Campaign for Home Ownership. The campaign grew to involve more than 150 organizations, assist more than 84,000 families into homeownership, and attract more than $8.3 billion in total investments.

In 1994, the National Insurance Task Force (known today as the NeighborWorks® Insurance Alliance) was organized to help the insurance industry and community-based organizations better understand each other. Community residents were able to explore the difficulties they faced in obtaining affordable property insurance, and the industry was able to refine its products and marketing approaches.

To enhance the role of residents in revitalization, NeighborWorks® America in 1996 began developing a series of initiatives that focused on community organizing, strengthening neighborhood associations, developing resident leaders, and building capacity in communities.

In 1999, the NeighborWorks® Multifamily Initiative was created to increase organizations’ capacity to take on new housing development by attracting additional public and private investment, strengthen their asset-management systems and help them develop resident leaders.

**Moving On**


As of fall 2004, the NeighborWorks® network was comprised of more than 225 local nonprofit affordable housing and community revitalization organizations, serving more than 2,700 urban, suburban and rural communities nationwide. In fiscal 2004, the NeighborWorks® network assisted more than 176,000 families with affordable housing and homeownership counseling and generated investment of more than $2.2 billion in local communities.
NeighborWorks® System’s Specialized Capital Corporations

Highly specialized capital corporations – Neighborhood Housing Services of America, Neighborhood Capital Corporation, and RNA Community Builders Inc. – help NeighborWorks® America build and sustain a NeighborWorks® network of excellence.

Neighborhood Housing Services of America

Neighborhood Reinvestment’s partner in the NeighborWorks® system, Neighborhood Housing Services of America (NHSA), and its affiliates play a critical role in meeting the capital needs of the NeighborWorks® network. NHSA’s loan purchases fill gaps in local loan resources by bringing low-cost, flexible, private-sector capital and innovative loan products to network members. Resources from NHSA replenish local loan funds, which contribute toward more than $100 million a year in the most difficult local lending by NeighborWorks® organizations, which in turn leverages more than $1 billion a year in local investment across the NeighborWorks® network.

NHSA’s flexible loan products help meet the financing needs for housing rehabilitation, home ownership, and real-estate development.

In fiscal 2004, NHSA’s total loan activity was $69.6 million, bringing its cumulative-activity total to more than $650 million.

In the same period, NHSA’s affiliate, NHSA-CDFI, increased from $10.5 to $15.1 million its financing of the hardest-to-find loans: interim development, permanent multifamily, and subordinate loans for NeighborWorks® organizations to re-lend for down-payment assistance or rehabilitation financing.

NHSA also announced a new e-commerce Web site, www.nhsaonline.org, that will allow it to serve NeighborWorks® organizations more quickly and efficiently, and expand its range of loan products. The site, which is able to accept loans originated in Nstep and other loan-origination systems, was to be available to the network in early 2005.

Celebrating 30 Years

In a key, sentimental highlight, NHSA celebrated its 30th anniversary in September by honoring its founding generation and NeighborWorks® network organizations, and by making groundbreaking press announcements. NHSA looked to the future around the theme of a higher leverage of human and financial capital, in recognition of its record of performance over three decades.

At the celebration, Federal Reserve Governor and NeighborWorks® America Chairman Edward M. Gramlich announced an innovative pilot program for NHSA sale of NeighborWorks® second mortgages to Fannie Mae. The pilot will create a breakthrough into the capital markets for down-payment assistance loans.

Pat Stephenson, executive director of Lafayette, Indiana, Neighborhood Housing Services, accepted the salute from NHSA on behalf of all the NeighborWorks® honorees.

NHSA’s founders also were honored. They included Anita Miller, Louis Winnick, Michael Moskow, William Popejoy, Herbert M. Sandler, Tom Unterman, and Ken McLean.

Board of Directors: Judy McCormick, Chairman, USAA; Clayton Adams, Vice Chairman, State Farm Insurance Companies; Dan Dixon, Immediate Past Chairman, World Savings Bank, FSB; Clarissa Walker, Secretary, Sabanthi Community Center; Mary Lee Widener, President, NHSA; Richard Ainsworth, Whitney National Bank; George Behymer, Gateway Federal Savings and Loan, retired; Rose Espinoza, La Habra City Council; Sophia Jeffery, Early Childhood Center of Springfield; Peter Lefferts, American Express Centurion Bank; Robert Oehler, Far East National Bank; Fred Pillon, Gibson, Dunn & Crutcher; Myron Resnick, Allstate Insurance Company, retired; Hugh Shaw, AmSouth Bank, retired; Rhonda Woodard, Allstate Insurance Company. Elected September 9, 2004: Rita Carrillo, NHS of Phoenix; Douglas Elefant, City National Bank.

Board of Trustees: Herbert Sandler, Chairman, World Savings Bank, FSB; Robert Davis, USAA; Edward Liddy, Allstate Insurance Company; Preston Martin, Martin Associates; Terrence Murray, FleetBoston Financial Corporation, retired; Honorable Ed Lopez Pastor, Member of Congress; Stephen Rasmussen, Nationwide Insurance Company; Honorable Joseph P. Riley Jr., City of Charleston; Edward B. Rust Jr., State Farm Insurance Companies.

Senior Management Team: Mary Lee Widener, President and CEO; Peter Sopka, COO and CFO; Ernest E. Baskette Jr., Senior Vice President; Jack Gilbert, Senior Vice President; Jesus Talens, Senior Vice President; William Green, Vice President and CIO; Brian Cosgrove, Assets and Liability Manager; Ken Gross, Managing Director of Loan Operations; Richard Brown, Controller and Director of Management Reporting; Zaretta Kimble, Assistant Vice President; and Andrea Washburn, Communications Officer.
(Top) Brian Cosgrove of NHSA announcing NHSAonline; a workshop with NeighborWorks® representatives followed.

(Above, left) Judy McCormick, chairman of NHSA’s board of directors, opens NHSA’s 30th anniversary event, with (left to right) NeighborWorks® America’s CEO Kenneth D. Wade and Chairman, Federal Reserve Governor Gramlich, and NHSA Board Member Rhonda Woodard, master of ceremonies. (Middle) Pictured are Governor Gramlich and a group of NeighborWorks® honorees. Honored were NHS Inc. of Pittsburgh; Homewise Inc. of Santa Fe; Lafayette NHS; NHS of Orange County; NHS of New Haven; NHS of Baltimore; and Colorado Rural HDC. (Right) NHSA Founding Chairman George Behymer retires, with his typical humor.
Neighborhood Capital Corporation

Neighborhood Capital Corporation (NCC) provides its member NeighborWorks® organizations with seed capital to assist them in launching multifamily housing projects. NCC was created by the members of the NeighborWorks® Multifamily Initiative, a program focused on building the capacity of NeighborWorks® organizations to develop and manage affordable rental housing.

NCC’s lending program is designed to provide timely access to flexible financing in the early stages of developing a new project, or acquiring and preserving the affordability of an existing development. Since April 2001, NCC has supported its members in developing more than 3,000 homes for low- and moderate-income residents.

To launch these projects, NCC has originated more than $8.7 million in financing. The year ending September 30, 2004, was a banner period for NCC, with loan volume totaling $4.6 million, more than the loan volume for the three prior years combined. In turn, NCC members have succeeded in leveraging more than $260 million in permanent project financing.

Further, demand for NCC financing is accelerating, with NCC members expected to develop or preserve more than 15,000 units through 2008. NCC is responding by broadening its efforts to increase available loan capital, which currently totals $7 million. It has been provided by NeighborWorks® America, the John D. and Catherine T. MacArthur Foundation, the Calvert Social Investment Foundation, and the Fannie Mae Foundation.

In 2004, NCC was awarded $1 million from the U.S. Treasury Department’s CDFI Fund and began developing several innovative partnerships to expand its investor base. NCC is working with Merrill Lynch Community Development Company, LLC, to substantially increase its loan capital via a pool of bank financing. NCC also is newly partnering with the Calvert Social Investment Foundation to pursue faith-based investors, while continuing to collaborate and risk-share with the National Housing Trust in jointly financing loans originated by NCC. Finally, NCC continues to explore collaborative opportunities with RNA Community Builders Inc., a loan fund serving rural NeighborWorks® organizations.

NCC has met all obligations to its investors and partners. Moreover, thanks to the first-rate performance of its NeighborWorks® borrowers, NCC’s portfolio is on sound footing: NCC has fully recovered nine of 29 loans made to date and has experienced no losses.

NCC looks forward to continuing to assist its members in improving affordable housing opportunities across the nation.

Board of Directors: Evelyn Friedman, President, Executive Director, Nuestra Comunidad Development Corporation; Dennis Lalor, Vice President, Executive Director, South County Housing Corporation; William Hale, Treasurer, President, Neighborhood Development Services Inc.; Gregg Warren, Secretary, Executive Director, DHIC Inc.; Peter Daly, Executive Director, Cambridge Neighborhood Apartment Housing Services; Karen Flock, Project Manager, Cabrillo Economic Development Corporation, Gerald Konohia, Executive Director, Chattanooga Neighborhood Enterprise; Paul Mazzarella, Executive Director, Ithaca Neighborhood Housing Services; Jim Moorefield, Executive Director, Corvallis NHS Inc.; Jeanne Pinado, Executive Director, Madison Park Development Corporation; Patricia Stephenson, Executive Director, Lafayette NHS.

Loan Committee: Peter Daly, Chair, Executive Director, Cambridge Neighborhood Apartment Housing Services; Steve Cain, Loan Consultant, Washington Mutual; Evelyn Friedman, Executive Director, Nuestra Comunidad Development Corporation; William Hale, President, Neighborhood Development Services Inc.; Patricia Stephenson, Executive Director, Lafayette NHS.

Advisors: Frances Ferguson, Multifamily Initiative Manager, NeighborWorks® America; Robert Hudecek, Consultant.

Staff: Kathryn (Kim) Kimlin, Executive Director; Benjamin Greenberg, Loan Officer; Jennifer Ettorre, Executive Assistant
(Top) In Florida, NCC financing helped Housing Partnership of Jacksonville acquire Malibu Gardens.

(Far left) In Minneapolis, Peter Daly, executive director of Cambridge Neighborhood Apartment Housing Services, addresses the NCC annual meeting.

(Left) In California, NCC provided a bridge loan to Community HousingWorks of Escondido for Pine View Apartments.
RNA Community Builders Inc.

RNA Community Builders Inc. (RNA) is a member-driven alliance of rural NeighborWorks® organizations that supports and encourages the success of nonprofit community developers for the benefit of people living in rural America. Now finishing its first decade of lending and peer-to-peer support, RNA offers flexible project development loans within an innovative peer-lending model.

With 40 member organizations serving more than 470 rural counties in 28 states, RNA provides low-cost gap and bridge financing for a wide variety of community development projects. Short-term (three to five years) amortizing loans are also available for projects as funds allow. The RNA loan committee brings to the table more than 140 years of combined rural community development experience, providing top-notch individualized loan underwriting that has proven to be invaluable to the success of member projects.

In fiscal 2004, RNA made four loans totaling $725,000 for projects in three states that helped create 65 single-family homes, 18 units of affordable rental housing, one new commercial space, and a refurbished community facility. The projects will leverage more than $12.5 million in new investment. Since the loan fund was established in 1994, RNA has made more than $5 million in loans and leveraged more than $44 million in new, permanent capital while creating almost 500 new units of affordable housing, 22 commercial offices, and two community facilities.

Also in fiscal 2004, RNA successfully repaid a $250,000 loan from the Fannie Mae Foundation, and grew the loan fund to $2.6 million, with a $300,000 loan loss reserve. NeighborWorks® America has been an invaluable partner, providing equity funding to secure new investments. The RNA board of directors is committed to increasing the percentage of average capital out in the field, even as the loan fund grows. By the end of calendar 2004, more than 98 percent of the loan fund capital will be out or committed.

RNA, in cooperation with the NeighborWorks® Training Institute, held its fourth biennial Chautauqua in June in Deadwood, South Dakota. More than 40 senior staff from 28 rural NeighborWorks® organizations joined NeighborWorks® America staff and a variety of funding partners for the three-day event. Hosted by Neighborhood Housing Services of the Black Hills, Chautauqua 2004 included tours, story-telling, small group problem-solving, and a variety of networking opportunities and resource discussions.

With support from NeighborWorks® America, RNA also has begun discussions with Neighborhood Capital Corporation, a loan fund assisting NeighborWorks® multifamily development, and NHSA-CDFI, a loan fund of Neighborhood Housing Services of America, the NeighborWorks® secondary market, on exploring ways to make RNA’s model available to organizations throughout the NeighborWorks® network.

**Board of Directors:** Al Gold, President, Colorado Rural Housing Development; Joy McCracken, Vice President, NHS of the Black Hills; Billie MacFarlane, Treasurer, NeighborWorks® of Grays Harbor County; Rosa Rios Valdez, Secretary, Cen-Tex CDC; Manuel Estrada, NHS of Dimmit County; Rose Garcia, Tierra del Sol; Duane Hill, Rural Communities Housing Development Corp.; Kevin O’Neill, Housing Resources of Columbia County; David Wood, AHEAD. **Left the board in 2004:** Stephen Murray HDC of the Clinch Valley.
RNA Average Loan Size

Average Loan Size
Cumulative Historic Average

Averaged Loan Capital to Averaged Outstanding Loans

Average Capital
Average Outstanding Loans

RNA Units by Loan Type

Economic Development: 77
Land Acquisition: 15,100
Construction: 20
Infrastructure: 27
Mixed Use: 29
Multifamily: 65
Single Family: 65

Single Family
Multifamily
Commercial/Community
NeighborWorks® America Officers

Kenneth D. Wade
Chief Executive Officer

(Vacant)
Chief Operating Officer

Steven J. Tuminaro
Treasurer
Director, Public Policy/Legislative Affairs

Jeffrey T. Bryson
General Counsel/Secretary

Division and Office Directors

Jeffrey Epremian
Director, Development and Communications

Robert Burns
Director, Field Operations

Allan Martin
Director, Finance and Administration

Fred Udachi
Director, Internal Audit

Nelson Merced
Director, National Initiatives and Applied Research

Ron Johnston
Director, Organizational Assessment

Brooke Finn
Director, Program Integration and Planning

Paul Kealey
Director, Training
Thanks to Our Private-Sector Partners and Supporters

Every day, the private sector plays an irreplaceable role in the success of the NeighborWorks® system. In addition to investments, services, products and volunteers, private-sector institutions provide direct financial contributions to NeighborWorks® America and to local NeighborWorks® organizations.

These contributions support grassroots operations, and increase the impact of our own grant making, technical assistance, and training. Moreover, these funds often underwrite the innovations that are the hallmark of the NeighborWorks® system.

In 2004 alone, our private-sector partners helped the NeighborWorks® network achieve a record $2.2 billion in total direct investment and assist more than 176,000 low-to-moderate-income families.

Neighborhood Reinvestment Corporation is pleased to salute the corporations, and foundations that contributed $25,000 and more.

ABC Trust • Academy for Educational Development • Afton School • Albert Pick, Jr. Fund • Allstate Foundation
Allstate Insurance Company • Amalgamated Bank • Amelia Peabody Foundation • American Express
American Family Life Insurance Company • AmeriCorps • Amsouth Bank • Annie E. Casey Foundation
Astoria Federal Savings & Loan Association • Atlantic Bank of New York • Baltimore Community Foundation
Baltimore Neighborhood Collaborative • Bank North • Bank of America • Bank of New York • Bank of the West
Bank of Tokyo • Mitsubishi Trust Company • Bank One Foundation • Banknorth Group • BB&T • Beloit Foundation
Community Development Finance Fund • Community Development Finance Institution
Community Development Support Collaborative • Community Foundation • Community Services & Employment Training
Compass Banks • Con Edison • Cornell University • Corporation for Enterprise Development • Cowell Foundation
Dedham Savings FHLB • Deutsche Bank • Direct Merchants Bank • Discover Bank • Doris Duke Charitable Foundation
Dyson Foundation • George S. & Delores Dove Eccles Foundation • EITC Schusterman • El Centro, Inc.
Emigrant Savings Bank • Emprise Bank • Energy Coordinating Agency • Enterprise Community, YEA Program
Enterprise Foundation • Evelyn & Walter Haas Foundation • Ewing Marion Kauffman Foundation
Fairfield County Community Foundation • Fannie Mae • Fannie Mae Foundation • Farmer’s Insurance Company
F.B. Heron Foundation • Federal Home Loan Bank • Fidelity Savings Bank • Fifth Third Bank • First Bank • First Energy
First Niagara Bank • First Republic Bank • First Union Regional (Wachovia) • Fleet Bank • Fleet Boston Financial
Flushing Savings Bank • Ford Foundation • Fortis House Development • Foundation for Housing Preservation • Freddie Mac
Freddie Mac Foundation • Fremont Investment & Loan • Fundacion Comunitaria • Genesee Management
Geraldine R. Dodge Foundation • Gillette Corporation • Greater Kansas City Community Foundation
Greater Kansas City Community Foundation Hispanic Development Fund • Greater Twin Cities United Way
Greater Worcester Community Foundation • Green trac • GreenPoint Bank • Habitat for Humanity
Haigh-Scatena Foundation • Hall Family Foundation • Hamilton County/CMHA • Harris Bank
Harry & Jenette Weinberg Foundation • Hawthorne Savings & Loan • Helen Jane Clark
Herman & Frieda Miller Foundation • Hillcrest Bank • Home Depot • Home Depot Foundation • Home Ownership Center
Household Bank, F.S.B. • Household Finance • Household International • Housing Futures Fund
Housing Opportunities, Inc. • Housing Partnership Network • Houston Endowment, Inc. • HSBC Bank • Hyams Foundation
Illinois FAIR Plan Association • Impact Capital • Independence Blue Cross • Independence Community Bank
Interline Corp. • Intrust Bank • J. & E. Speas Memorial Trust • J. B. Milette • J. P. Morgan Chase
Jack & Engrid Meng Foundation • James Roberts-Obayashi • Jay & Rose Phillips Foundation
J.E. & L.E. Mabee Foundation • John D. and Catherine T. MacArthur Foundation • John S. & James L. Knight Foundation
John T. Lipton • Katherine Matthies Foundation • Key Bank • Key Foundation • Ladue Chapel Presbyterian Church
Lakes Region United Way • Larry & Janet Newswanger • LaSalle Bank • Lawrence Kirstein • Lehman Brothers Bank
Lloyd A. Fry Foundation • Lloyd Balfour Foundation • Local Initiatives Support Corporation Lyndhurst Foundation
M & T Bank • Mabel Louise Riley Foundation • Marty Miller • Maspeth Federal Savings & Loan Association
Mayer, Brown & Maw • MB Financial Bank • McCune Foundation • Meadows Foundation • Mellon Financial
Melville Charitable Trust • Melville Foundation • Memorial Hospital of South Bend • Mercy Family Fund
Mervin Bovaird Foundation • MetLife • Meyer Memorial Trust Michael and Susan Dell Foundation • Microsoft Corporation
MidAmerica Bank • Middletown Community Foundation Miller Foundation • Mizuho Corporate Bank, Ltd.
Morris & Gwendolyn Cafritz Foundation • MVP&E Architects • National City Bank • National Council of La Raza
National Equity Fund • National Penn Bank • Nationwide Foundation • Nationwide Insurance
Neighborhood Development Support Collaborative • New Hampshire Charitable Foundation • New York Community Trust
Private-Sector Partners and Supporters (Continued)

Norman S. and Elizabeth N. Bean Foundation • North Fork Bank • Northern Trust Company
Oakland Private Industry Council • Ohio Capital Corporation for Housing • Oleonda Jameson Trust
Ounce of Prevention People's Bank • Pittsburgh Foundation • PMI Mortgage Insurance Company • PNC Bank
Philadelphia Neighborhood Development Collaborative • Polaroid Corporation • Polk Bros. Foundation • Premier West Bank
Provident Bank • Providian Bank • Prudential Action R.E. • Prudential Property & Casualty Insurance Company
Quadel Consulting Corp. • RBS Greenwich Capital • Republic Bank & Trust Company • Retirement Research Foundation
Roberts Family Memorial Fund • Robert Wood Johnson Foundation • Rockwell Foundation • Rosen Development Corp.
Roslyn Savings Bank • Rural Community Assistance Corporation • Ruth Brown Foundation • Saint Mary's Hospital
Samberg Family Foundation • San Diego Foundation Neely Family Fund • San Diego Foundation Weingart-Price Fund
Sandler O’Neill & Partners, L.P. • Sarkey’s Foundation • Sears Foundation • Sears National Bank • Sears Roebuck & Co.
Security Savings Bank • Sante Fe Affordable Roundtable • Sante Fe Association of Realtors • Sante Fe Public Schools
SI Bank & Trust Foundation • Sid Richardson Foundation • Sovereign Bank, F.S.B. • Springfield Foundation
St. Paul Companies • Standford Federal Bank for Savings • State Farm Insurance Companies • State Farm Mutual
State Street Bank & Trust Company • State Street Foundation • Steans Family Foundation • SunTrust Bank
Surdna Foundation • TCF National Bank • The Callaway Foundation • The Greater Cincinnati Foundation
The Jack Parker Corporation, Inc. • The Partnership, Inc. • Topfer Family Foundation • Travelers Insurance
Tulsa Area United Way • Turner Foundation • Union Bank & Trust Company • United Way of America
United Way of Metro Atlanta • University of Arkansas at Pine Bluff • US Bank • USAA • Virginia G. Piper Foundation
Madelaine Von Weber Trust • Wachovia Bank • Wachovia Regional Foundation • Walter and Elise Haas, Sr. Foundation
Washington Mutual Bank • Washington Mutual Foundation • Webster Bank • Wells Fargo Bank • Wells Fargo Foundation
Wells Fargo Housing Foundation • Western Avenue Corridor • William J. Fuerst • William Penn Foundation
William T. Kemper Foundation • Winn Management • W.K. Kellogg Foundation • Woodland Hills, Inc.
Woods Charitable Fund • World Financial Network Bank • World Saving Bank • World Savings, F.S.L.A.
Wyandotte Health Foundation • Xcel Energy • Yale University • Yawkey Foundation
Z. Smith Reynolds Foundation • Zions First National Bank
Private-Sector Partners and Supporters (Continued)

Norman S. and Elizabeth N. Bean Foundation • North Fork Bank • Northern Trust Company
Ounce of Prevention People’s Bank • Pittsburgh Foundation • PMI Mortgage Insurance Company • PNC Bank
Philadelphia Neighborhood Development Collaborative • Polaroid Corporation • Polk Bros. Foundation • Premier West Bank
Provident Bank • Providian Bank • Prudential Action R.E. • Prudential Property & Casualty Insurance Company
Quadel Consulting Corp. • RBS Greenwich Capital • Republic Bank & Trust Company • Retirement Research Foundation
Roberts Family Memorial Fund • Robert Wood Johnson Foundation • Rockwell Foundation • Rosen Development Corp.
Roslyn Savings Bank • Rural Community Assistance Corporation • Ruth Brown Foundation • Saint Mary’s Hospital
Samberg Family Foundation • San Diego Foundation Neely Family Fund • San Diego Foundation Weingart-Price Fund
Sandler O’Neill & Partners, L.P. • Sarkey’s Foundation • Sears Foundation • Sears National Bank • Sears Roebuck & Co.
Security Savings Bank • Sante Fe Affordable Roundtable • Sante Fe Association of Realtors • Sante Fe Public Schools
SI Bank & Trust Foundation • Sid Richardson Foundation • Sovereign Bank, F.S.B. • Springfield Foundation
St. Paul Companies • Standford Federal Bank for Savings • State Farm Insurance Companies • State Farm Mutual
State Street Bank & Trust Company • State Street Foundation • Steans Family Foundation • SunTrust Bank
Surdna Foundation • TCF National Bank • The Callaway Foundation • The Greater Cincinnati Foundation
The Jack Parker Corporation, Inc. • The Partnership, Inc. • Topfer Family Foundation • Travelers Insurance
Tulsa Area United Way • Turner Foundation • Union Bank & Trust Company • United Way of America
United Way of Metro Atlanta • University of Arkansas at Pine Bluff • US Bank • USAA • Virginia G. Piper Foundation
Madelaine Von Weber Trust • Wachovia Bank • Wachovia Regional Foundation • Walter and Elise Haas, Sr. Foundation
Washington Mutual Bank • Washington Mutual Foundation • Webster Bank • Wells Fargo Bank • Wells Fargo Foundation
Wells Fargo Housing Foundation • Western Avenue Corridor • William J. Fuerst • William Penn Foundation
William T. Kemper Foundation • Winn Management • W.K. Kellogg Foundation • Woodland Hills, Inc.
Woods Charitable Fund • World Financial Network Bank • World Saving Bank • World Savings, F.S.L.A.
Wyandotte Health Foundation • Xcel Energy • Yale University • Yawkey Foundation
Z. Smith Reynolds Foundation • Zions First National Bank
NeighborWorks® America and The NeighborWorks® Network Annual Report
2004 Appendices

- Graphs and Charts
  - NeighborWorks® Organizations’ Total Investment Leveraged by NeighborWorks® America’s Appropriation
  - NeighborWorks® Organizations’ Trend in Affordable Housing Units
  - NeighborWorks® Organizations’ Owned and/or Managed Rental Units
  - Ethnicity of Homebuyers: NeighborWorks® Campaign for Home Ownership vs. Conventional Lenders
  - Household Income of Buyers: NeighborWorks® Campaign for Home Ownership vs. Conventional Lenders

- Financial Statements and Independent Auditors’ Report
NeighborWorks® Organizations
Owned and/or Managed Rental Units
FY 1992-2004

Ethnicity of Homebuyers:
NeighborWorks® Campaign for Home Ownership vs. Conventional Lenders

Household Income of Buyers
NeighborWorks® Campaign for Home Ownership vs. Conventional Lenders
# Neighborhood Reinvestment Corporation

## Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Auditors' Report</td>
<td>3</td>
</tr>
<tr>
<td><strong>Financial Statements</strong></td>
<td></td>
</tr>
<tr>
<td>Statements of Financial Position</td>
<td>4</td>
</tr>
<tr>
<td>Statements of Activities</td>
<td>5-6</td>
</tr>
<tr>
<td>Statement of Changes in Net Assets</td>
<td>7</td>
</tr>
<tr>
<td>Statements of Cash Flows</td>
<td>8</td>
</tr>
<tr>
<td>Notes to Financial Statements</td>
<td>9-19</td>
</tr>
<tr>
<td><strong>Supplemental Material</strong></td>
<td></td>
</tr>
<tr>
<td>Statements of Functional Expenses</td>
<td>20-21</td>
</tr>
</tbody>
</table>
Independent Auditors' Report

To the Board of Directors

Neighborhood Reinvestment Corporation
Washington, DC

We have audited the accompanying statements of financial position of the Neighborhood Reinvestment Corporation (the Corporation) as of September 30, 2004 and 2003 and the related statements of activities, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Neighborhood Reinvestment Corporation as of September 30, 2004 and 2003, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying statements of functional expenses on pages 20 and 21 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

November 24, 2004
Neighborhood Reinvestment Corporation
Statements of Financial Position
September 30, 2004 and 2003

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 3,737,945</td>
<td>$ 7,778,669</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>1,099,446</td>
<td>2,424,132</td>
</tr>
<tr>
<td>Receivables:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions receivable, net</td>
<td>979,158</td>
<td>763,969</td>
</tr>
<tr>
<td>Grant and contract receivables</td>
<td>1,829,438</td>
<td>977,418</td>
</tr>
<tr>
<td>Other receivables - net of allowance for doubtful accounts of $1,045,926 in 2004 and $1,210,441 in 2003</td>
<td>207,783</td>
<td>251,922</td>
</tr>
<tr>
<td>Travel advances</td>
<td>185,102</td>
<td>179,841</td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>551,201</td>
<td>412,671</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>8,590,073</td>
<td>12,788,622</td>
</tr>
<tr>
<td><strong>Noncurrent assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions receivable, net of current portion</td>
<td>670,686</td>
<td>1,204,431</td>
</tr>
<tr>
<td>Endowment investments</td>
<td>3,551,275</td>
<td>3,504,436</td>
</tr>
<tr>
<td>Furniture and equipment, net</td>
<td>3,424,461</td>
<td>2,754,949</td>
</tr>
<tr>
<td><strong>Total noncurrent assets</strong></td>
<td>7,646,422</td>
<td>7,463,816</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$ 16,236,495</td>
<td>$ 20,252,438</td>
</tr>
</tbody>
</table>

|                      |             |             |
| **Liabilities and Net Assets** |             |             |
| **Current liabilities** |             |             |
| Accounts payable and accrued expenses | $ 3,540,409 | $ 4,900,056 |
| Grant commitments      | -           | 100,800     |
| Deferred revenue        | 81,989      | 35,650      |
| **Total current liabilities** | 3,622,398   | 5,036,506   |
| **Deferred rent liability** | 1,783,809   | 1,302,249   |
| **Total liabilities**   | 5,406,207   | 6,338,755   |
| **Net assets**          |             |             |
| Unrestricted net assets |             |             |
| Undesignated            | 267,882     | 1,376,441   |
| Board designated net equity in furniture and equipment | 3,424,461   | 2,754,949   |
| Temporarily restricted net assets | 3,637,945   | 6,282,293   |
| Permanently restricted net assets | 3,500,000   | 3,500,000   |
| **Total net assets**    | 10,830,288  | 13,913,683  |
| **Total liabilities and net assets** | $ 16,236,495 | $ 20,252,438 |

The accompanying notes are an integral part of these financial statements.
Neighborhood Reinvestment Corporation  
Statement of Activities

Year ended September 30, 2004

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Designated</th>
<th>Total Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Congressional appropriation</td>
<td>$114,321,500</td>
<td>$ -</td>
<td>$114,321,500</td>
<td>$ -</td>
<td>$ -</td>
<td>$114,321,500</td>
</tr>
<tr>
<td>Contributions</td>
<td>68,820</td>
<td>-</td>
<td>68,820</td>
<td>950,784</td>
<td>-</td>
<td>1,019,604</td>
</tr>
<tr>
<td>Grants and contracts</td>
<td>2,617,126</td>
<td>-</td>
<td>2,617,126</td>
<td>-</td>
<td>-</td>
<td>2,617,126</td>
</tr>
<tr>
<td>Training registration fees</td>
<td>1,936,675</td>
<td>-</td>
<td>1,936,675</td>
<td>-</td>
<td>-</td>
<td>1,936,675</td>
</tr>
<tr>
<td>Other income</td>
<td>557,919</td>
<td>-</td>
<td>557,919</td>
<td>-</td>
<td>-</td>
<td>557,919</td>
</tr>
<tr>
<td>Investment income</td>
<td>210,634</td>
<td>-</td>
<td>210,634</td>
<td>45,116</td>
<td>-</td>
<td>255,750</td>
</tr>
<tr>
<td>Net assets released from restrictions:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Satisfaction of program and time restrictions</td>
<td>3,640,248</td>
<td>-</td>
<td>3,640,248</td>
<td>(3,640,248)</td>
<td>-</td>
<td></td>
</tr>
</tbody>
</table>

**Total revenue, gains, and other support** 123,352,922 - 123,352,922 (2,644,348) - 120,708,574

**Expenses**

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Designated</th>
<th>Total Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants and grant commitments</td>
<td>78,802,181</td>
<td>-</td>
<td>78,802,181</td>
<td>-</td>
<td>-</td>
<td>78,802,181</td>
</tr>
<tr>
<td>Personnel</td>
<td>23,365,530</td>
<td>-</td>
<td>23,365,530</td>
<td>-</td>
<td>-</td>
<td>23,365,530</td>
</tr>
<tr>
<td>Professional services</td>
<td>7,312,169</td>
<td>-</td>
<td>7,312,169</td>
<td>-</td>
<td>-</td>
<td>7,312,169</td>
</tr>
<tr>
<td>Other operating costs</td>
<td>5,601,996</td>
<td>97,628</td>
<td>5,699,624</td>
<td>-</td>
<td>-</td>
<td>5,699,624</td>
</tr>
<tr>
<td>Travel</td>
<td>2,697,991</td>
<td>-</td>
<td>2,697,991</td>
<td>-</td>
<td>-</td>
<td>2,697,991</td>
</tr>
<tr>
<td>Conferences and workshops</td>
<td>1,886,758</td>
<td>-</td>
<td>1,886,758</td>
<td>-</td>
<td>-</td>
<td>1,886,758</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>-</td>
<td>720,411</td>
<td>720,411</td>
<td>-</td>
<td>-</td>
<td>720,411</td>
</tr>
</tbody>
</table>

**Total expenses** 122,973,930 818,039 123,791,969 - 123,791,969

**Change in net assets**

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Designated</th>
<th>Total Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$378,992</td>
<td>$(818,039)</td>
<td>$(439,047)</td>
<td>$(2,644,348)</td>
<td>$ -</td>
<td>$(3,083,395)</td>
</tr>
</tbody>
</table>

*The accompanying notes are an integral part of these financial statements.*
# Neighborhood Reinvestment Corporation
## Statement of Activities

**Year ended September 30, 2003**

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Designated</th>
<th>Total Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Congressional appropriation</td>
<td>$104,317,500</td>
<td>$ -</td>
<td>$104,317,500</td>
<td>$ -</td>
<td>$ -</td>
<td>$104,317,500</td>
</tr>
<tr>
<td>Contributions</td>
<td>97,180</td>
<td>-</td>
<td>97,180</td>
<td>7,314,165</td>
<td>-</td>
<td>7,411,345</td>
</tr>
<tr>
<td>Grants and contracts</td>
<td>2,355,223</td>
<td>-</td>
<td>2,355,223</td>
<td>-</td>
<td>-</td>
<td>2,355,223</td>
</tr>
<tr>
<td>Training registration fees</td>
<td>2,038,751</td>
<td>-</td>
<td>2,038,751</td>
<td>-</td>
<td>-</td>
<td>2,038,751</td>
</tr>
<tr>
<td>Other income</td>
<td>761,583</td>
<td>-</td>
<td>761,583</td>
<td>-</td>
<td>-</td>
<td>761,583</td>
</tr>
<tr>
<td>Investment income</td>
<td>339,469</td>
<td>-</td>
<td>339,469</td>
<td>94,732</td>
<td>-</td>
<td>434,201</td>
</tr>
<tr>
<td>Net assets released from restrictions:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Satisfaction of program and time restrictions</td>
<td>5,661,692</td>
<td>-</td>
<td>5,661,692</td>
<td>(5,661,692)</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Total revenue, gains, and other support</strong></td>
<td>115,571,398</td>
<td>-</td>
<td>115,571,398</td>
<td>1,747,205</td>
<td>-</td>
<td>117,318,603</td>
</tr>
</tbody>
</table>

## Expenses

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Designated</th>
<th>Total Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants and grant commitments</td>
<td>74,507,478</td>
<td>-</td>
<td>74,507,478</td>
<td>-</td>
<td>-</td>
<td>74,507,478</td>
</tr>
<tr>
<td>Personnel</td>
<td>22,887,510</td>
<td>-</td>
<td>22,887,510</td>
<td>-</td>
<td>-</td>
<td>22,887,510</td>
</tr>
<tr>
<td>Professional services</td>
<td>6,783,867</td>
<td>-</td>
<td>6,783,867</td>
<td>-</td>
<td>-</td>
<td>6,783,867</td>
</tr>
<tr>
<td>Other operating costs</td>
<td>4,461,885</td>
<td>65,383</td>
<td>4,527,268</td>
<td>-</td>
<td>-</td>
<td>4,527,268</td>
</tr>
<tr>
<td>Occupancy</td>
<td>2,933,299</td>
<td>-</td>
<td>2,933,299</td>
<td>-</td>
<td>-</td>
<td>2,933,299</td>
</tr>
<tr>
<td>Travel</td>
<td>2,441,634</td>
<td>-</td>
<td>2,441,634</td>
<td>-</td>
<td>-</td>
<td>2,441,634</td>
</tr>
<tr>
<td>Conferences and workshops</td>
<td>1,589,495</td>
<td>-</td>
<td>1,589,495</td>
<td>-</td>
<td>-</td>
<td>1,589,495</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>-</td>
<td>561,419</td>
<td>561,419</td>
<td>-</td>
<td>-</td>
<td>561,419</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>115,605,168</td>
<td>626,802</td>
<td>116,231,970</td>
<td>-</td>
<td>-</td>
<td>116,231,970</td>
</tr>
</tbody>
</table>

### Change in net assets

|                      | $ (33,770)   | $ (626,802) | $ (660,572)      | $ 1,747,205            | $ -                    | $ 1,086,633 |

*The accompanying notes are an integral part of these financial statements.*
Neighborhood Reinvestment Corporation
Statement of Changes in Net Assets
Years Ended September 30, 2004 and 2003

<table>
<thead>
<tr>
<th></th>
<th>Undesignated</th>
<th>Designated</th>
<th>Total</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net assets, September 30, 2002</strong></td>
<td>$ 3,458,427</td>
<td>$ 1,333,535</td>
<td>$ 4,791,962</td>
<td>$ 4,535,088</td>
<td>$ 3,500,000</td>
<td>$ 12,827,050</td>
</tr>
<tr>
<td><strong>Change in net assets</strong></td>
<td>(33,770)</td>
<td>(626,802)</td>
<td>(660,572)</td>
<td>1,747,205</td>
<td>-</td>
<td>1,086,633</td>
</tr>
<tr>
<td>Furniture and equipment purchases</td>
<td>(2,048,216)</td>
<td>2,048,216</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net assets, September 30, 2003</strong></td>
<td>1,376,441</td>
<td>2,754,949</td>
<td>4,131,390</td>
<td>6,282,293</td>
<td>3,500,000</td>
<td>13,913,683</td>
</tr>
<tr>
<td><strong>Change in net assets</strong></td>
<td>378,992</td>
<td>(818,039)</td>
<td>(439,047)</td>
<td>(2,644,348)</td>
<td>-</td>
<td>(3,083,395)</td>
</tr>
<tr>
<td>Furniture and equipment purchases</td>
<td>(1,487,551)</td>
<td>1,487,551</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net assets, September 30, 2004</strong></td>
<td>$ 267,882</td>
<td>$ 3,424,461</td>
<td>$ 3,692,343</td>
<td>$ 3,637,945</td>
<td>$ 3,500,000</td>
<td>$ 10,830,288</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
# Neighborhood Reinvestment Corporation
## Statements of Cash Flows

**Years ended September 30,**

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in net assets</td>
<td>$(3,083,395)</td>
<td>$1,086,633</td>
</tr>
<tr>
<td><strong>Adjustments to reconcile change in net assets to net cash used in operating activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bad debts</td>
<td>9,016</td>
<td>42,783</td>
</tr>
<tr>
<td>Amortization of discount on contributions receivable</td>
<td>-</td>
<td>46,802</td>
</tr>
<tr>
<td>Contributions receivable recovery</td>
<td>-</td>
<td>(200,000)</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>720,411</td>
<td>561,419</td>
</tr>
<tr>
<td>Loss on disposal of furniture and equipment</td>
<td>29,251</td>
<td>65,383</td>
</tr>
<tr>
<td>Write-off of furniture and equipment</td>
<td>68,376</td>
<td>-</td>
</tr>
<tr>
<td>Unrealized (gains) losses on investments</td>
<td>(5,266)</td>
<td>15,831</td>
</tr>
<tr>
<td>Realized gain on sale of investments</td>
<td>(81,075)</td>
<td>(43,644)</td>
</tr>
<tr>
<td><strong>(Increase) decrease in assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables</td>
<td>(498,340)</td>
<td>(1,606,081)</td>
</tr>
<tr>
<td>Travel advances</td>
<td>(5,261)</td>
<td>(46,657)</td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>(138,530)</td>
<td>180,437</td>
</tr>
<tr>
<td><strong>Increase (decrease) in liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>(1,359,647)</td>
<td>269,592</td>
</tr>
<tr>
<td>Grant commitments</td>
<td>(100,800)</td>
<td>(4,437,663)</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>46,339</td>
<td>(32,693)</td>
</tr>
<tr>
<td>Deferred rent liability</td>
<td>144,148</td>
<td>57,346</td>
</tr>
<tr>
<td><strong>Net cash flows used in operating activities</strong></td>
<td>$(4,254,773)</td>
<td>$(4,040,512)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from sale of investments</td>
<td>14,113,056</td>
<td>14,724,025</td>
</tr>
<tr>
<td>Purchases of investments</td>
<td>(12,748,868)</td>
<td>(16,991,891)</td>
</tr>
<tr>
<td>Purchases of furniture and equipment</td>
<td>(1,150,139)</td>
<td>(803,313)</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) investing activities</strong></td>
<td>214,049</td>
<td>(3,071,179)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Decrease in cash and cash equivalents</strong></td>
<td>(4,040,724)</td>
<td>(7,111,691)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash and cash equivalents, beginning of year</strong></td>
<td>7,778,669</td>
<td>14,890,360</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents, end of year</strong></td>
<td>$3,737,945</td>
<td>$7,778,669</td>
</tr>
</tbody>
</table>

*The accompanying notes are an integral part of these financial statements.*
Neighborhood Reinvestment Corporation
Notes to Financial Statements
September 30, 2004 and 2003

Note 1. Organization

Neighborhood Reinvestment Corporation (the Corporation) was established by Congress in 1978, by the Neighborhood Reinvestment Corporation Act. The purpose of the Corporation is to continue the joint efforts of the federal financial supervisory agencies and the Department of Housing and Urban Development (HUD) in promoting reinvestment in older neighborhoods by local financial institutions in cooperation with the community, residents and local governments. These efforts were previously conducted by the Urban Reinvestment Task Force, which the Corporation succeeded.

The Corporation is exempt from federal income tax under the provisions of the Neighborhood Reinvestment Corporation Act and is recognized by the Internal Revenue Service as a tax-exempt organization as described in Section 501(c)(3) of the U.S. Internal Revenue Code. The Internal Revenue Service has also determined that the Corporation is not a private foundation.

The Corporation strengthens communities and transforms lives across America by supporting innovative local partnerships of residents, business, and government, collectively known as the NeighborWorks® network. The NeighborWorks® network is a national network of 228 community-based organizations that helps low and moderate income families rent, purchase and maintain affordable homes. The NeighborWorks® network also revitalizes communities through resident leadership and private and public partnerships.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting
The accompanying financial statements have been prepared on the accrual basis of accounting.

Cash and Cash Equivalents
Cash in excess of amounts required to fund current operations is invested in overnight investments and other short-term investments. Such short-term investments are stated at cost, which approximates market. Cash equivalents include investments with original maturities of three months or less, except for the repurchase agreements managed as part of the permanently restricted net assets.

Contributions Receivable
Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

An allowance for uncollectible contributions is provided based on management's evaluation of potential uncollectible contributions receivable at year-end.
Neighborhood Reinvestment Corporation
Notes to Financial Statements
September 30, 2004 and 2003

Note 2. Summary of Significant Accounting Policies - (continued)

Grant and Contract Receivables
Receivables on grants and contracts consist of amounts due from federal agencies resulting from allowable expenditures incurred which have not been recovered from the relevant federal agencies as of the end of the fiscal year. The allowance method is used to determine the uncollectible amounts. The allowance is based upon prior years’ experience and management’s analysis of subsequent collections.

Investments
Investments are carried at fair market value.

Furniture and Equipment
Furniture and equipment are recorded at cost. The Corporation capitalizes all expenditures for furniture and equipment over $1,000. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, which range from 5 to 8 years, or the lesser of the minimum lease period or the assets’ useful life for leasehold improvements. When assets are sold or otherwise disposed of, the asset and the related accumulated depreciation and amortization are removed from the accounts, and any remaining gain or loss is included in operations. Repairs and maintenance are charged to expense when incurred.

Certain costs of internally developed software are capitalized in accordance with Statement of Position 98-1 "Accounting for the Cost of Computer Software Developed or Obtained for Internal Use". These costs are being amortized over the estimated useful lives of the software.

Financial Instruments and Credit Risk
Financial instruments which potentially subject the Corporation to concentrations of credit risk consist principally of cash and cash equivalents and investments held at creditworthy financial institutions. Credit risk with respect to contributions receivable is limited because the Corporation deals with a large number of donors over a wide geographic area.

Grants and Grant Commitments
Grants and grant commitments are recorded when the Corporation’s management signs letters of intent or grant commitments. Undisbursed grant funds that are deobligated, are reflected as reductions of grant expense when the related grant commitments are revoked. Committed but unexpended grant funds are recorded as a liability in the accompanying financial statements.

Deferred Revenue
Deferred revenue consists of grants and contracts that have been deemed to be exchange transactions, workshops and training registration fees. The Corporation recognizes grants and contracts, and workshop revenues when the related expenditures are incurred. All unexpended grants and contracts, and workshops at year-end are deferred and recognized when the related expenditures occur. Training registration fees received in advance and not yet earned are deferred to the applicable period.
Note 2. Summary of Significant Accounting Policies - (continued)

Unrestricted Net Assets
Unrestricted - undesignated net assets are available for use in general operations. The use of this fund is at the discretion of the board of directors and management.

Unrestricted - board designated net assets consist of the Corporation’s investment in furniture and equipment used in the regular operations of the Corporation.

Temporarily Restricted Net Assets
Temporarily restricted net assets consist of amounts that are subject to donor restrictions and income earned on permanently restricted net assets. The Corporation is permitted to use up or expend the donated assets in accordance with the donor restriction.

The Corporation reports gifts 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 expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently Restricted Net Assets
Permanently restricted net assets consist of assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of the Corporation. The restrictions stipulate that resources be maintained permanently but permit the Corporation to expend the income generated in accordance with the provisions of the agreements. The permanently restricted net assets are established to provide a permanent source of income for awarding Training Institute scholarships through investment earnings.

Revenue Recognition
The Corporation’s primary funding is through a federal appropriation. Unrestricted federal appropriations are recognized as unrestricted revenue when the legislation is enacted. Federal appropriations restricted for specific purposes or programs are recognized as temporarily or permanently restricted revenue when the funds are promised based on the nature of the restrictions outlined in the appropriation.

Functional Allocation of Expenses
Costs of program activities and supporting services are presented on a functional basis in Note 12 of the financial statements. Accordingly, certain direct and indirect expenses have been allocated among the programs and supporting services benefited.

Use of Estimates
The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain 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.
Neighborhood Reinvestment Corporation
Notes to Financial Statements
September 30, 2004 and 2003

Note 2. Summary of Significant Accounting Policies - (continued)

Major Source of Funding
The Corporation receives a substantial portion, 93% and 90% in 2004 and 2003, respectively, of its unrestricted revenue from the congressional appropriation. The continued receipt of the appropriation may be dependent upon future overall economic conditions. While the Corporation’s management believes the Corporation has the resources to continue its programs, its ability to do so and the extent to which it continues, may be dependent on the above factors.

Reclassifications
Certain accounts in the 2003 financial statements have been reclassified to conform with the current year financial statement presentation.

3. Contributions Receivable

Contributions receivable consist of the following:

<table>
<thead>
<tr>
<th>September 30,</th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unconditional contributions receivable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>before unamortized discount and allowance</td>
<td>$ 1,755,322</td>
<td>$ 2,116,661</td>
</tr>
<tr>
<td>Less: unamortized discount</td>
<td>(105,478)</td>
<td>(105,478)</td>
</tr>
<tr>
<td>Less: allowance for doubtful accounts</td>
<td>-</td>
<td>(42,783)</td>
</tr>
<tr>
<td>Net unconditional contributions receivable</td>
<td>$ 1,649,844</td>
<td>$ 1,968,400</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Amounts due in:</th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than one year</td>
<td>$ 979,158</td>
<td>$ 763,969</td>
</tr>
<tr>
<td>One to five years</td>
<td>670,686</td>
<td>1,204,431</td>
</tr>
<tr>
<td>Total unconditional contributions receivable</td>
<td>$ 1,649,844</td>
<td>$ 1,968,400</td>
</tr>
</tbody>
</table>

Discount rates ranged from 1.51% to 5.85%. At September 30, 2003, the Corporation had a conditional promise to give of $250,000. This promise to give was conditional on the Corporation’s submission of acceptable proposals to the donor to support state and local initiatives and the donor’s approval. These conditions were satisfied in 2004 and recorded as temporarily restricted contribution revenue and released in 2004. At September 30, 2002, the Corporation had a conditional promise to give of $1,000,000. This promise to give was conditional upon the successful implementation of the Sears program. This program was successfully completed in fiscal year 2003 and the $1,000,000 was recorded as temporarily restricted contribution revenue and released from restriction in 2003. There were no conditional promises to give at September 30, 2004.
Neighborhood Reinvestment Corporation
Notes to Financial Statements
September 30, 2004 and 2003

4. Investments

Investments consist of the following:

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money market accounts</td>
<td>$3,551,275</td>
<td>$-</td>
</tr>
<tr>
<td>Government securities</td>
<td>999,446</td>
<td>5,828,568</td>
</tr>
<tr>
<td>Certificate of deposit</td>
<td>100,000</td>
<td>100,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$4,650,721</td>
<td>$5,928,568</td>
</tr>
</tbody>
</table>

At September 30, 2004 the permanently restricted funds are held in a money market account. As permitted, these funds are presented in the financial statements as endowment investments based on the intended use of these funds.

Investment income consists of the following for the years ended:

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td>$169,409</td>
<td>$406,388</td>
</tr>
<tr>
<td>Unrealized gains/(losses)</td>
<td>5,266</td>
<td>(15,831)</td>
</tr>
<tr>
<td>Realized gains</td>
<td>81,075</td>
<td>43,644</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$255,759</td>
<td>$434,201</td>
</tr>
</tbody>
</table>

5. Neighborhood Housing Services of America, Inc. (NHSA)

NHSA is a private non-profit corporation which provides financial and fundraising services to the NeighborWorks® network. The Corporation is the principal source of funding for NHSA. Grants made by the Corporation to NHSA for fiscal years ended 2004 and 2003 amounted to $11,090,115 and $8,406,000, respectively.
Neighborhood Reinvestment Corporation
Notes to Financial Statements
September 30, 2004 and 2003

6. Furniture and Equipment

Furniture and equipment consists of the following:

<table>
<thead>
<tr>
<th>September 30,</th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer equipment</td>
<td>$4,015,921</td>
<td>$3,514,404</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>3,690,025</td>
<td>3,709,330</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>2,096,915</td>
<td>1,371,614</td>
</tr>
<tr>
<td><strong>Less: accumulated depreciation and amortization</strong></td>
<td><strong>(6,378,400)</strong></td>
<td><strong>(5,840,399)</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$3,424,461</strong></td>
<td><strong>$2,754,949</strong></td>
</tr>
</tbody>
</table>

Depreciation and amortization expense for the years ended September 30, 2004 and 2003 was $720,411 and $561,419, respectively.

7. Grant Commitments

The Corporation provides grants to NeighborWorks® programs and, upon occasion, to other similar entities to partially support program costs, revolving loan funds and equity capital needs. The Corporation remains liable for outstanding grant commitments in the following program areas at September 30:

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capacity building</td>
<td></td>
<td>$100,800</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$100,800</td>
</tr>
</tbody>
</table>

8. Deferred Revenue

Deferred revenue consists of the following:

<table>
<thead>
<tr>
<th>September 30,</th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training registration fees</td>
<td>$81,989</td>
<td>$35,650</td>
</tr>
</tbody>
</table>
Neighborhood Reinvestment Corporation
Notes to Financial Statements
September 30, 2004 and 2003

9. Commitments and Contingencies

Operating Leases

The Corporation has commitments under operating leases for office space and equipment expiring at various times through the year 2014. Minimum lease payments under non-cancelable operating leases are as follows:

<table>
<thead>
<tr>
<th>Year ending September 30,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>$3,024,802</td>
</tr>
<tr>
<td>2006</td>
<td>2,918,340</td>
</tr>
<tr>
<td>2007</td>
<td>2,821,344</td>
</tr>
<tr>
<td>2008</td>
<td>2,627,259</td>
</tr>
<tr>
<td>2009</td>
<td>2,646,804</td>
</tr>
<tr>
<td>Thereafter</td>
<td>9,114,390</td>
</tr>
<tr>
<td></td>
<td>$23,152,939</td>
</tr>
</tbody>
</table>

Rent expense for the years ended September 30, 2004 and 2003 amounted to $3,447,550 and $3,105,039, respectively.

During the year ended September 30, 2003, the Corporation amended their headquarters office space lease. As part of this amendment the landlord provided the Corporation with an allowance for tenant improvements. The value of these improvements completed through September 30, 2003 was $1,244,903 based on information from the landlord. In 2004, the improvements were completed at an additional value of $337,412. These improvements have been recorded as an asset and deferred rent liability. In addition, the amended lease has stated escalations in rent and the effect of this has been recorded as a deferred rent liability.

Other Commitments

Under the terms of an agreement between the Mortgage Guaranty Insurance Corporation (MGIC) and the Corporation, MGIC insured some mortgage loans that did not meet all of MGIC’s standard underwriting guidelines. The purpose of this agreement was to create a loan product with FreddieMac and MGIC that would allow for special underwriting guidelines to make mortgages to low- and moderate-income borrowers. Under this agreement, which was amended December 23, 1997, the Corporation shares a portion of this higher financial risk. In December 1998, both parties agreed that no new loans would be executed under the terms of this agreement but the Corporation will continue to carry the risk for the maximum liability for the remaining mortgages executed prior to this date. The first claim to this loan loss reserve was reported June 30, 2002 and the second was reported in July 2003. The Corporation’s share, 25% of the first loan loss of $16,048, was $4,012, and the Corporation’s share of the second loan loss of $22,999 was $5,750. To date, the Corporation has paid a total of $9,762 for these two claims. As of September 30, 2004, MGIC had 43 mortgages remaining which it had insured under the agreement totaling $4,031,060. The Corporation’s maximum liability under this agreement is the lesser of $162,000 or 25% of the claims paid by MGIC.
9. Commitments and Contingencies - (continued)

Contingencies

The Corporation receives funds from Federal sources that are subject to audit by the various awarding agencies. The Corporation has not been informed of any intent to conduct an audit. In the event of such an audit, management does not believe that any material adjustments will be necessary.

In the ordinary course of activities, the Corporation is party to various legal and administrative actions, mainly involving employment matters. In the opinion of management, the potential adverse impact of these legal and administrative actions is insignificant to the financial statements of the Corporation.

10. Temporarily Restricted Net Assets

<table>
<thead>
<tr>
<th>September 30,</th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Campaign for Homeownership</td>
<td>$ 3,215,188</td>
<td>$ 5,859,898</td>
</tr>
<tr>
<td>National Insurance Services</td>
<td>150,443</td>
<td>319,418</td>
</tr>
<tr>
<td>Multi Family Initiative</td>
<td>139,601</td>
<td>-</td>
</tr>
<tr>
<td>Endowment fund scholarships</td>
<td>118,413</td>
<td>101,037</td>
</tr>
<tr>
<td>NeighborWorks® Center for Homeownership</td>
<td>14,300</td>
<td>-</td>
</tr>
<tr>
<td>Education and Counseling (NCHEC)</td>
<td></td>
<td>1,940</td>
</tr>
<tr>
<td>State and Local Initiatives</td>
<td>-</td>
<td></td>
</tr>
</tbody>
</table>

|                | $ 3,637,945 | $ 6,282,293 |

11. Permanently Restricted Net Assets

The Corporation received $2.5 million as part of the 2001 Congressional Appropriation for the purpose of establishing The George Knight Scholarship Endowment. In addition, the Corporation received $500,000 in 2001 from Washington Mutual Bank to establish an endowment fund. In February 2002, the Corporation received an additional $500,000 from Washington Mutual Bank increasing the total principal balance of the endowment fund to $3.5 million. No permanently restricted contributions were received during fiscal years 2004 and 2003. Both endowment funds were established for the purpose of funding Training Institute scholarships. The Endowment funds' principal balances will remain in perpetuity, while interest income from the endowments will be used to fund Training Institute scholarships.
Neighborhood Reinvestment Corporation
Notes to Financial Statements
September 30, 2004 and 2003

12. Program and Supporting Services Descriptions

The following is a breakdown of the Corporation’s program and supporting services for the years ended September 30, 2004 and 2003.

<table>
<thead>
<tr>
<th>Service</th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program Services:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capacity Building</td>
<td>$43,719,658</td>
<td>$43,082,598</td>
</tr>
<tr>
<td>Preserving affordable housing</td>
<td>40,791,931</td>
<td>39,495,199</td>
</tr>
<tr>
<td>Organizational assessment</td>
<td>4,656,631</td>
<td>4,614,017</td>
</tr>
<tr>
<td>Training and informing</td>
<td>19,980,686</td>
<td>17,130,372</td>
</tr>
<tr>
<td>Secondary market</td>
<td>11,090,115</td>
<td>8,400,000</td>
</tr>
<tr>
<td>Creation of new organizations</td>
<td>-</td>
<td>752,034</td>
</tr>
<tr>
<td>Total program services</td>
<td>120,239,021</td>
<td>113,474,220</td>
</tr>
</tbody>
</table>

| Supporting Services:                   |           |           |
| General and administrative             | 2,863,763 | 2,229,669 |
| Financial industry resource managers   | 689,185   | 528,081   |
| Total supporting services              | 3,552,948 | 2,757,750 |

| Total expenses                         | $123,791,969 | $116,231,970 |

Capacity Building

Capacity building refers to the practical assistance the Corporation provides to strengthen the performance of a NeighborWorks® organization to respond most effectively and efficiently to the needs of their communities. The Corporation expands the capacity of network members by providing onsite technical assistance and limited funding.

Preserving Affordable Housing

The Corporation helps NeighborWorks® organizations rehabilitate existing housing stock, construct new housing, acquire problem properties or properties in the process of disposition, promote home ownership and further mixed-income affordable housing opportunities. Revolving loan funds are used to support home repair, down-payment and closing-cost assistance, energy conservation repairs, commercial and small business loans, predevelopment costs, acquisition of problem properties, and a host of other initiatives. Equity capital, in the form of highly flexible Corporation grants to local organizations’ revolving loan funds, is also vitally important.
12. Program and Supporting Services Descriptions - (continued)

Organizational Assessment

The Corporation pays a great deal of attention to the capacity of a NeighborWorks® organization to successfully manage programmatic risks and to ensure their financial and organizational stability. The organizational assessment function evaluates all of the NeighborWorks® network members to successfully predict, mitigate and manage risk and steadily increase the health, performance, productivity and effectiveness of NeighborWorks® organizations as a whole.

Training and Informing

Through communications, publishing, research and training functions, the Corporation collects and disseminates pertinent and useful information for the NeighborWorks® network and the broader community development field. The Corporation imparts this data and information through a variety of vehicles, and trains and informs the network and representatives of the broader industry through national and regional training events, publications, on-line (at www.nw.org.) and other venues.

Secondary Market

The Corporation's partner in the NeighborWorks® System, Neighborhood Housing Services of America, Inc. (NHSA) and its affiliates, play a critical role in meeting the NeighborWorks® network’s capital needs by bringing low-cost, flexible, private-sector capital and innovative loan products to network members. Flexible loan products help meet the financing needs for housing rehabilitation, home ownership and real-estate development.

Creation of New Organizations

The Corporation works with existing community-based organizations through an affiliation process to ensure that every organization chartered as a NeighborWorks® entity is sound and productive. The Corporation also works with local residents, business leaders and government representatives to develop new community-based nonprofit organizations to serve a community that needs, but does not have, such an organization. The Corporation has adjusted its efforts and the greatest degree of growth is the result of existing organizations taking on new efforts thus in fiscal year 2004 no activity was incurred in this category.

General and Administrative

In accordance with the National Affordable Housing Act (P.L. 101-625), the Corporation's administrative expenses are consistently held to less than 15 percent of expenditures. These expenses include the offices of the executive director, the chief operating officer, the deputy executive director/treasurer and the general counsel as well as the finance, information management, public policy and legislative affairs, human resources, and administrative services units.
12. Program and Supporting Services Descriptions - (continued)

Financial Industry Resource Managers

This supporting service category includes expenditures which provide the structure necessary to encourage and secure private financial support.

13. Pension Plan

The Corporation has a defined contribution pension plan which meets the requirements of Section 401(k) of the U.S. Internal Revenue Code. The Corporation contributes an amount equal to 8% of the social security integration level in effect and 13.7% of each active participant's compensation in excess of the social security integration level. In addition, each active participant may enter into a salary deferral agreement with the Corporation in an amount equal to not less than 1% or more than 75% of his or her compensation for the contribution period. The Corporation matches each participant's pre-tax contributions up to 100% of the first 6% of the employee's compensation. Employer contributions to employee accounts vest 33% after three years of employment and 100% after five years. Employees may also borrow against their vested benefits.

Total pension expense for fiscal years 2004 and 2003 amounted to $2,047,607 and $1,994,252, respectively.

14. Supplemental Cash Flow Information

During the years ended September 30, 2004, and 2003, the Corporation's landlord paid for $337,412 and $1,244,903, respectively, of tenant improvements as part of the amended lease agreement as discussed in Note 9. This is a noncash transaction which resulted in an asset and deferred rent liability being recorded.
<table>
<thead>
<tr>
<th></th>
<th>Capacity Building</th>
<th>Preserving Affordable Housing</th>
<th>Organizational Assessment</th>
<th>Training and Informing</th>
<th>Secondary Market</th>
<th>Creation of New Organizations</th>
<th>Total Program Services</th>
<th>General and Administrative</th>
<th>Financial Industry Resource Managers</th>
<th>Total Supporting Services</th>
<th>2004 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants and grant commitments</td>
<td>$24,423,246</td>
<td>$40,791,931</td>
<td>$2,496,889</td>
<td>$11,090,115</td>
<td>$78,802,181</td>
<td></td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$78,802,181</td>
</tr>
<tr>
<td>Personnel</td>
<td>9,297,410</td>
<td>-</td>
<td>2,416,560</td>
<td>5,721,543</td>
<td></td>
<td>17,435,513</td>
<td>$5,629,613</td>
<td>300,404</td>
<td>5,930,017</td>
<td>23,365,530</td>
<td></td>
</tr>
<tr>
<td>Professional services</td>
<td>2,196,524</td>
<td>-</td>
<td>264,163</td>
<td>3,470,888</td>
<td></td>
<td>5,931,575</td>
<td>$1,351,425</td>
<td>29,169</td>
<td>1,380,594</td>
<td>7,312,169</td>
<td></td>
</tr>
<tr>
<td>Other operating costs</td>
<td>520,784</td>
<td>-</td>
<td>125,082</td>
<td>2,251,602</td>
<td></td>
<td>2,897,468</td>
<td>$2,684,630</td>
<td>117,526</td>
<td>2,802,156</td>
<td>5,699,624</td>
<td></td>
</tr>
<tr>
<td>Occupancy</td>
<td>1,051,822</td>
<td>-</td>
<td>339,126</td>
<td>950,484</td>
<td></td>
<td>2,341,432</td>
<td>$965,873</td>
<td>-</td>
<td>965,873</td>
<td>3,307,305</td>
<td></td>
</tr>
<tr>
<td>Travel</td>
<td>1,301,462</td>
<td>-</td>
<td>271,729</td>
<td>700,075</td>
<td></td>
<td>2,273,266</td>
<td>$354,118</td>
<td>70,607</td>
<td>424,725</td>
<td>2,697,991</td>
<td></td>
</tr>
<tr>
<td>Conferences and workshops</td>
<td>198,854</td>
<td>-</td>
<td>10,677</td>
<td>1,478,678</td>
<td></td>
<td>1,688,209</td>
<td>$179,884</td>
<td>18,665</td>
<td>198,549</td>
<td>1,886,758</td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
<td>720,411</td>
<td>-</td>
<td>720,411</td>
<td>720,411</td>
<td></td>
</tr>
<tr>
<td>Subtotal</td>
<td>38,990,102</td>
<td>40,791,931</td>
<td>3,427,337</td>
<td>17,070,159</td>
<td>11,090,115</td>
<td>111,369,644</td>
<td>11,885,954</td>
<td>536,371</td>
<td>12,422,325</td>
<td>123,791,969</td>
<td></td>
</tr>
<tr>
<td>Overhead allocation</td>
<td>4,729,556</td>
<td>-</td>
<td>1,229,294</td>
<td>2,910,527</td>
<td></td>
<td>8,869,377</td>
<td>(9,022,191)</td>
<td>152,814</td>
<td>(8,869,377)</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Total expenses, after overhead allocation</td>
<td>$43,719,658</td>
<td>$40,791,931</td>
<td>$4,656,631</td>
<td>$19,980,686</td>
<td>$11,090,115</td>
<td>$120,239,021</td>
<td>$2,863,763</td>
<td>$689,185</td>
<td>$3,552,948</td>
<td>$123,791,969</td>
<td>-</td>
</tr>
</tbody>
</table>

Neighborhood Reinvestment Corporation
Statement of Functional Expenses
Year ended September 30, 2004
### Neighborhood Reinvestment Corporation
#### Statement of Functional Expenses
##### Year ended September 30, 2003

<table>
<thead>
<tr>
<th>Program Services</th>
<th>Supporting Services</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Capacity Building</strong></td>
<td><strong>General and Administrative</strong></td>
</tr>
<tr>
<td><strong>Preserving Affordable Housing</strong></td>
<td><strong>Financial Industry Resource Managers</strong></td>
</tr>
<tr>
<td><strong>Organizational Assessment</strong></td>
<td><strong>Total Supporting Services</strong></td>
</tr>
<tr>
<td><strong>Training and Informing</strong></td>
<td><strong>2003 Total</strong></td>
</tr>
<tr>
<td><strong>Secondary Market</strong></td>
<td>$</td>
</tr>
<tr>
<td><strong>Creation of New Organizations</strong></td>
<td>$</td>
</tr>
<tr>
<td><strong>Total Program Services</strong></td>
<td>$</td>
</tr>
<tr>
<td><strong>Grants and grant commitments</strong></td>
<td>$24,631,532</td>
</tr>
<tr>
<td><strong>Personnel</strong></td>
<td>$9,376,820</td>
</tr>
<tr>
<td><strong>Professional services</strong></td>
<td>$2,157,285</td>
</tr>
<tr>
<td><strong>Other operating costs</strong></td>
<td>$528,213</td>
</tr>
<tr>
<td><strong>Occupancy</strong></td>
<td>$1,010,370</td>
</tr>
<tr>
<td><strong>Travel</strong></td>
<td>$1,058,435</td>
</tr>
<tr>
<td><strong>Conferences and workshops</strong></td>
<td>$237,515</td>
</tr>
<tr>
<td><strong>Depreciation and amortization</strong></td>
<td>-</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>$39,000,170</td>
</tr>
<tr>
<td><strong>Overhead allocation</strong></td>
<td>$4,082,428</td>
</tr>
<tr>
<td><strong>Total expenses, after overhead allocation</strong></td>
<td>$43,082,598</td>
</tr>
</tbody>
</table>

| | $4,614,017 | $17,130,372 | $8,400,000 | $752,034 | $113,474,220 | $2,229,669 | $528,081 | $2,757,750 | $116,231,970 |