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NeighborWorks® America and The NeighborWorks® Network

Annual Report 2005

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Our Vital Role in Affordable Housing

The NeighborWorks® network has long been committed to stabilizing our nation’s communities by working to increase homeowner-ship and revitalize aging housing stock. I am proud that NeighborWorks® America and the NeighborWorks® network have been able to make a significant contribution to the overall rise in homeownership.

I am pleased to present the 2005 Annual Report. 2005 was a year of significant accomplishment and challenge. We remain proud of our ongoing success in providing affordable housing, homeownership counseling, and unparalleled levels of professional assistance to our nationwide network of community-based organizations that in turn provide advice, guidance and housing in our local communities. NeighborWorks® America and the NeighborWorks® network continue to exemplify excellence in affordable housing initiatives. Moreover, our training institutes continue to be a primary source of affordable housing-related training for thousands of professionals.

Although we are proud of our 2005 achievements, we faced, and continue to face, significant challenges. Homeownership levels continue to rise; however, there remains a significant need for quality affordable housing in all areas of our country: urban, suburban, and rural areas. The dramatic rise in housing prices has ushered in new challenges to homebuyers and new threats to the stability of our neighborhoods. Rising prices pose significant obstacles to homeownership, particularly for first-time homebuyers, minorities, and new immigrants.

Perhaps our greatest challenge in 2005, a challenge that will continue through 2006 and beyond, was the devastation in the Gulf region inflicted by the hurricanes. I am extremely proud of our response and pleased with the outstanding planning our employees have undertaken to address the very serious housing needs of Gulf Coast citizens, going forward.

Whether the need is education, consulting, grants or advice, the NeighborWorks® network is well prepared to meet these needs. Our financial and professional resources are firmly established to continue to leverage funds – and experience – to meet the needs of local communities.

Personally, I am proud to be associated with the NeighborWorks® system. This is my inaugural year as Chairman and my second year as a member of the board of directors. My history with NeighborWorks®, however, extends back well before 2004. Prior to my 2004 appointment to the FDIC’s board of directors, I served as the Commissioner of Banks for the Commonwealth of Massachusetts. During my tenure as Commissioner, I witnessed the outstanding achievements of the NeighborWorks® network.

I look forward to 2006 and beyond. NeighborWorks® America and the outstanding NeighborWorks® network will continue to serve a vital role in addressing our country’s affordable housing needs. We will continue to help Americans achieve the dream of homeowner-ship.

Thomas J. Curry
Chairman, NeighborWorks® America
Director, Federal Deposit Insurance Corporation

A Letter from the CEO

Our Commitment to America’s Communities

For nearly 30 years, the NeighborWorks® system has proven to be an increasingly effective and efficient vehicle for generating significant private-sector resources for community revitalization and affordable housing. It now covers all 50 states through a high-performing network of resident-led, local NeighborWorks® organizations.

Consistently, however, a handful of successful strategies has produced the best ongoing results. They include:

• Local autonomy: Each NeighborWorks® organization defines how it can best serve its community, with careful guidance from NeighborWorks® America. We recognize that what works in Philadelphia may not work in Dayton.

• Resident engagement: Local NeighborWorks® organizations must be 501(c)(3) tax-exempt corporations, with a board of directors that includes local government, the private sector, and residents.

• Flexible funding: NeighborWorks® America’s financial assistance to network organizations is some of the most flexible in all of community-based development.

• Significant oversight: NeighborWorks® America mandates that each chartered NeighborWorks® organizations submit an annual unqualified financial audit, and permit periodic on-site operational reviews.

Now, the need for NeighborWorks® America has never been greater. Federal and state policies are aggressively promoting homeownership; mortgages are becoming increasingly complex and risky; personal debt is rising, and stubborn homeownership and wealth gaps persist.

To address these problems NeighborWorks® America has launched multiple national initiatives:

• Tripling the number of certified homeownership educators and counselors by 2007.

• Establishing a national foreclosure prevention center to identify the most common causes of foreclosure and deploy effective prevention and intervention strategies.

• Implementing the Success Measures Data System to help document our achievements. This state-of-the-art program can measure real-time changes in safety, property values, civic engagement, and other measures, to help local NeighborWorks® organizations work smarter in serving the real and present needs of their communities.

• Increasing partnerships with government and the private sector to provide affordable loans, rental housing, and community development that improve job retention and lift local economies.

In addition, NeighborWorks® America has been in the forefront of contributing to the massive and ongoing recovery effort to Hurricanes Katrina, Rita and Wilma: helping to house evacuees, furnish apartments, and provide food, emergency supplies and encouragement to those whose lives were so disrupted. We are equally committed to contributing to the long-term rebuilding of the hurricane-devastated communities, by working with local and national partners.

As the nation’s urban, suburban and rural areas continue to redefine themselves and strive to attract residents, businesses, and economic sustainability, NeighborWorks® America will continue to partner with local business, government and residents who are striving to make their communities into true NeighborWorks® communities of choice.

Kenneth D. Wade
Chief Executive Officer
NeighborWorks® America
Productivity.
In 2005, nearly 240 NeighborWorks® organizations, serving more than 4,400 communities, assisted more than 180,000 families or individuals with affordable housing or homeownership counseling.

Community Investment.
NeighborWorks® revolving loan and capital investments of $168.3 million leveraged $2.8 billion from other sources for a total reinvestment of nearly $3 billion in American communities.

Building Skills.
NeighborWorks® Training Institutes’ professional certification in eight formal Programs of Study and our Advanced Practitioner Program of Achieving Excellence, for seasoned practitioners and their board members, continued our mission of enhancing skills and performance in the community development field.

Documenting Our Achievements.
We implemented the state-of-the-art Success Measures Data System to help document our achievements in revitalizing neighborhoods and measure real-time dividends that can help local NeighborWorks® organizations work smarter in serving the real and present needs of their communities.

Fighting Back Against Foreclosures.
NeighborWorks® America established the NeighborWorks® Center for Foreclosure Solutions to serve as a national foreclosure prevention center that can identify the most common causes of foreclosure and deploy effective prevention and intervention strategies.
Charmaine Rout, a 46-year-old postal worker from New Orleans, was among the hundreds of thousands who fled their homes when Katrina hit August 29. After four horrendous days in the New Orleans Superdome, she was evacuated by bus to Baton Rouge. Rout eventually settled in the Jackson, Mississippi, area where she learned about services provided by NeighborWorks® member Voice of Calvary Ministries (VOCM).

With a NeighborWorks® grant, VOCM placed Rout in one of its housing units and supplied her with a washer and dryer donated through a NeighborWorks® partnership with Sears. The organization also provided transportation that enabled her to start a job at a local post office. "Here, I would be able to get my life started again," she said. "All of my needs have been met."

More than 1,400 lives were lost in Katrina. Record storm surges demolished entire communities along the Gulf Coast. Some residents, like Brian Mollere of Waveland, Mississippi, survived by swimming for their lives and clinging to the tops of trees. Little was left of their homes but concrete foundations.

With more than a $1 million in grants from NeighborWorks® America, more than 20 NeighborWorks® organizations in the Gulf Region provided emergency housing and other assistance to thousands of Katrina victims, as well as those in the path of Hurricane Wilma that hit Florida in October.

Here are a few examples of how these grants were used by the NeighborWorks® organizations:

- Affordable Housing Resources in Nashville, Tennessee, worked with FEMA subcontractors to settle more than 2,000 evacuees in more than 570 trailers in Baker, Louisiana.
- Foundation Communities in Austin, Texas, converted an extended-stay hotel into apartments to house more than 200 evacuee families from New Orleans.
- Community Service Programs of West Alabama served 196 families in six counties from its base in Tuscaloosa.
- Centro Campesino Farmworker Center in Florida provided immediate assistance to 40 farmworker families recovering from Hurricanes Katrina and Wilma.

In New Orleans, Neighborhood Housing Services staff, like so many others in the city, lost homes and offices. NeighborWorks® America provided the NeighborWorks® organization with emergency financial support and staff delivered a trailer to serve as a temporary office. "The outpouring of support has been unbelievable," said NHS Executive Director Lauren Anderson.

Other NeighborWorks® America disaster responses included:

- A grant to Enterprise Corporation of the Delta to provide interest-free loans for home repairs;
- Staff donations exceeding $40,000;
- Sponsorship of and participation in Katrina-response conferences;
- Sending 12 AmeriCorps volunteers, in partnership with the National Council of La Raza, to three NeighborWorks® organizations; and
- Joining with Freddie Mac to staff two HomeHelp Express buses, equipped with computer labs and workspace to assist homeowners in the Gulf Region.

NeighborWorks® America plans to contribute more than $3 million toward immediate relief efforts in fiscal year 2006, set up two new regional offices for hurricane response, and leverage new partnerships for longer-term development projects.

"NeighborWorks America was on the scene providing aid just hours after the hurricanes hit and we will continue to be 'on the scene' providing aid and expertise long after the destruction recedes from the headlines," said Kenneth D. Wade, NeighborWorks® America CEO. "As champions of strong communities and empowered neighbors, we consider it a moral imperative to ensure that Gulf communities are rebuilt on the firmest foundation."
For more than a quarter-century, the NeighborWorks® system has been a leading innovator in the affordable housing and community development fields. NeighborWorks® America fosters innovation by identifying, testing, documenting and disseminating new products and improved processes for use both within the NeighborWorks® network and throughout the affordable housing and community development fields as a whole.
Andy Adams had owned his home in Chicago’s Morgan Park neighborhood for five years when he was laid off from his job of 17 years as a truck driver. Savings and unemployment payments helped keep his mortgage current while he found a new job as a bus driver for the Chicago Transit Authority (CTA). However, the CTA paid $9 an hour less than his old job, with no overtime.

Catching up on three months of mortgage payments and $1,800 in lender-imposed attorney fees depleted Adams’ savings. He knew he was going to end up in foreclosure if something didn’t change.

Then he saw a public service announcement on the city’s “Every Minute Counts” Homeownership Preservation help line. Adams dialed the city’s non-emergency information phone number, “311,” and was referred to a counseling agency. After a session of telephone counseling, the agency, in turn, referred Adams to NeighborWorks® America affiliate Neighborhood Housing Services of Chicago.

NHS provided special refinancing for Adams’ mortgage, and, in addition, included other special financing for urgent improvements on his home. As a result, Adams’ interest rate dropped from 8 percent to 6 percent, and his monthly payment dropped by more than $250.

Andy Adams is just one of hundreds of Chicagoland residents who have benefited from NHS’s Home Ownership Preservation Initiative (HOPI), a partnership of the city of Chicago, NHS, and key lending, investment, and servicing institutions that seeks to preserve sustainable homeownership for Chicago residents and reclaim foreclosed homes as neighborhood assets.

The partnership is making critical connections between borrowers, lenders and servicers that otherwise might not be made, often resulting in helping a family avoid foreclosure.

Officially launched in 2003 by Mayor Richard M. Daley and Michael Moskow, Federal Reserve Bank of Chicago President, the HOPI partnership to date has saved more than 940 families from foreclosure and transformed more than 175 houses from once-vacant units to homeownership opportunities, through NHS’ rehabilitation-resale efforts and NHS’ purchase/rehab financing.

In addition, the partnership has created an opportunity for participating lenders and servicers to learn, develop, and implement innovative strategies to benefit their customers, HOPI partners, Homecomings-GMAC-RFC, for example, already has counseled 40,000 homeowners nationwide as a result of its participation in HOPI. Chase has also built on its experiences with NHS through HOPI to establish a special hotline for nonprofit counseling agencies when they are working with borrowers in trouble.

Creating a National Center
Building on the work of NHS of Chicago and its HOPI partners, NeighborWorks America has created the NeighborWorks Center for Foreclosure Solutions to craft recommendations and best practices for foreclosure prevention across the county. The center has convened a series of community meetings with regional Federal Reserve Banks, private mortgage companies, and nonprofits in high foreclosure communities to discuss strategies.

In addition, the NeighborWorks Training Institute has begun offering train-the-trainer workshops for nonprofits on foreclosure prevention. Key players from NHS and the HOPI partnership have served as trainers for these events (as well as presenting their experiences across the NeighborWorks’ network). These sessions provide a venue for community-based development organizations from around the country to learn about HOPI’s strategies. They also provide a forum for facilitating collaborations to prevent rising foreclosures.

Expanding HOPI’s Reach
Working with NHS, HOPI partners have tapped into NHS of Chicago’s reputation and relationships in the local market to help deliver the message that lenders and servicers want to help borrowers in times of trouble. One of the most significant challenges for the mortgage industry, according to lenders and servicers, is making contact with delinquent borrowers.

To help servicers and borrowers establish positive relations before the homeowner experiences difficulty, HOPI has created “Homeowner’s Workshops” to help borrower’s connect with their mortgage servicer and to inform them about what steps to take when facing difficulty in making a mortgage payment.

Through the workshops, homeowners gain valuable information to help them maintain and protect their investment. NHS expands its relationship with homeowners in the neighborhoods it serves, and servicers are increasing contact with their customers.

For homeowners at risk of foreclosure, the mayor’s “Every Minute Counts” campaign has been a key resource, as Andy Adams discovered himself. Counseling is provided through the Credit Counseling Resource Center (CCRC), an affiliation of four nonprofit credit counseling agencies. It is free for city of Chicago residents, with participating HOPI lenders paying for counseling sessions for their customers and the city’s Department of Housing paying for counseling for others. To date, participating lenders have paid for 56 percent of the counseling sessions.

So far, 843 Chicagoans have been connected through the city’s non-emergency 311 call center to a CCRC counselor and completed an action plan. Based on a sample of about 75 loans from partner financial institutions, NHS believes 37 percent of borrowers have avoided foreclosure so far. This represents more than $27 million in mortgages in the city’s neighborhoods.

To help turn vacant properties into neighborhood assets, many participating loan servicers have begun to monitor their REO (real-estate owned) inventory for “low-value” properties or properties in NHS target areas that could be donated or sold at a deep discount to NHS.

Once a property is identified and a price negotiated, NHS acquires the property, rehabs it, and sells it to a qualified, owner-occupant. The city of Chicago provides needed appraisal and tax credits to enhance the amount of rehab that the properties often need.

To date, the HOPI program has helped reclaim 175 properties as neighborhood assets.

“Our experiences with NHS and the HOPI program,” says Steve Paton, vice president of asset disposition and recovery for Chase Home Finance, “have taught us to take a different look at what can be accomplished in the neighborhoods. We are happy to be a part of this effort.”
An enduring objective of the NeighborWorks® system is assisting the affordable housing and community development fields in attracting and retaining dedicated and talented staff. Needed skills, knowledge and capacity are acquired through training and sharing of best practices and information, and by providing technical expertise and funding to improve the efficiency of the NeighborWorks® network.
Shawna Engen personifies everything NeighborWorks® America affiliate Pocatello Neighborhood Housing Services seeks to accomplish in revitalizing neighborhoods.

She’s a first-time homebuyer, thanks to PNHS. She grew to care so much about PNHS’s mission that she now serves on its board of directors, where she chairs the community and government relations committee. And, she’s a resident leader in the Alameda neighborhood, where she serves as president of her homeowners association.

Engen’s success as a homeowner and as a resident leader reflects the comprehensive approach to neighborhood revitalization that PNHS strives for, according to Jim Hall, PNHS’s executive director.

“You can build or rehab all the houses you want,” Hall says, “but if residents don’t understand why they need to be active and engaged in their community, then the positive changes won’t last!”

For 10 years, PNHS has been focusing on developing resident leaders like Engen while transforming blighted communities into beautiful communities. Its strategies include traditional NeighborWorks approaches as well as some PNHS itself has developed to accomplish its goals of developing solid resident leaders.

**Healthy Neighborhoods**

The Healthy Neighborhoods Initiative (HNI) is one such PNHS program. It’s a flexible way of fostering leadership skills and building a sense of community among residents who have not been involved in traditional neighborhood associations. Led by a group of representatives from PNHS neighborhoods, HNI trains residents over eight months to plan, organize, and carry out a physical improvement campaign in the city, one block at a time.

The first year saw the transformation of the 400 block of North 7th Avenue in the Bonneville neighborhood, where residents planted trees and grass for the parking strips in front of their homes, and installed new flagpoles that have gotten the attention of all who drive by.

In the second year, residents of the 500 North Garfield block in the Old Town neighborhood, supplemented a $7,000 grant from PNHS with additional funds from a neighborhood yard sale and contributions by residents and others. Their goal was to raise $11,000 to pay for historical lamp posts that would give their block the ambiance of the rest of the Old Town community.

Resident Diane Peck says the project “helped us get to know one another better. Instead of just saying, ‘Hi,’ we were all able to work on something that gave us a real sense of accomplishment.” Other projects have followed.

Peck has become more of a leader. She’s gotten involved with the Old Town neighborhood board and recently became its secretary. The Old Town neighborhood association, including its 500 North Garfield block contingent, is now tackling the renovation of a pedestrian bridge over the Portneuf River, so it will be usable again.

**Leadership Training**

Another way PNHS fosters resident involvement is by participating in NeighborWorks Community Leadership Institutes (CLIs) hosted by NeighborWorks America. Shawna Engen and 14 other Pocatello residents, for instance, attended a CLI in Sacramento in 2002.

Neighborhood associations like the one headed by Engen and like Peck’s in Old Town meet monthly with PNHS staff and experienced resident leaders to learn more about how to organize, fundraise, and successfully complete bigger projects.

“Improving these neighborhoods improves the economic vitality of the whole city,” says Pocatello Mayor Roger Chase, a member of PNHS’s board of directors. “Some of the people I’ve been able to put on citywide boards have learned their skills as leaders through programs at PNHS.”

**Signature Programs**

Homeownership, housing rehab, and new construction are the primary tools PNHS uses to effect neighborhood change. “Projects in these areas have leveraged more than $30 million into the neighborhoods by homeownership, home construction, and home revitalization,” says Dick Emerson of US Bank.

One such project is Aspen Place, where Engen purchased her home. One of PNHS’s largest projects, it replaced a dilapidated grocery store with 14 beautiful single-family homes. Engen was able to purchase her four-bedroom home for $91,000, which is $20,000 to $40,000 less than market rate for new homes in the city.

After participating in homeowner education classes at PNHS’s NeighborWorks HomeOwnership Center®, Engen received help with her mortgage costs that included $17,000 in closing-cost and down-payment assistance. She also put in 100 hours of sweat equity.

When all was said and done, Engen ended up with mortgage payments of $518 a month. “I was able to buy a house for less than I would pay to rent it,” she says.

Another ongoing PNHS effort is its award-winning High School House program. This is a partnership between PNHS, School District No. 25, and the city of Pocatello to construct a home for a low- to moderate-income, first-time buyer.

The city donates the land, PNHS provides the building materials, and the school district provides the instructor and recruits the students. Over the course of a school year, the students construct a home from foundation to finish work. Proceeds from the sale then are used to help finance the next High School House. The program won a national HUD Best Practices Award in 1999.

“We’ve learned a lot over 10 years,” Jim Hall says. “NeighborWorks America’s assistance has been invaluable in helping us achieve this neighborhood impact. They have provided technical assistance, training, grant funds, and moral support to make this possible.”
NeighborWorks® America prudently leverages strategic private- and public-sector partners and resources to enhance their impact nationwide, and helps NeighborWorks® organizations maximize their locally directed revolving loan funds toward affordable housing and community development objectives.
HDC Turns Farmworker Housing into a Community Asset

A two-phase, affordable housing project by NeighborWorks® affiliate Colorado Rural Housing Development Corporation (CRHDC) of Westminster has brought much-needed farmworker housing to the San Luis Valley in southern Colorado, added well-received community resources in a very small agricultural town, and turned into an award-winning community asset.

The project, Tierra Nueva, includes dormitories for 216 single workers and 25 single-family townhomes. Designed by Ron Faleide of Faleide Architects, PC, the project includes several buildings, which house a community center with a computer learning lab, the Azteca de Oro restaurant, a laundry facility, a Migrant Head Start and daycare center, and a county nurse’s office for health screenings.

Tierra Nueva, in a town called Center, is one of several CRHDC projects in the San Luis Valley – along with self-help houses in the El Milagro subdivision in Alamosa, senior apartments in Del Norte, and family projects in the San Luis Valley – along with self-help houses in the El Milagro subdivision in Alamosa, senior apartments in Del Norte, and family projects in the San Luis Valley – along with self-help houses in the El Milagro subdivision in Alamosa, senior apartments in Del Norte, and family projects in the San Luis Valley.

But successful development is never a one-man show. CRHDC partnered with the San Luis Valley Farm Worker Housing Corporation (SLVFWHC), with its own board of directors, to build the Tierra Nueva project. Both have strong and diversified boards that include representatives from area health and agricultural industries, as well as members of city council.

They worked hard during the predevelopment stage to line up community support, with a big payoff. “Since Center is pretty much agricultural, there wasn’t a lot of resistance,” Gold said. “The mayor at that point was a grocer himself, ran the potato warehouse, and was very supportive.” CRHDC has a great reputation locally which helped assuage any lingering NIMBY fears.

The growers were in strong support, and contributed financially for some of the predevelopment costs. “One of our biggest hurdles was finding land, so one of the growers agreed to sell us the eight acres,” said Gold.

Serving the Community

Both the Azteca de Oro restaurant and the Migrant Head Start program are open to the community at-large. “They’ve not only helped integrate farm workers into the community,” Gold says, “but also helped the community accept and even embrace the workers. Our philosophy was to get people sitting side by side. When that happens, good things happen.”

The restaurant came about because the San Luis Valley Farm Worker Housing Corporation decided to contract out the food service. “We put it out to bid to restaurant owners,” Gold says, “and a family surfaced who were interested in managing the restaurant.” So the partners designed and built a fully-equipped kitchen and dining space and leased it to the family.

“They provide excellent, authentic, Mexican food, buffet style,” Gold says. The restaurant is open five days a week, and expands to seven days during the peak growing season, from May through November. To accommodate farmworkers, it features an early-bird (4 a.m.) breakfast.

To recruit the Head Start program, CRHDC worked with the state of Colorado, which manages Head Start, and convinced it to build a migrant Head Start center on-site. The program starts at infancy, so both the husband and wife can work on the farms.

“The school boards have been really supportive,” Gold said. “Since the school gets more funding if it has more students, even if they’re part-time, it’s actually brought more money into the community rather than being a drain. They’ve been proactive in designing a curriculum that fits the migrants, especially in Center.”

The computer learning center, part of the community center, is equipped with computers for both families and individuals. CRHDC also offers Financial Literacy classes to families and individuals. To date, more than 40 individuals have attended the classes.

Measures of Success

Since Tierra Nueva opened, the local school district has had to hire an additional 10 teachers – testament to the fact that formerly migrant farmworker families are opting to remain in the community.

Tierra Nueva’s success has served as an impetus for the expansion and development of a new 36-family rental project in Alamosa, 30 miles to the southeast. This project opened for occupancy in November 2005 and will accommodate both families and single farm workers. The San Luis Valley Farm Worker Housing Corporation will also sponsor and manage it. The design matches the cottage townhomes in Center.

“One of the most important points,” Gold said, “is making sure that you don’t isolate these projects. Allow them to be part of the community. The public is far more willing to accept that kind of approach. Once you layer in services that actually draw townspeople to the project, you’ve created a valuable community asset.”
Residents of the North Common neighborhood of Lawrence, Massachusetts, are bursting with pride. As members of Lawrence CommunityWorks, a NeighborWorks® organization since 2001, they helped bring their neighborhood into focus, select an initial project, and applaud as the finished project won the 2004 National Trust/HUD Secretary’s Award for Excellence in Historic Preservation.

In their project, Reviviendo Family Housing, CommunityWorks renovated three 19th century, abandoned buildings and constructed one new building on a formerly trash-strewn, vacant parking lot. The project totaled $3.7-million and took close to four years. The result, though, is 17 affordable rental units, consisting of a combination of two-, three- and four-bedrooms.

“The whole community participated in making the project happen,” said Lisa Kozol, CommunityWorks’ director of housing development. “Their participation was a key to its success.”

Residents worked with and supported CommunityWorks staff throughout the long journey from land and building acquisition, through construction and renovation, to the ribbon-cutting. They attended numerous public hearings on funding, site control, and approvals. Residents even gave the project its name – Reviviendo, which means “rebirth” in Spanish.

Changing With the Times
Lawrence CommunityWorks has been around in different forms for more than 17 years, but its current identity started to take shape only in 1999. Then, the board of directors hired a new management team whose mission was to create a resident-focused community development organization.

Within weeks, the new managers were approaching NeighborWorks® America about affiliating with the network. “We knew we had to be a part of the network,” said CommunityWorks Executive Director Bill Traynor, “it has been the difference in moving our projects forward.”

Real-estate development still could occur under the new approach, but it would be an offset of community organizing, and residents would decide what they wanted to happen.

“Our belief is that you can’t just decide to do a project and then go out and get people to support it,” said Deputy Director Kristen Harol. “You have to go out first and talk to people, and figure out what they want, and build the project around that.”

Since then, membership in CommunityWorks has grown to about 1,100 residents, who have joined through many different “doors,” according to Harol. The doors, in turn, lead back to numerous community-enrichment programs offered by CommunityWorks.

CommunityWorks’ principal organizing strategy has been its NeighborCircles. In NeighborCircles, eight to 10 families come together three times over the course of a month for dinner and conversation. They get to know each other, under the leadership of a trained resident facilitator, talk about the neighborhood or the city, and decide as a group if there’s something they can do together to help the community. Those who decide to address an issue then receive technical assistance and support from CommunityWorks.

It was, in fact, residents who decided that the North Common neighborhood would be the “new” organization’s first target area. With their help, CommunityWorks staff and board developed a comprehensive strategy that included what came to be the Reviviendo project.

Renovation – and Innovation
To achieve its goal, CommunityWorks used a creative mix of public and private financing. The mix included HUD HOME funds and an initial $85,000 capital grant from NeighborWorks® America, as well as subsequent grants. Other contributors included the city of Lawrence, GEDAG, Department of Housing and Community Development Commonwealth of Massachusetts, Federal Home Loan Bank Board Affordable Housing Program, Lawrence Savings Bank, The Life Initiative, MassHousing, Massachusetts Housing and Investment Corporation, and Massachusetts Historical Commission.

As with all historic renovation, CommunityWorks knew that retaining the character of the buildings would be painstaking work. To do the job, it hired Bruce Hampton, AIA, LEED, of Elton + Hampton Architects in Allston, Massachusetts, which specializes in green building techniques.

“We used healthy, green-building specifications throughout all four buildings,” said Hampton. “We did as much, and probably more, than one usually does in an affordable housing project. One of the first things we focus on is energy efficiency, so we don’t burden the people living there with additional utility costs.”

In addition to energy efficiency, Hampton also used healthy indoor materials. “Instead of carpeting, for instance” he said, “we stripped the floors back to the original and covered them with polyurethane instead of wall-to-wall carpet. Not only are wood floors healthier; they are more durable than vinyl or carpet.”

Actions such as these fulfilled CommunityWorks’ decision to make its project healthy for tenants as well as environmentally sustainable for the long-term.

“By eliminating the blighted buildings, and providing quality housing,” said Marilyn Fenollosa, the National Trust for Historic Preservation’s senior program officer and regional attorney, “Reviviendo has enhanced the quality of life for all who live and work in the area. The creation of affordable housing in historic structures was the essence of this project.”

Now, CommunityWorks has still more projects under way in the North Common area. Five homeownership units are under construction, and an additional 30 – both homeownership and affordable rental – are on the way. In addition, it will be breaking ground on a community center and a new 2-acre park in the coming year.

“What works in neighborhoods like the North Common,” said Bill Traynor, “is a sustained approach, where our job is to tackle the toughest projects so the market can move in behind us. But you can’t have a sustained approach without the sustenance, in both resources and confidence, that you get from the NeighborWorks® network.”
NeighborWorks® Organizations as of September 30, 2005

ALABAMA
NHS of Birmingham

Community Service Programs of West Alabama (Tuscaloosa)

ALASKA
Anchorage MHA

Anchorage NHS

Fairbanks NHS ARIZONA
NHS of Southern Maricopa County (Avondale)

NHS of Phoenix

The Primavera Foundation Inc. (Tucson)

ARKANSAS
Arkansas Land & Farm Development Corporation (Brinley)

Argenta CDC (North Little Rock)

Universal Housing Development Corporation (Russelville)

CALIFORNIA
NHS of Orange County (Anaheim)

Community HousingWorks (Escondido)

South County Housing (Gilroy)

Ingleswood NHS

Los Angeles NHS

The Unity Council (Oakland)

Neighborhood Partnership Housing Services (Ontario)

Pasadena NHS

Richmond NHS

Sacramento MHA

NHS of Orange County (Anaheim)

Community HousingWorks (Escondido)

South County Housing (Gilroy)

Ingleswood NHS

Los Angeles NHS

The Unity Council (Oakland)

Neighborhood Partnership Housing Services (Ontario)

Pasadena NHS

Richmond NHS

Sacramento MHA

NeighborWorks® HomeOwnership Center Sacramento Region

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)

NeighborWorks® 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

Northwest NHS

Chase Community Housing Development 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)

NeighborWorks® Columbus (GA)

The IMPACT Group (Duluth)

DASH for LaGrange

Cobb Housing Inc. (Marietta)

HAWAII
Hawaiian 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

Neighbor Partners of Kankakee Inc.

INDIANA
NeighborWorks® Home & Community Development (Fort Wayne)

LaCasa of Goshen

Lafayette NHS

South Bend Heritage Foundation

IOWA
Mississippi Valley NHS (Davenport)

NeighborWorks Finance Corporation (Des Moines)

KANSAS
CHWCS (Kansas City)

El Centro Inc. (Kansas City)

Community Housing Services Wichita/Sedgwick County

KENTUCKY
TUCKY Community Ventures Corp. (Lexington)

The Housing Partnership Inc. (Louisville)

The Metro Housing Resource Center (Louisville)

Frontier Housing Inc. (Morehead)

LOUISIANA
NHS of New Orleans MAINE
Community Concepts (South Paris)

Kennebec Valley Community Action Program Housing Services (Waterville)

MARYLAND
MHA of Baltimore

NHS of Baltimore

Cumberland NHS

Interfaith Housing Alliance (Frederick)

Salisbury NHS

Montgomery Housing Partnership (Wheelaton)

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

Coalition for a Better Acre (Lowell)

NHS of South Shore Inc. (Quincy)

Nuestra Comunidad Development Corp. (Roxbury)

Urban Edge Housing Corp. (Roxbury)

Springfield NHS

Oak Hill CDC (Worcester)

MICHIGAN
Neighborhoods Inc. of Battle Creek

Southwest Solutions (Detroit)

Kalamazoo NHS

Neighbor Renewal Services of Saginaw MINNESOTA
NHS of Duluth

Northside NHS (Minneapolis)

Community NHS (St. Paul)

Dayton's Bluff NHS (St. Paul)

Southwest Minnesota Housing Partnership (St. Paul)

MISSISSIPPI
Voice of Calvary Ministries (Jackson)

MISOURI
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
NeighborWorks® 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
Navajo Community Housing Development Corporation (Gallup)

Tierra del Sol Housing Corp. (Las Cruces)

Homewize 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 (Elizabeth)

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 Chenango Inc. (Norwich)

Hudson River Housing Inc. (Poughkeepsie)

NeighborWorks® Rochester

Rural Opportunities Inc. (Rochester)

Rural Revitalization Corporation. (Salamancia)

Home Headquarters Inc. (Syracuse)

Syracuse Model Neighborhood Corporation.

Troy Revitalization & Improvement Program

Utica NHS

NORTH CAROLINA
NeighborWorks® of Western North Carolina

NORTH DAKOTA
CommunityWorks North Dakota (Bismarck)

OHIO
East Akron Neighborhood Development Corp. (Akron)

Neighborhood Conservation Services of Barberton

The HomeOwnership Center of Greater Cincinnati

Columbus Housing Partnership

St. Mary Development Corp. (Dayton)

NHS of Hamilton

Neighborhood Development Services (Ravena)

Neighbor Housing Partnership of Greater Springfield

NHS of Toledo

OKLAHOMA
Little Dixie Community Action Agency (Hughes)

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

INOCRE (iniciativa Comunitaria para la Revitalizacion) (Caguas)

RHODE ISLAND
Greater Elmwood Neighborhood Services (Providence)

West Elmwood Housing Development Corporation (Providence)

Woonsocket

NORTH CAROLINA
Charleston HomeOwnership Center

SOUTH DAKOTA
CommunityWorks of South Dakota

OHIO
Black Hills Development Corporation (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
BCL of Texas (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 NHS

San Antonio NHS

NeighborWorks® Waco

UTAH
NHS of Provo

Salt Lake NHS

VERMONT
Central Vermont Community Land Trust (Barre)

Burlington Community Land

Gilman Housing Trust (Newport)

Rockingham Area Community Land Trust (Springfield)

NeighborWorks® of Western Vermont

WISCONSIN
NHS of Beloit

NHS of Green Bay

NHS of Southeast Wisconsin (Racine)

NHS of Milwaukee

NHS of Richland County (Richland Center)

WYOMING
Wyoming Housing Network (Casper)
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
- **Related Capital Corporations**

For nearly 30 years, 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, leveraged federal funding, and flexible revolving loan funds to achieve its results. Innovations that are generated in response to locally identified needs are a hallmark of the NeighborWorks® System.

**NeighborWorks® America**

NeighborWorks® America evolved from efforts by the Federal Home Loan Bank Board in the early 1970s to respond to allegations of redlining by financial institutions and to increase thrift-industry lending in declining neighborhoods. Recognizing the model’s effectiveness in community development and turning around urban blight, Congress chartered the Neighborhood Reinvestment Corporation, now doing business as NeighborWorks® America, as a public non-profit organization in the Housing and Community Development Amendments of 1978.

Effective NeighborWorks® strategies include:

- **Local Autonomy:** Each NeighborWorks® organization defines how it might best serve the local community. NeighborWorks® America provides guidance on that strategy but recognizes that what works in Philadelphia in a given situation may not work in rural Montana.
- **Resident Leadership and Involvement:** NeighborWorks® organizations must be 501(c)(3) tax-exempt corporations, with a board of directors that includes local government, the private sector, and residents. Empowering residents to be active in improving their neighborhoods is vital to the success of these organizations.
- **Flexible Funding:** NeighborWorks® America’s grant funds are some of the most flexible in all of community development. This allows for creative financing, which results in the completion of many projects that otherwise would never occur.
- **Significant Oversight:** NeighborWorks® America mandates that each of our chartered NeighborWorks® organizations submit an annual, unaudited financial audit, and permit periodic on-site reviews of their operations. NeighborWorks® America provides significant technical assistance that helps organizations operate more efficiently.

- **Opportunities for Peer Learning:** One of the hallmarks of the NeighborWorks® system is the NeighborWorks® Training Institute, which attracts community development practitioners, lenders, and public-sector officials to share the most effective strategies for serving communities.
- **Creating and Sustaining Homeownership Gains:** NeighborWorks® America is the nation’s largest certifier of high-quality, homeownership education counselors, creating a national cadre of homeownership and financial literacy education counselors that has educated and empowered more than 500,000 Americans nationwide.

**The NeighborWorks® Network**

Critical to community revitalization is the NeighborWorks® network – a national system of partnership-based nonprofit housing and community development organizations committed to building healthy communities. Through a partnership composed of residents and members of the public and private sectors, NeighborWorks® organizations share a mission to revitalize their neighborhoods and communities and provide affordable housing.

Each local NeighborWorks® organization is a unique, autonomous, community-based nonprofit that meets the needs of its community. Organizations use a variety of methods to address local community needs, with support from NeighborWorks® America. The NeighborWorks® network gives organizations opportunities to learn from their peers who work on similar issues throughout the country.

NeighborWorks® organizations work in more than 4,400 communities in all 50 states plus Puerto Rico and the District of Columbia. From 2001 to 2005, the organizations generated more than $10.2 billion in reinvestment and helped more than 183,000 families of second mortgages from local NeighborWorks® organizations and their lending partners. To further enhance the flow of capital to the NeighborWorks® network, NHSA in FY 2001 formed an affiliate non-profit corporation, NeighborHood Housing Services of America – Community Development Financial Institution (NHSA-CDFI) and transferred all previously provided interim and multifamily direct financing to this new entity. NHSA also develops innovative loan products and services to increase the capacity of the NeighborWorks® network to expand affordable housing opportunity and combat predatory lending.

With NeighborWorks® America grant support for credit enhancements, NHSA secures private-sector capital from socially responsible national institutional investors that include insurance companies, financial institutions, foundations, and pension funds. On average, NHSA leverages the NeighborWorks® America capital grant with $10 of private-sector capital for each $1 of capital-grant support to NHSA. Some of NHSA’s loan programs provide leverage as high as 50 to 1.

**Neighborhood Capital Corporation (NCC)**

The Neighborhood Capital Corporation was incorporated in 2000 to serve the development capital needs of the 88 members of the NeighborWorks Multifamily Initiative. Loan products include short-term (up to three years) secured loans of up to $1 million for pre-development and interim development including land acquisition, and “signature loans” for pre-development with a limit of $150,000. NCC has aggregated $13 million in capital, and closed more than $11 million in loans supporting 53 projects providing more than 3,500 new or preserved rental and for-sale homes. NCC also increases the leverage of its funds through strategic participation relationships. For example, the National Housing Trust has participated in $1.8 million of NCC’s closed lending.

**RNA Community Builders**

Since 1994, NeighborWorks® America has supported a network-related capital corporation, RNA Community Builders, which is recognized by the U.S. Treasury as a community development financial institution (CDFI). As the capital arm of the NeighborWorks® Rural Initiative, RNA offers flexible project-development loans to rural NeighborWorks® organizations within an innovative peer-lending model. RNA provides low-cost gap and bridge financing for a wide variety of community-development projects, including economic development. All RNA members are NeighborWorks® organizations serving low-income rural populations.
The roots of the NeighborWorks® system go back to a resident-led, 1968 campaign for better housing in Pittsburgh, Pennsylvania’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 slumlord. Together, they persuaded 16 financial institutions to make conventional loans in the community; 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 county, 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 practical 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 (NHS). 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 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 Neighborhood Reinvestment 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-reinvestment 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 NeighborWorks® Week.

The **1990s**

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

As the 1990s unfolded, NeighborWorks® America increasingly was able to attract investments from national financial partners. To handle 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 190 organizations, assist more than 97,000 families into homeownership, and attract more than $10.1 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.

**Into the 21st Century**

NeighborWorks® America celebrated its 25th anniversary in 2003. In 2004, it launched the NeighborWorks® Center for Homeownership Education and Counseling (NCHEC) as a national provider of quality training, certification, continuing education, and tools for nonprofit housing counselors. NCHEC’s goal is to triple the number of certified homeownership educators and counselors by 2007.

In April 2005, Neighborhood Reinvestment Corporation began doing business as NeighborWorks® America. Neighborhood Reinvestment Corporation remains the legal, incorporated name, as provided in the 1978 statute. The NeighborWorks® America trade name moves to align the Corporation more with NeighborWorks® organizations and other components in the NeighborWorks® system.

As of fall 2005, the NeighborWorks® network was comprised of nearly 240 local nonprofit affordable housing and community revitalization organizations, serving more than 4,400 urban, suburban and rural communities nationwide. In fiscal 2005, the NeighborWorks® network assisted more than 180,000 families with affordable housing and homeownership counseling and generated investment of nearly $3 billion in local communities.
Board of Directors: Judy McCormick, Chairman, USA; Clayton Adams, Vice Chairman, State Farm Insurance Companies; Dan Dixon, Immediate Past Chairman, World Savings Bank, FSB; Mary Lee Widener, President, NHSA; Richard Ainsworth, Whitney National Bank; Rita Carrillo, NHS of Phoenix; Douglas Elefant, City National Bank; Rose Espinoza, La Habra City Council; Sophia Jeffery, Early Childhood Center of Springfield; Peter Lefferts, American Express Bank, FSB; Robert Oehler, Far East National Bank; Myron Resnick, Allstate Insurance Company; Hugh Shaw, AmSouth Bank, retired; Rhonda Woodard, Allstate Insurance Company; Advisor: Fred Pillon, Secretary, Gibson, Dunn & Crutcher.

Board of Trustees: Herbert Sandler, Chairman, World Savings Bank, FSB; Robert Davis, USA; 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; Mayor Joseph P. Riley Jr., City of Charleston; Edward B. Rust Jr., State Farm Insurance Companies.

When Ventura CDC was piloting NHSA’s new tandem loan product, they worked with a number of borrowers, including Nicole and Stephen Fenske.

Three highly specialized capital corporations – Neighborhood Housing Services of America, Neighborhood Capital Corporation, and RNA Community Builders Inc. – help NeighborWorks® America in building and sustaining its network of excellence.

Neighborhood Housing Services of America
Neighborhood Housing Services of America (NHSA) and its affiliates raise private-sector capital from socially responsive investors to purchase loans from NeighborWorks® organizations and their lending partners.

During fiscal 2005, NHSA exceeded its goals, with total loan activity of $71.8 million. This brings its cumulative loan activity to more than $725 million. NHSA is on-pace with its White House goals to increase minority homeownership, and began rollout of a new, innovative service – its new e-commerce Web site – NHSAonline.org.

NHSAonline is designed to meet the unique loan product needs of the community development field. One such unique need is NHSA’s new tandem loan product, which was developed with State Farm and Fannie Mae and piloted by the Ventura County CDC.

The site uses Fannie Mae-approved criteria to underwrite an 80 percent-or-less first mortgage in tandem with a second mortgage, making both loans eligible for sale to Fannie Mae.

Ventura County CDC was the first NeighborWorks® organization to obtain a loan approval through NHSAonline, with a first mortgage for a low-income single woman who had been renting through the Section 8 voucher program. When the loan, with its five layers of financing, was input into the site and approved, the atmosphere in the room was electric. As Bertha Moreno-Garcia, director of Ventura’s HomeOwnership Program, explained, “To be able to do this loan automatically, instead of manually, was almost like winning the lottery – it was so exciting.”

CDC of Long Island was the first NeighborWorks® organization to close a tandem loan that had been approved through the e-commerce site, enabling Marcello Lopez to purchase a single-family starter home, with a yard for his two young sons. Lopez’s employer provided an employer-assisted grant, making him eligible for additional grants for down-payment and home repair assistance from the county and the state. Bethpage Federal Credit Union funded the first mortgage and rebated all but $250 of its fees back to CDCLI.

In describing CDCLI’s experience with NHSAonline, Marianne Garvin, executive vice president and COO, said, “The automated process improves our internal productivity and provides a fast answer for the borrower. The NHSA tandem product allows us to provide affordable financing for many more families, allowing them to break into our high-cost housing market.”

Following the successful pilots in Ventura and Long Island, NHSA started e-commerce training across the NeighborWorks® network. By the end of September 2005, 15 NeighborWorks® organizations had been approved as mortgage brokers to use the site. Many NeighborWorks® organizations are also using the site to get solid information for counseling purposes, in addition to using it for loan deliveries to NHSA.
Having been blessed with so many good friends over the years, Eleanor Jeffers recognized that the value of her retirement home would be measured in more than dollars. After 26 years of maintaining a modest single-family home in Nevada, she needed a less strenuous way of life – the yard work and snow shoveling were getting to be too much. However, she was distressed to discover the price of comfort in planned senior communities.

While Jeffers explored what she could reasonably afford in Nevada, NeighborWorks® member DHIC Inc. was planning Highland Village in Cary, North Carolina. Lying 12 miles west of Raleigh – and a stone’s throw from one of Jeffers’ children – the site was being developed as an affordable residential community of 250 units, including 100 for seniors. Early in the project, NeighborWorks Capital Corporation loaned DHIC funds to gain control of the site and get the project started. Three years later, three of five phases are complete.

When Jeffers heard about Highland Village from her son, she applied for a unit and moved across country and into a one-bedroom in very short order. Close proximity to family, convenient transportation, on-site social activities, and new friends empower Jeffers with a new comfort zone. “My friends are my wealth,” says Jeffers, “and today I feel rich.”
RNA Community Builders Inc.

RNA Community Builders Inc. (RNA) is a cooperative of NeighborWorks® organizations serving more than 500 rural counties in 29 states. Using an innovative peer-lending model, RNA’s 48 members work together to support and encourage successful nonprofit community development efforts in emerging markets throughout rural America.

RNA’s flexible project development loans primarily provide low-cost gap and bridge financing for community development projects, ranging from construction of single-family, youth-built homes, to acquisition and rehab of multifamily complexes, to development of commercial real estate in challenging small town environments. Short-term amortizing and “mini-permanent” financing is also available.

Over the past decade, RNA’s Loan Committee has used its combined two centuries of rural development experience to provide top-notch underwriting for more than $5.6 million in loans that have had a combined impact of almost $20 million in rural communities around the country.

In fiscal year 2005, RNA made 10 loans totaling $1,697,000 for projects in 10 rural communities in six states, helping to create 160 new single-family homes, 84 new units of affordable rental housing, and 81,000 square feet of new commercial development (much of which is being used to house essential community services).

In addition to providing opportunities for low-and moderate-income residents to own and live in safe and affordable housing, RNA loans also leveraged more than $5.6 million in new investment in these struggling areas, often breathing new life into the community at large.

In fiscal year 2005, RNA’s revolving loan fund grew by $350,000 to $2.9 million, including a $300,000 loan-loss reserve. Equity funding from NeighborWorks® America has played a key role in helping attract additional funding from the John T. and Catherine D. MacArthur Foundation and the U.S. Treasury Department’s Community Development Financial Institutions Fund. On average, 86 percent of the RNA loan fund is in the field or obligated at any given time.

Planning for the fifth biennial Chautauqua conference, to be held in Flathead Lake, Montana, in August 2006, is well under-way. RNA continues to develop and provide cutting-edge models of peer networking, training, and lending, while working to support increased community development capacity in rural communities throughout the country.

RNA Board of Directors: Al Gold, President, Colorado Rural Housing Development; Joy McCracken, Vice President, NHS of Black Hills; Rosa Rios Valdez, Treasurer, BCL of Texas; Kevin O’Neill, Secretary, Housing Resources of Columbia County; Manuel Estrada, NHS of Dimmit County; Rose Garcia, Tierra del Sol; Duane Hill, Rural Communities Housing Development; Kevin Smith, Community Ventures Corporation; David Wood, AHEAD.

RNA Member Organizations: AHEAD (NH); Cabrillo Economic Development Corp. (CA); CATCH (NH); BCL of Texas; Colorado Rural Housing Development (CO); Central Vermont GLT (VT); Community Frameworks (WA); Community Service of West Alabama (AL); Community Ventures Corporation (KY); CommunityWorks North Dakota (ND); CommunityWorks in West Virginia (WV); Convalis NHS (OR); Fairbanks NHS (AK); Gilman Housing Trust (VT); Housing Assistance Program of Essex (NY); HDC of Clinch Valley (TN); Housing Resources of Columbia County (NY); Housing Resources of Western Colorado (CO); Interfaith Housing Alliance, Inc (MD); KVCAP (MS); Little Dixie Community Action Agency (OK); Mississippi Valley NHS (IA); Montana Housing Network (MT); Navajo Housing Partnership (NM); NCALL (DE); Neighborhood Development Services (OH); NHS of Black Hills (SD); NHS of Dimmit County (TX); NHS of Fort Worth & Tarrant County (TX); NHS of Richland County (WI); NHS of SW Maricopa County (AZ); NeighborWorks® of Grays Harbor County (WA); NeighborWorks® of Western Vermont (VT); Opportunities for Chenango (NY); Rockingham Area Community Land Trust (VT); Rural Communities Housing Development (CA); Rural Opportunities Inc (NY,OH,PA,NJ,MI); Rural Revitalization Corporation (NY); Rural Ulster Preservation Company (NY); St. Lawrence County Housing Council (NY); Self-Help Enterprises (CA); South County Housing Corporation (CA); Steuben Churchpeople Against Poverty (NY); Southwest Minnesota Housing (MN); Tierra del Sol (NM); Tri-County Housing (CO); Rural Ulster Preservation Company (NY); Umpqua Community Development (OR); Utica NHS (NY).
NeighborWorks® America

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Controller

2005 Appendices

• Graphs and Charts
NeighborWorks® Organizations’ Total Investment Leveraged by NeighborWorks® America’s Appropriation
NeighborWorks® Organizations’ Annual 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
The 2005 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 three related capital corporations – Neighborhood Housing Services of America, Neighborhood Capital Corporation, and RNA Community Builders. 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 2005 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, now doing business as NeighborWorks® America, is a public, nonprofit corporation established by an Act of Congress in 1978 (P.L. 95-557).

NeighborWorks® is a registered service mark for the neighborhood revitalization and educational services offered by NeighborWorks® America, its related capital corporations, 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.

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Photo Credits

The photos of families, individuals and architectural details throughout the 2005 Annual Report were taken in selected NeighborWorks® communities across the country. These images, viewed as a whole, convey the diversity and texture of the urban, suburban, and rural communities served by the NeighborWorks® system.

All photos, unless otherwise noted, are by Séan Bennett, photography/video specialist, NeighborWorks® America. Other credits: John Fleck, FEMA, page 7; Picturequest, pages 8-9; Matt Marton, Daily Southtown, page 11; Picturequest, pages 12-13; Idaho Travel Council, Pocatello CVB, Bill Shafer, Idaho State Journal, page 15; Picturequest, pages 16-17; David Dangler, page 19; Picturequest, pages 20-21; Lawrence CommunityWorks, page 23; Ventura CDC, page 33; Jennifer Ettorre, page 35; Robert Hansen, Gilman Housing Trust, page 37.

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www.nw.org
Neighborhood Reinvestment Corporation
(d.b.a. NeighborWorks® America)

Financial Statements and Supplemental Material
Years Ended September 30, 2005 and 2004
Neighborhood Reinvestment Corporation
(d.b.a. NeighborWorks® America)

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Independent Auditors' Report

To the Board of Directors
Neighborhood Reinvestment Corporation (d.b.a. NeighborWorks® America)
Washington, DC

We have audited the accompanying statements of financial position of the Neighborhood Reinvestment Corporation (d.b.a. NeighborWorks® America) (the Corporation) as of September 30, 2005 and 2004 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 (d.b.a. NeighborWorks® America) as of September 30, 2005 and 2004, 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 30, 2005

BDO Seidman, LLP
Neighborhood Reinvestment Corporation  
(d.b.a. NeighborWorks® America)  
Statements of Financial Position  
September 30, 2005 and 2004

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$3,800,401</td>
<td>$3,737,945</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>2,499,713</td>
<td>1,099,446</td>
</tr>
<tr>
<td>Receivables:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions receivable, net</td>
<td>642,901</td>
<td>979,158</td>
</tr>
<tr>
<td>Grant and contract receivables</td>
<td>1,501,538</td>
<td>1,829,438</td>
</tr>
<tr>
<td>Other receivables - net of allowance for doubtful accounts of $983,319 in 2005 and $1,045,926 in 2004</td>
<td>90,863</td>
<td>207,783</td>
</tr>
<tr>
<td>Travel advances</td>
<td>54,616</td>
<td>185,102</td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>460,211</td>
<td>551,201</td>
</tr>
<tr>
<td>Total current assets</td>
<td>9,050,243</td>
<td>8,590,073</td>
</tr>
<tr>
<td>Noncurrent assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions receivable, net of current portion</td>
<td>583,730</td>
<td>670,686</td>
</tr>
<tr>
<td>Endowment investments</td>
<td>3,567,591</td>
<td>3,551,275</td>
</tr>
<tr>
<td>Furniture and equipment, net</td>
<td>3,360,476</td>
<td>3,424,461</td>
</tr>
<tr>
<td>Total noncurrent assets</td>
<td>7,511,797</td>
<td>7,646,422</td>
</tr>
<tr>
<td>Total assets</td>
<td>$16,562,040</td>
<td>$16,236,495</td>
</tr>
</tbody>
</table>

Liabilities and Net Assets

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$4,281,845</td>
<td>$3,540,409</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>105,672</td>
<td>81,989</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>4,387,517</td>
<td>3,622,398</td>
</tr>
<tr>
<td>Deferred rent liability</td>
<td>2,016,711</td>
<td>1,783,809</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>6,404,228</td>
<td>5,406,207</td>
</tr>
</tbody>
</table>

Commitments and contingencies

Net assets

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted net assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Undesignated</td>
<td>737,430</td>
<td>267,882</td>
</tr>
<tr>
<td>Board designated net equity in furniture and equipment</td>
<td>3,360,476</td>
<td>3,424,461</td>
</tr>
<tr>
<td>Temporarily restricted net assets</td>
<td>2,559,906</td>
<td>3,637,945</td>
</tr>
<tr>
<td>Permanently restricted net assets</td>
<td>3,500,000</td>
<td>3,500,000</td>
</tr>
<tr>
<td>Total net assets</td>
<td>10,157,812</td>
<td>10,830,288</td>
</tr>
</tbody>
</table>

Total liabilities and net assets

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total liabilities and net assets</td>
<td>$16,562,040</td>
<td>$16,236,495</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
Neighborhood Reinvestment Corporation
(d.b.a. NeighborWorks® America)
Statements of Activities

Year ended September 30,

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unrestricted</td>
</tr>
<tr>
<td></td>
<td>Undesignated</td>
</tr>
<tr>
<td>Congressional appropriation</td>
<td>$ 114,080,000</td>
</tr>
<tr>
<td>Contributions</td>
<td>108,000</td>
</tr>
<tr>
<td>Grants and contracts</td>
<td>5,069,578</td>
</tr>
<tr>
<td>Training registration fees</td>
<td>2,343,143</td>
</tr>
<tr>
<td>Investment income</td>
<td>847,923</td>
</tr>
<tr>
<td>Other income</td>
<td>826,918</td>
</tr>
<tr>
<td>Net assets released from restrictions:</td>
<td></td>
</tr>
<tr>
<td>Satisfaction of program and time restrictions</td>
<td>6,241,546</td>
</tr>
<tr>
<td>Total revenue, gains, and other support</td>
<td>129,517,108</td>
</tr>
</tbody>
</table>

Expenses

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants and grant commitments</td>
<td>79,164,448</td>
</tr>
<tr>
<td>Personnel</td>
<td>25,495,485</td>
</tr>
<tr>
<td>Professional services</td>
<td>9,150,143</td>
</tr>
<tr>
<td>Other operating costs</td>
<td>5,930,898</td>
</tr>
<tr>
<td>Occupancy</td>
<td>3,546,125</td>
</tr>
<tr>
<td>Travel</td>
<td>2,823,367</td>
</tr>
<tr>
<td>Conferences and workshops</td>
<td>2,125,698</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>803,811</td>
</tr>
<tr>
<td>Total expenses</td>
<td>128,236,164</td>
</tr>
</tbody>
</table>

Change in net assets

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 1,280,944</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
Neighborhood Reinvestment Corporation  
(d.b.a. NeighborWorks® America)  
Statements of Activities

Year ended September 30, 2004

<table>
<thead>
<tr>
<th>Revenue, Gains, and Other Support</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Undesignated</td>
<td>Designated</td>
<td></td>
</tr>
<tr>
<td>Congressional appropriation</td>
<td>$ 114,321,500</td>
<td>$ -</td>
<td>$ 114,321,500</td>
</tr>
<tr>
<td>Contributions</td>
<td>68,820</td>
<td>-</td>
<td>68,820</td>
</tr>
<tr>
<td>Grants and contracts</td>
<td>2,617,126</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>
</tr>
<tr>
<td>Investment income</td>
<td>210,634</td>
<td>-</td>
<td>210,634</td>
</tr>
<tr>
<td>Other income</td>
<td>557,919</td>
<td>-</td>
<td>557,919</td>
</tr>
<tr>
<td>Net assets released from restrictions:</td>
<td>3,640,248</td>
<td>-</td>
<td>3,640,248</td>
</tr>
<tr>
<td>Satisfaction of program and time restrictions</td>
<td>-</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td><strong>Total revenue, gains, and other support</strong></td>
<td>123,352,922</td>
<td>-</td>
<td>120,708,574</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenses</th>
<th>Unrestricted</th>
<th>Temporarily 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>
</tr>
<tr>
<td>Personnel</td>
<td>23,365,530</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>
</tr>
<tr>
<td>Other operating costs</td>
<td>5,601,996</td>
<td>97,628</td>
<td>5,699,624</td>
</tr>
<tr>
<td>Occupancy</td>
<td>3,307,305</td>
<td>-</td>
<td>3,307,305</td>
</tr>
<tr>
<td>Travel</td>
<td>2,697,991</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>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>-</td>
<td>720,411</td>
<td>720,411</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>122,973,930</td>
<td>818,039</td>
<td>123,791,969</td>
</tr>
</tbody>
</table>

| Change in net assets              | $ 378,992    | $ (818,039)            | $ (439,047) |
|                                   |              |                        | $ (2,644,348) |
|                                   |              |                        | $ (3,083,395) |

*The accompanying notes are an integral part of these financial statements.*
Neighborhood Reinvestment Corporation  
(d.b.a. NeighborWorks® America)  
Statement of Changes in Net Assets  
Years Ended September 30, 2005 and 2004

<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>Net assets, September 30, 2003</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>Change in net assets</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>Net assets, September 30, 2004</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>
<tr>
<td>Change in net assets</td>
<td>1,280,944</td>
<td>(875,381)</td>
<td>405,563</td>
<td>(1,078,039)</td>
<td>-</td>
<td>(672,476)</td>
</tr>
<tr>
<td>Furniture and equipment purchases</td>
<td>(811,396)</td>
<td>811,396</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net assets, September 30, 2005</td>
<td>$737,430</td>
<td>$3,360,476</td>
<td>$4,097,906</td>
<td>$2,559,906</td>
<td>$3,500,000</td>
<td>$10,157,812</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
Neighborhood Reinvestment Corporation  
(d.b.a. NeighborWorks® America)  
Statements of Cash Flows

<table>
<thead>
<tr>
<th>Years ended September 30,</th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in net assets</td>
<td>$(672,476)</td>
<td>$(3,083,395)</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bad debts</td>
<td>-</td>
<td>9,016</td>
</tr>
<tr>
<td>Amortization of discount on contributions receivable</td>
<td>(31,975)</td>
<td>-</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>803,811</td>
<td>720,411</td>
</tr>
<tr>
<td>Loss on disposal of furniture and equipment</td>
<td>71,570</td>
<td>29,251</td>
</tr>
<tr>
<td>Write-off of furniture and equipment</td>
<td>-</td>
<td>68,376</td>
</tr>
<tr>
<td>Unrealized gains on investments</td>
<td>-</td>
<td>(5,266)</td>
</tr>
<tr>
<td>Realized gain on sale of investments</td>
<td>-</td>
<td>(81,075)</td>
</tr>
<tr>
<td>(Increase) decrease in assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables</td>
<td>900,008</td>
<td>(498,340)</td>
</tr>
<tr>
<td>Travel advances</td>
<td>130,486</td>
<td>(5,261)</td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>90,990</td>
<td>(138,530)</td>
</tr>
<tr>
<td>Increase (decrease) in liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>741,436</td>
<td>(1,359,647)</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>23,683</td>
<td>46,339</td>
</tr>
<tr>
<td>Deferred rent liability</td>
<td>232,902</td>
<td>144,148</td>
</tr>
<tr>
<td>Grant commitments</td>
<td>-</td>
<td>(100,800)</td>
</tr>
<tr>
<td>Net cash flows provided by (used in) operating activities</td>
<td>2,290,435</td>
<td>(4,254,773)</td>
</tr>
<tr>
<td>Cash flows from investing activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from sale of investments</td>
<td>50,232,355</td>
<td>14,113,056</td>
</tr>
<tr>
<td>Purchases of investments</td>
<td>(51,648,938)</td>
<td>(12,748,868)</td>
</tr>
<tr>
<td>Purchases of furniture and equipment</td>
<td>(811,396)</td>
<td>(1,150,139)</td>
</tr>
<tr>
<td>Net cash (used in) provided by investing activities</td>
<td>(2,227,979)</td>
<td>214,049</td>
</tr>
<tr>
<td>Increase (decrease) in cash and cash equivalents</td>
<td>62,456</td>
<td>(4,040,724)</td>
</tr>
<tr>
<td>Cash and cash equivalents, beginning of year</td>
<td>3,737,945</td>
<td>7,778,669</td>
</tr>
<tr>
<td>Cash and cash equivalents, end of year</td>
<td>$3,800,401</td>
<td>$3,737,945</td>
</tr>
</tbody>
</table>

*The accompanying notes are an integral part of these financial statements.*
Neighborhood Reinvestment Corporation
(d.b.a. NeighborWorks® America)
Notes to Financial Statements
September 30, 2005 and 2004

Note 1. Organization

Neighborhood Reinvestment Corporation (d.b.a. NeighborWorks America) (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 236 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 receivable is provided based on management's evaluation of potential uncollectible contributions receivable at year-end.
Neighborhood Reinvestment Corporation  
(d.b.a. NeighborWorks® America)  
Notes to Financial Statements  
September 30, 2005 and 2004

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. Un-disbursed grant funds that are de-obligated 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 training registration fees. Training registration fees received in advance and not  
yet earned are deferred to the applicable period.
Neighborhood Reinvestment Corporation  
(d.b.a. NeighborWorks® America)  
Notes to Financial Statements  
September 30, 2005 and 2004

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 11 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 reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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Neighborhood Reinvestment Corporation  
(d.b.a. NeighborWorks® America)  
Notes to Financial Statements  
September 30, 2005 and 2004

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

Major Source of Funding
The Corporation receives a substantial portion, 88% and 93% in 2005 and 2004, 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.

Note 3. Contributions Receivable
Contributions receivable consist of the following:

<table>
<thead>
<tr>
<th>September 30,</th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unconditional contributions receivable</td>
<td>$1,275,000</td>
<td>$1,755,322</td>
</tr>
<tr>
<td>before unamortized discount and allowance</td>
<td>(48,369)</td>
<td>(105,478)</td>
</tr>
<tr>
<td>Less: unamortized discount</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$1,226,631</td>
<td>$1,649,844</td>
</tr>
</tbody>
</table>

Amounts due in:

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than one year</td>
<td>$642,901</td>
<td>$979,158</td>
</tr>
<tr>
<td>One to five years</td>
<td>583,730</td>
<td>670,686</td>
</tr>
</tbody>
</table>

Total unconditional contributions receivable | $1,226,631   | $1,649,844   |

Discount rates ranged from 2.63% to 2.90%. There were no conditional promises to give at September 30, 2005 and September 30, 2004.
Neighborhood Reinvestment Corporation  
(d.b.a. NeighborWorks® America)  
Notes to Financial Statements  
September 30, 2005 and 2004

Note 4. Investments

Investments consist of the following:

<table>
<thead>
<tr>
<th>September 30,</th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money market accounts</td>
<td>$3,567,591</td>
<td>$3,551,275</td>
</tr>
<tr>
<td>Government securities</td>
<td>2,499,713</td>
<td>999,446</td>
</tr>
<tr>
<td>Certificate of deposit</td>
<td>-</td>
<td>100,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$6,067,304</strong></td>
<td><strong>$4,650,721</strong></td>
</tr>
</tbody>
</table>

At September 30, 2005 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>September 30,</th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td>$934,818</td>
<td>$169,409</td>
</tr>
<tr>
<td>Unrealized gains</td>
<td>-</td>
<td>5,266</td>
</tr>
<tr>
<td>Realized gains</td>
<td>-</td>
<td>81,075</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$934,818</strong></td>
<td><strong>$255,750</strong></td>
</tr>
</tbody>
</table>

Note 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 2005 and 2004 amounted to $8,084,000 and $11,090,115, respectively.
Neighborhood Reinvestment Corporation
(d.b.a. NeighborWorks® America)
Notes to Financial Statements
September 30, 2005 and 2004

Note 6. Furniture and Equipment

Furniture and equipment consists of the following:

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer equipment</td>
<td>$4,202,166</td>
<td>$4,015,921</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>3,702,789</td>
<td>3,690,025</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>2,382,391</td>
<td>2,096,915</td>
</tr>
<tr>
<td></td>
<td>10,287,346</td>
<td>9,802,861</td>
</tr>
<tr>
<td>Less: accumulated depreciation and amortization</td>
<td>(6,926,870)</td>
<td>(6,378,400)</td>
</tr>
<tr>
<td></td>
<td>$3,360,476</td>
<td>$3,424,461</td>
</tr>
</tbody>
</table>

Depreciation and amortization expense for the years ended September 30, 2005 and 2004 was $803,811 and $720,411, respectively.

Note 7. Deferred Revenue

Deferred revenue consists of the following:

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training registration fees</td>
<td>$105,672</td>
<td>$81,989</td>
</tr>
</tbody>
</table>
Neighborhood Reinvestment Corporation  
(d.b.a. NeighborWorks® America)  
Notes to Financial Statements  
September 30, 2005 and 2004

Note 8. 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>Years ending September 30,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>$2,932,809</td>
</tr>
<tr>
<td>2007</td>
<td>2,947,101</td>
</tr>
<tr>
<td>2008</td>
<td>2,609,774</td>
</tr>
<tr>
<td>2009</td>
<td>2,627,617</td>
</tr>
<tr>
<td>2010</td>
<td>2,430,673</td>
</tr>
<tr>
<td>Thereafter</td>
<td>7,916,968</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$21,464,942</strong></td>
</tr>
</tbody>
</table>

Rent expense for the years ended September 30, 2005 and 2004 amounted to $3,546,125 and $3,307,305, 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.

During the year ended September 30, 2005, the Corporation again 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, 2005 was $139,790 based on the agreement.

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
Neighborhood Reinvestment Corporation
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Notes to Financial Statements
September 30, 2005 and 2004

Note 8. Commitments and Contingencies - (continued)

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, 2005, 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.

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.

Note 9. Temporarily Restricted Net Assets

Temporarily restricted net assets consists of the following:

<table>
<thead>
<tr>
<th>September 30,</th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Campaign for Homeownership</td>
<td>$ 977,831</td>
<td>$ 3,215,188</td>
</tr>
<tr>
<td>NeighborWorks® Center for Homeownership</td>
<td>830,080</td>
<td>14,300</td>
</tr>
<tr>
<td>Education and Counseling (NCHEC)</td>
<td>185,524</td>
<td>118,413</td>
</tr>
<tr>
<td>Endowment fund scholarships</td>
<td>149,685</td>
<td>-</td>
</tr>
<tr>
<td>Success Measures</td>
<td>132,123</td>
<td>-</td>
</tr>
<tr>
<td>Healthy Homes Training</td>
<td>110,480</td>
<td>150,443</td>
</tr>
<tr>
<td>National Insurance Services</td>
<td>101,527</td>
<td>139,601</td>
</tr>
<tr>
<td>Multi Family Initiative</td>
<td>72,656</td>
<td>-</td>
</tr>
</tbody>
</table>

$ 2,559,906 $ 3,637,945
Neighborhood Reinvestment Corporation  
(d.b.a. NeighborWorks® America)  
Notes to Financial Statements  
September 30, 2005 and 2004

Note 10. 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 2005 and 2004. 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.

Note 11. Program and Supporting Services Descriptions

The following is a breakdown of the Corporation’s program and supporting services for the years ended September 30, 2005 and 2004:

<table>
<thead>
<tr>
<th>Program Services:</th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capacity Building</td>
<td>$ 44,791,096</td>
<td>$ 43,719,658</td>
</tr>
<tr>
<td>Preserving affordable housing</td>
<td>43,125,999</td>
<td>40,791,931</td>
</tr>
<tr>
<td>Organizational assessment</td>
<td>5,556,741</td>
<td>4,656,631</td>
</tr>
<tr>
<td>Training and informing</td>
<td>24,150,200</td>
<td>19,980,686</td>
</tr>
<tr>
<td>Secondary market</td>
<td>8,084,000</td>
<td>11,090,115</td>
</tr>
<tr>
<td>Total program services</td>
<td>125,708,036</td>
<td>120,239,021</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Supporting Services:</th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>General and administrative</td>
<td>2,668,779</td>
<td>2,863,763</td>
</tr>
<tr>
<td>Resource development</td>
<td>734,730</td>
<td>689,185</td>
</tr>
<tr>
<td>Total supporting services</td>
<td>3,403,509</td>
<td>3,552,948</td>
</tr>
</tbody>
</table>

| Total expenses       | 129,111,545 | 123,791,969 |

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.
Neighborhood Reinvestment Corporation
(d.b.a. NeighborWorks® America)
Notes to Financial Statements
September 30, 2005 and 2004

Note 11. Program and Supporting Services Descriptions - (continued)

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.

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.
Neighborhood Reinvestment Corporation  
(d.b.a. NeighborWorks® America)  
Notes to Financial Statements  
September 30, 2005 and 2004

Note 11. Program and Supporting Services Descriptions - (continued)

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.

Resource Development

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

Note 12. 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 2005 and 2004 amounted to $2,023,485 and $2,047,607, respectively.

Note 13. Supplemental Cash Flow Information

During the years ended September 30, 2005, and 2004, the Corporation’s landlord paid for $139,790 and $337,412, respectively, of tenant improvements as part of the amended lease agreement as discussed in Note 8. This is a noncash transaction which resulted in an asset and deferred rent liability being recorded.
Neighborhood Reinvestment Corporation  
(d.b.a. NeighborWorks® America)  
Statement of Functional Expenses  
Year ended September 30, 2005

<table>
<thead>
<tr>
<th>Program Services</th>
<th>Supporting Services</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Capacity</strong></td>
<td><strong>Preserving</strong></td>
</tr>
<tr>
<td><strong>Building</strong></td>
<td><strong>Housing</strong></td>
</tr>
<tr>
<td>Grants and grant commitments</td>
<td>$24,248,110</td>
</tr>
<tr>
<td>Personnel</td>
<td>9,869,529</td>
</tr>
<tr>
<td>Professional services</td>
<td>3,095,493</td>
</tr>
<tr>
<td>Other operating costs</td>
<td>459,206</td>
</tr>
<tr>
<td>Occupancy</td>
<td>1,108,936</td>
</tr>
<tr>
<td>Travel</td>
<td>1,177,979</td>
</tr>
<tr>
<td>Conferences and workshops</td>
<td>288,051</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>40,247,304</td>
</tr>
<tr>
<td>Overhead allocation</td>
<td>4,543,792</td>
</tr>
<tr>
<td><strong>Total expenses, after overhead allocation</strong></td>
<td>$44,791,096</td>
</tr>
</tbody>
</table>

20
# Neighborhood Reinvestment Corporation
(d.b.a. NeighborWorks® America)
Statement of Functional Expenses
Year ended September 30, 2004

<table>
<thead>
<tr>
<th>Program Services</th>
<th>Supporting Services</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Capacity Building</td>
</tr>
<tr>
<td>Grants and grant commitments</td>
<td>$ 24,423,246</td>
</tr>
<tr>
<td>Personnel</td>
<td>9,297,410</td>
</tr>
<tr>
<td>Professional services</td>
<td>2,196,524</td>
</tr>
<tr>
<td>Other operating costs</td>
<td>520,784</td>
</tr>
<tr>
<td>Occupancy</td>
<td>1,051,822</td>
</tr>
<tr>
<td>Travel</td>
<td>1,301,462</td>
</tr>
<tr>
<td>Conferences and workshops</td>
<td>198,854</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>-</td>
</tr>
<tr>
<td>Subtotal</td>
<td>38,990,102</td>
</tr>
<tr>
<td>Overhead allocation</td>
<td>4,728,556</td>
</tr>
<tr>
<td>Total expenses, after overhead allocation</td>
<td>$ 43,719,658</td>
</tr>
</tbody>
</table>