
2006 Annual Report
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Annual Report 2006

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Our Collective Strength and Unique Approach to Affordable Housing Solutions

NeighborWorks® America continues to create opportunities for people to live in affordable homes, improve their lives and strengthen their communities. NeighborWorks® America and our 236-member network of nonprofit organizations are addressing the nation’s housing challenges by providing safe, quality, affordable housing for low- and moderate-income families and revitalizing and rebuilding communities. With our help, more families are able to live in vibrant communities they are proud to call home.

I am pleased to present the 2006 Annual Report. The year 2006 continued to present formidable challenges. Housing affordability is at a record low. Today more than 15 million low- and middle-income households experience severe cost burdens for housing. The supply of affordable rental housing is dwindling. Stubborn gaps in homeownership persist: national homeownership rates are at an all-time high of nearly 70 percent, but only slightly more than 50 percent of minority households own their own home. The gains in homeownership achieved over the last decade are being threatened by a troubling increase in foreclosures. Further, the Gulf Coast region continues to struggle as it recovers from the devastating impact of the 2005 hurricanes.

Clearly the need for NeighborWorks® America has never been greater. Our network’s collective strength across all 50 states enables us to create and implement meaningful solutions that respond to the changing dynamics of the housing and community development field. Through our Power of 10 initiative, we are actively engaged in recovery and rebuilding efforts in the Gulf Coast region. Together with our partners we will train 1,000 resident leaders, build or rehabilitate 10,000 homes, and assist 100,000 families affected by the hurricanes.

I want to highlight three efforts in 2006 that exemplify NeighborWorks® America’s unique approach, which engages residents and public- and private-sector partners to address pressing community needs:

– We continued our efforts to preserve homeownership in the face of rising foreclosures through the NeighborWorks® Center for Foreclosure Solutions. This program builds on our leadership in the homeownership field to address the rising need for postpurchase counseling and assistance.

– Our Multifamily Initiative, created in 1999, continues to support the development of new affordable rental units and the strengthening of over 60,000 units of affordable rental housing.

– I am particularly proud of the partnership between the FDIC and NeighborWorks® America, which leveraged the distinct assets of both organizations to respond to the needs of communities in the Gulf Coast that were devastated by Hurricane Katrina.

Together we have created Navigating the Road to Housing Recovery, a consumer education program that is helping families across the Gulf Coast region make informed decisions regarding their housing recovery and rebuilding options.

After nearly 30 years, NeighborWorks® America still remains in the forefront of the community development field by providing opportunities, revitalizing communities and improving the lives of lower income families across the nation.

Thomas J. Curry
Chairman, NeighborWorks® America
Director, Federal Deposit Insurance Corporation
A Letter From the CEO

New Challenges, New Opportunities, New Results.

Nearly 30 years ago, a determined homemaker and community activist took a stand against the steady decline of her neighborhood and enlisted support from city bankers and government. This was the beginning of the NeighborWorks® approach, which has withstood the test of time. The NeighborWorks® model of community in which residents, nonprofits, business and government collaborate to resolve local affordable housing and community development issues has assisted countless lower-income families and leveraged significant resources and investment to revitalize communities. The impact of NeighborWorks® is being felt today in thousands of low- and moderate-income communities nationwide.

This approach helped us achieve many of our accomplishments in 2006, including
- Launching our Power of 10 initiative, a $100 million housing and community investment campaign for rebuilding in the Gulf Coast region;
- Continuing the NeighborWorks® Center for Foreclosure Solutions, a national partnership to sustain homeownership and retain communities;
- Preserving more than 60,000 units of quality affordable rental housing for lower-income families to expand the affordable housing supply;
- Awarding nearly 13,000 training certificates to community development professionals from more than 2,500 organizations and municipalities to strengthen the community development workforce;
- Convening five National Training Institutes, including one in New Orleans, bringing almost 2,000 people to the largest national community development conference to be held there since the devastating hurricanes; and
- Providing high-quality financial fitness education to thousands of community residents from low-income households.

In 2006 we also developed and approved a new strategic plan that identifies six key priorities where we will direct our energies over the next five years.

Despite our many accomplishments, the need and immediacy for NeighborWorks® continues to be great. As always, we remain steadfast in our mission to provide opportunities for people to live in affordable homes, improve their lives and strengthen their communities. In fulfilling this mission, we embrace a set of core values that enhance the way we conduct business and relate to people both internally and externally—community, effectiveness, integrity and results.

Each day we will continue to pursue effective strategies that help families access wealth-building opportunities through homeownership or achieve stability by living in decent, affordable rental housing. Each day we work to create meaningful partnerships with those who share our mission and commitment. And each day we resolve to achieve better results than the day before.

In the coming year we will strive to make our vision—through NeighborWorks® and its partnerships, America is a nation of vibrant communities all are proud to call home—a reality.

Kenneth D. Wade
Chief Executive Officer
NeighborWorks® America
Mission Statement

NeighborWorks® America creates opportunities for people to live in affordable homes, improve their lives and strengthen their communities.
2006 Highlights
Gulf Coast Rebuilding — Extending Help, Restoring Hope

In the wake of immense destruction to the Gulf Coast from Hurricanes Katrina, Wilma and Rita, NeighborWorks® America has emerged as a key partner in efforts to rebuild homes, communities and lives in the Gulf Coast region. Capitalizing on a 30-year history in revitalization, community building, and providing safe, decent and affordable housing, NeighborWorks® America announced plans to help in the restoration and creation of vibrant communities in the Gulf Coast.

NeighborWorks® America Establishes Offices in Louisiana and Mississippi
NeighborWorks® America opened a new office in Louisiana (New Orleans) to work with local, regional and national partners. Staffing is in place in Mississippi (Jackson) for another office to open in early 2007. The new offices support the corporation’s far-reaching strategy to assist affected families and communities and will serve as the home base for the coordinating NeighborWorks® rebuilding efforts in both states.

Unleashing the “Power of 10”
Rebuilding communities requires the effort of many and the commitment of everyone involved. In establishing expansive plans to rebuild and reinvest in the Gulf Coast region, NeighborWorks® America recognizes the powerful roles that partnerships have in helping us achieve our goals with exponential impact. By forging new partnerships between locally and regionally based nonprofit organizations, residents, and the public, private and community sectors, NeighborWorks® America has established the following “Power of 10” goals to achieve by January 1, 2010:

- 10 NeighborWorks® organizations operating in Mississippi, Louisiana and Alabama;
- 10 Housing Resource Centers created across the Gulf region; and 10 strategic partnerships formed;
- 100 communities in the Gulf region served and 100 scholarships provided annually to NeighborWorks® Training Institutes for nonprofit industry leaders working in the Gulf;
- 1,000 resident leaders trained in the Gulf region;
- 10,000 new or rehabilitated affordable home available for Gulf residents and hurricane-impacted families;
- 100,000 families preserve or achieve homeownership and protect their financial assets;
- $100 million in investment; and
- $1 billion in leveraged investment in the Gulf region.
Navigating the Road Home

Helping families navigate myriad paths back to their Gulf Coast communities, NeighborWorks® America teamed with the FDIC to develop a comprehensive Gulf Coast-specific consumer guide and train-the-trainer toolkit. *Navigating the Road to Housing Recovery* creates roadmaps for homeowners and renters in Louisiana, Mississippi, Alabama, Texas and Florida to help them make informed and responsible fiscal decisions as they return home. The guide includes specific sections on financial fitness, predatory lending and financial counseling. NeighborWorks® America and the FDIC are developing a consumer education program to deliver this information to groups by coordinating with bank volunteers, local governments, local nonprofits and local faith-based organizations.

NeighborWorks® Training Institute in New Orleans Draws Record Number

Training and education have emerged as important strategies in NeighborWorks® Gulf rebuilding efforts. In December, NeighborWorks® America held its first community development training institute in New Orleans since the 2005 hurricanes. Nearly 2,000 nonprofit leaders, housing and community development professionals and community leaders, including over 170 from the Gulf Coast region, attended the Institute, which featured more than 90 classes and a symposium on community organizing and rebuilding.

NeighborWorks® America Working to Build Nonprofit Capacity

NeighborWorks® America is working to strengthen the overall capacity of nonprofit development organizations working in the Gulf Coast region by delivering services to nonprofit organizations and resident leaders. These include training for grassroots leaders through the Community Leadership Institutes (CLIs), grants for action planning to groups of residents that participate in CLIs, grants for intensive technical assistance to grassroots organizations and capacity building grants for a small number of non-network organizations to expand their ability to engage residents in the rebuilding process.

NeighborWorks® Center for Foreclosure Solutions Continues Efforts to Preserve Homeownership and Maintain Healthy Communities

National foreclosure rates are rising, threatening decades of gains in homeownership and neighborhood revitalization. In response, NeighborWorks® America created the NeighborWorks® Center for Foreclosure Solutions to preserve homeownership and combat the negative impact of foreclosures on communities across the nation. Through the Center, NeighborWorks® America is targeting foreclosure “hot spots” — communities experiencing significant and rapid increases in delinquencies and foreclosures — and working with national and local leaders to create sustainable foreclosure intervention programs. The NeighborWorks® Center for Foreclosure Solutions builds capacity among foreclosure counselors around the
nation, conducts public outreach campaigns to reach delinquent borrowers and researches local and national trends to develop strategic solutions.

In 2006, NeighborWorks® America, in partnership with the Housing Preservation Foundation, assisted more than 25,000 homeowners in danger of losing their homes. Of these, 42 percent resulted in a foreclosure avoidance workout plan and over 10,000 engaged in individual, one-on-one postpurchase housing counseling.

The NeighborWorks® Center is modeled on the success of local NeighborWorks® member, the Neighborhood Housing Services of Chicago, who with the City of Chicago launched the Homeownership Preservation Initiative (HOPI) to preserve sustainable homeownership for Chicago residents and to reclaim foreclosed homes as neighborhood assets. The pilot phase of HOPI, from 2003 to 2006, produced the following results:

~ More than 4,000 Chicago households have been educated;
~ Over 1,300 families were able to avoid foreclosure;
~ Over 330 buildings that were vacant or neglected are now homeownership opportunities;
~ An estimated $267 million in collective savings for the City of Chicago, residents and lender partners.

Neighborhood Risk Management Corporation
Saves NeighborWorks® Organizations $2 Million

The Neighborhood Risk Management Corporation (NRMC) has enabled NeighborWorks® organizations to save more than $2 million since its inception in 2005. The NRMC helps NeighborWorks® organizations lower their costs in purchasing goods and services for maintenance and assists the organizations with meeting their insurance liability needs. NeighborWorks® organizations were able to demonstrate that the portfolio of NeighborWorks® multifamily housing was substantially outperforming standards used in the insurance industry and members were paying premiums far in excess of their true risks.

Nearly 28,000 affordable apartments are currently insured under the NRMC, and the total value of the insured portfolio has increased to $2.3 billion. Lowering operating costs of multifamily housing helps NeighborWorks® preserve and create more affordable housing opportunities and build stronger communities.

Growth in Multifamily Rental Housing Units Exceeds 60,000

For the past several years, NeighborWorks® America has aggressively accelerated its affordable rental housing work through the NeighborWorks® Multifamily Initiative, increasing the number of affordable housing units owned or managed by NeighborWorks® organizations from nearly 17,000 in 1998 to more than 60,000 in 2006. Initiative members developed more
than 24,000 rental homes, dramatically increasing the development rate from 400 units to 6,000 units per year over the same timeframe. This has expanded affordable housing access to families of modest means who need safe, decent and affordable rental housing.

The NeighborWorks® System

For nearly 30 years, the NeighborWorks® system has been an effective and efficient model for leveraging significant private-sector resources in support of community revitalization and affordable housing opportunities. Composed of three interrelated components — NeighborWorks® America, the NeighborWorks® network and Related Capital Corporations — the NeighborWorks® system has generated significant investment in thousands of underserved communities across the nation.

NeighborWorks® America

Neighborhood Reinvestment Corporation (now doing business as NeighborWorks® America) is the original community/public/private partnership model, with locally driven, efficient community development and the leveraging of public investment as its hallmark. The organi-
Organization was created in 1978 by Congress to provide financial support, technical assistance and training for community-based revitalization in efforts to turn blighted communities into vibrant, healthy communities for families of modest means.

Over the years, NeighborWorks® America has developed a number of core competencies that continue to drive revitalization efforts nationwide and support its mission to create opportunities for people to live in affordable homes, improve their lives and strengthen their communities. These core competencies include homeownership and affordable rental programs, professional training and certification, consumer counseling and education, rehabilitation of housing stock, community building and revitalization, outcomes measurement and the training and empowerment of community residents.

NeighborWorks® America provides grants, programmatic support and training scholarships to the NeighborWorks® network and related capital corporations.

NeighborWorks® Network

The NeighborWorks® network comprises more than 235 community-based organizations serving more than 4,400 communities in 50 states, Puerto Rico and the District of Columbia. Although each local NeighborWorks® organization is unique and autonomous, they share a mission to revitalize their neighborhoods and communities, and provide affordable housing. Nearly one third of the network serves rural areas.

In 2006, NeighborWorks® organizations generated more than $3.6 billion in investment and helped nearly 200,000 families of modest means purchase or improve homes or obtain safe, decent rental or mutual housing.

Related Capital Corporations

Three specialized capital corporations — Neighborhood Housing Services of America, Neighborhood Capital Corporation and RNA Community Builders — build partnerships and develop loan products that expand affordable housing opportunities in NeighborWorks® markets.

Neighborhood Housing Services of America

Neighborhood Housing Services of America (NHSA) raises private-sector capital from socially responsive investors to purchase first and second mortgages from local NeighborWorks® organizations and their lending partners. NHSA also develops innovative loan products and services to increase the capacity of the NeighborWorks® network to expand affordable housing opportunities and combat predatory lending. Its affiliate, Neighborhood Housing Services of America-Community Development Financial Institution (NHSA-CDFI), provides single-family, multifamily and interim real estate development and bridge financing.
With NeighborWorks® America grant support for credit enhancements, NHSA secures private-sector capital from socially responsive national institutional investors that include insurance companies, financial institutions, foundations and pension funds. On average, NSHA leverages each $1 of the NeighborWorks® capital grant with $10 of private-sector capital. Some of NHSA’s loan programs provide leverage as high as 50 to 1.

In 2006, NHSA
- Purchased and originated 1,229 loans totaling $79.9 million, bringing NHSA’s cumulative loan activity to 19,744 loans totaling $805 million;
- Increased its investments, including warehouse lines to aggregate loan pools, by $232 million, bringing its cumulative borrowing capacity to $1.55 billion;
- Continued its successful portfolio management, which results in foreclosure rates below those of conventional lending. Key components include NeighborWorks® counseling, NHSA’s dynamic credit management, and patient capital to help challenged borrowers;
- Expanded its NHSA online e-commerce platform to connect with third-party fulfillment services, making it easy for small nonprofits to achieve quality loan origination and packaging; and
- Launched a new Emerging Markets loan product for “thin credit file” borrowers with a $100 million investment from State Farm, $7.5 million from First American, and a good faith agreement from Fannie Mae to leverage this product’s loan activity to $750 million.

Neighborhood Capital Corporation

Neighborhood Capital Corporation (NCC) serves the development capital needs of the NeighborWorks® Multifamily Initiative, which focuses on building the capacity of member organizations to develop and manage affordable rental housing. NCC specializes in providing members with timely access to flexible financing in the early stages of developing a new project or acquiring and preserving the affordability of an existing property.

Loan products include short-term (up to three years) secured loans for predevelopment and interim development, including acquisition.

In 2006, NCC
- supported the development of 904 units, 99 percent of which are affordable to residents earning 80 percent or less of adjusted median gross income;
- originated $8.8 million in financing in support of 13 projects. Members leveraged this financing into more than $80 million of permanent project financing;
- increased its loan capital to $15 million; and
- continued its successful program of risk-sharing certain loans with the National Housing Trust and NHSA-CDFI.
RNA Community Builders

RNA Community Builders, Inc. is a collaborative of NeighborWorks® organizations serving rural communities. Established in 1994 with support from NeighborWorks® America, RNA provides members with flexible loans for development projects ranging from single-family housing construction to rehabilitation of multifamily units to development of commercial real estate in challenging rural and small-town environments.

In 2006, RNA
~ Made seven loans in four states totaling $1.35 million;
~ Supported the creation of 60 new single-family homes;
~ Aided in the rehabilitation of 68 units of multifamily housing;
~ Funded the development of almost 17,000 square feet of commercial space targeted to small-business development and rural entrepreneurs; and
~ Leveraged $14 million in new investment in seven rural communities.

In 2006, an interim board was established to move forward on a consolidation of NCC and RNA Community Builders into one capital corporation.
Community

Community is the birthplace and workspace of NeighborWorks®, and a core value of NeighborWorks® America. Since their founding, NeighborWorks® organizations have embraced the concepts of community and resident leadership in building partnerships with the government and business sectors to create positive, sustainable change and address local needs. Through a variety of innovative approaches and services, network organizations are bringing stability and vibrancy to thousands of urban, suburban and rural communities nationwide.

Voice of Calvary Ministries (Jackson, Mississippi)
New Home, New Opportunity for Katrina Victim

Ralph Bates was living in McComb, Mississippi, when hurricane Katrina swept through the region and cut off water and electricity to the house where he was living with his mother. Many trees fell all around the house, making it more difficult than ever for him to get around in his electric wheelchair. Life became more stressful than it had already been for this low-income-family. Bates’ fiancéé, Sherry, put it this way: “we were stuck in mud.” She and his mother spent a lot of time moving heavy branches just to be able to get around their neighborhood and get Ralph somewhere to recharge his wheelchair. They turned to a local nonprofit organization, Voice of Calvary Ministries (VOCM), for assistance. VOCM, through a grant from NeighborWorks® America, was able to build new affordable and more accessible (disability-friendly) homes in McComb. In December 2006, the Bates family moved into one of these homes in a subdivision called “Victory Park.” A grateful Bates says the new place is closer to stores and other services that he needs.

Frontier Housing (Morehead, Kentucky)
Manufactured Housing Provides Affordable Housing Opportunity

NeighborWorks® network member Frontier Housing developed a partnership with Clayton Homes, an industry leader in manufactured housing, to provide quality affordable housing to lower-income residents in Appalachia.

Frontier Housing provides an alternative for families who want to purchase manufactured homes. They offer responsible mortgage financing, upgraded structures, and Energy Star windows, and discourage the inclusion of furniture in the home purchase to keep the housing affordable. This business model has helped Frontier attract conventional lenders that are typically unwilling to underwrite manufactured housing, and by partnering directly with Clayton Homes, Frontier has reduced the per-unit costs of developing with a quality manufactured housing product—making homeownership a reality for many families, including the Gibsons.
Corbett and Regina Gibson have three children and until just a few months ago, all five of them shared a 1972 model 14x70-foot trailer. Corbett describes the trailer as "run down" and says that before they moved into their new home, the entire family shared one bedroom. He says he often slept on the couch in the living room. Regina’s sister heard about Frontier Housing first and after she got a new home, she told her sister and brother-in-law all about her experience. Just a few months later, the Gibsons moved into their brand new home.

The family chose one of the Clayton manufactured homes, and by May they were out of their old trailer and into their new home. Corbett says his children — one boy and two girls — are "tickled to death!" about their new living conditions. They each have their own room and the bathroom is as big as the old bedroom they all used to share.

Corbett’s favorite thing about the house is the size of it. "I've never had anything like this before in my life," he says. "It makes our dreams come true."

South County Housing, Gilroy, California
"Miracle" Affordable Housing for Low-Income Seniors in Gilroy

South County Housing has grabbed national headlines with the grand opening of its unique low-income senior complex, in which affordable rentals are now available, in one of the highest-priced real estate markets in the country. The christening of the new 49-unit complex in Gilroy, California was considered "a miracle" after the donation of water rights by a local man (who died before the project was completed) ended the deadlock that had plagued the deal for months. In a neighborhood where the median home price exceeds $1 million, older people of low income will pay on average between $452 to $790 a month in rent, with apartments overlooking California’s Monterey Bay, the same view that inspired Pulitzer Prize winner John Steinbeck to write Cannery Row.

Vista Point at Pacific Grove is located in one of the most walkable Monterey Bay communities. The $10 million, three-story complex is the result of more than 10 years of partnership planning with the City of Pacific Grove, an affluent municipality near Carmel and Pebble Beach. The new apartment building is the first-ever affordable housing project, of any kind, in the city — and because of the scarcity of land and water allocation rights in the seaside community — the opening of the complex has been heralded as miraculous.

Funding sources for the project include NeighborWorks® America, Wells Fargo Bank; California Housing Finance Agency, the State Department of Housing and Community Development, FHLB-Affordable Housing Program, Union Bank, and the City of Pacific Grove.

*Afther California’s drought in the late 1980s, in 1991 the state government established the Drought Emergency Water Banks to facilitate the allocation of water. The Department of Water Resources (DWR) was given the task of establishing and operating Drought Water Banks, acting as a broker for water transfers. Specifically, DWR drafts contracts for the purchase and sale of water, and performs as the agent through which transfers pass.
Desiree Bradley, client

Desiree Bradley had raised two children, put herself through school and developed a successful career as a vocational trainer. With her kids grown and out of the house, she was looking forward to some down time. However, she began to have trouble meeting her mortgage payments. A co-worker who learned of her problem told her about Neighborhood Housing Services of Toledo, a NeighborWorks organization. At Desiree’s request, the organization examined her loan documents and discovered that, unbeknownst to Desiree, she had an adjustable-rate mortgage (ARM). This ARM was contributing to her growing difficulty in making payments.

With the help of a national foreclosure hotline (888-995-HOPE) that NeighborWorks supports, Desiree began the process of refinancing her home. After switching from an adjustable to a fixed-rate mortgage, she found that her new payment, including taxes and insurance, was actually less than her old mortgage payment, which didn’t include escrow. In addition, she was able to use the money from the refinance to put a new roof on her home.

As her foreclosure counselor stated, “[Desiree] was just one of many individuals out there who think they have the perfect mortgage product until the monthly payments begin to adjust up; the balance becomes due or they find that their mortgage loan is greater than the value of the property.” Desiree’s situation was made much easier because she contacted her local NeighborWorks organization before she became delinquent. She was able to refinance and maintain a good credit score by finding help as soon as she realized there was a problem. By reaching out, Desiree was able to explore her options. Working with NeighborWorks and 888-995-HOPE, she found the option that was best suited to her financial situation and allowed her to keep her home.

*Name changed at client’s request.

Innovative IDA Program Encourages Savings for Energy Efficiency Improvements and Home Maintenance

When energy prices rise, low-income homeowners must devote a higher percentage of their already-stretched incomes to utility bills and averting foreclosure. As a result, these cash-strapped homeowners may not be able to afford home maintenance expenses or improvements to increase energy efficiency. The higher utility bills, as well as the unexpected and expensive repairs that often result from neglected home maintenance, leave these homeowners with even heavier financial burdens and at greater risk of losing their homes to foreclosure.
An innovative Individual Development Account (IDA) program created by Neighborhood Housing Services of New Haven, Connecticut, seeks to prevent low-income homeowners from getting caught in this vicious cycle. The program provides matching funds of up to $10,000 to new homebuyers and existing homeowners in New Haven who make less than 120 percent of the area median income (with a special set-aside for very low-income families). The funds must be used for home maintenance expenses or energy conservation measures. Additional funds are available through the state of Connecticut’s low-interest energy conservation loan program.

While most IDA programs are set up to support low-income families who are saving to purchase their first home, New Haven’s program supports existing homeowners who, due to rising energy prices, may be having serious problems paying to heat their homes in the winter while remaining current on their mortgages. The program is set up to encourage homeowners to create a habit of saving money. After participating in the program for 18 months, the homeowners will receive matching savings. Participants also receive 8 to 12 hours of postpurchase education while in the program.
NeighborWorks® programs and investments create opportunities for people to live in affordable homes, improve their lives and strengthen their communities. Through its core programmatic activities and efforts, NeighborWorks® has strengthened the fabric of, and restored vibrancy to, thousands of communities across the nation.

**Opportunity**

PeerlessWorks® efforts make homeownership real for minorities, low- and moderate-income households

NeighborWorks® is committed to making the dream of homeownership a reality for Americans who are still missing out on the opportunity to build wealth and create financial stability for their families. The corporation uses a variety of strategies to help low- to moderate-income people attain homeownership and maintain their status as homeowners.

From assessing their readiness to own a home to pre- and postcounseling and education to rehabilitation loans and downpayment assistance, NeighborWorks® services provide opportunities for homebuyers to become successful homeowners. Full Cycle Lending Model™, NeighborWorks® HomeOwnership Centers, the Financial Fitness program and the NeighborWorks® Center for Foreclosure Solutions are all hallmarks of the NeighborWorks® system.

In fiscal year 2006, the NeighborWorks® network educated and counseled more than 84,000 people and assisted more than 16,500 individuals and families of modest means to achieve their dreams of homeownership.

To sustain the gains on homeownership, more than 8,400 homeowners received direct assistance with refinancing, rehabilitation or foreclosure prevention and more than 25,000 were served through the NeighborWorks® partner, the Housing Preservation Fund, and its toll-free 888-995-HOPE hotline. In addition, 26,000 homeowners, many of them elderly, were able to stay in their home through assistance with critical repairs and maintenance.

Since 1993, the NeighborWorks® network has counseled more than 550,000 families and individuals and assisted more than 100,000 low- and moderate-income families and individuals achieve their dream of homeownership.
Ethnicity of Homebuyers
NeighborWorks® Campaign for Home Ownership vs. Conventional Lenders

Household Income of Buyers
NeighborWorks® Campaign for Home Ownership vs. Conventional Lenders
Between 2003 and 2006, network members that participate in the Campaign for Homeownership achieved the following success:

- 67 percent of all assisted homeowners were low-income households;
- 89 percent were either low- or moderate-income households;
- 53 percent were minority homebuyers; and
- 60 percent were single-headed households (41 percent female-headed and 19 percent male-headed households).

Network data indicate:
- 92 percent are first-time homebuyers;
- 69 percent earn less than 80 percent of area media income, compared to 25 percent of conventional buyers;
- 53 percent are ethnic/minority households; compared to 25 percent of the conventional market; and
- 46 percent are headed by women (compared to 21 percent of conventional mortgage lenders).

**NeighborWorks® Multifamily Efforts Expand Affordability Options**

Quality, affordable rental housing is a vital asset to America’s communities. Housing that is affordable for working families—such as teachers, firefighters and workers in the service industry—is essential for economic growth. Affordable rental housing also helps create vibrant, livable communities in which all individuals have a place they can call home. Affordable rental housing assists lower income families with moving up the economic ladder, building wealth instead of spending a disproportionate share of their income on housing.

Over the past seven years, NeighborWorks® America has aggressively accelerated its affordable rental housing work through the NeighborWorks® Multifamily Initiative by implementing a range of strategies to ensure that affordable multifamily housing is an asset to the community, is sustainable and affordable into the future, and enables residents to thrive and succeed. These strategies include the following:

**Capital Grants and Affordable Financing for Multifamily Housing:** The Neighborhood Reinvestment/NeighborWorks® America Congressional appropriation provides capital grants to assist with the affordability and viability of multifamily developments. In addition, the NCC and NHSA-CDFI assist NeighborWorks® organizations with development financing and flexible capital critical to the successful development and preservation of affordable multifamily housing. In fiscal year 2006, NCC originated 14 loans totaling nearly $9 million, launching the development of 904 affordable rental homes. Through these projects, 471 housing units were preserved and 433 new units were developed. In fiscal year 2006, NHSA-CDFI originated 27 loans totaling $21.5 million.
Owned and/or Managed Rental Units
FY 1996 – 2006

- FY2006: 62,000 units
- FY2005: 55,444 units
- FY2004: 47,593 units
- FY2003: 44,593 units
- FY2002: 34,649 units
- FY2001: 29,949 units
- FY2000: 24,483 units
- FY1999: 20,266 units
- FY1998: 19,246 units
- FY1997: 15,630 units
- FY1996: 12,662 units

Housing Units

- 0 to 5,000 units
- 5,000 to 10,000 units
- 10,000 to 15,000 units
- 15,000 to 20,000 units
- 20,000 to 25,000 units
- 25,000 to 30,000 units
- 30,000 to 35,000 units
- 35,000 to 40,000 units
- 40,000 to 45,000 units
- 45,000 to 50,000 units
- 50,000 to 55,000 units
- 55,000 to 60,000 units
- 60,000 to 65,000 units

NeighborWorks® Organizations’
Owned and/or Managed Rental Units
FY 1996 – 2006

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Preserving Existing Housing Stock: With expiring tax credits and opt-out provisions in other federal programs, such as USDA’s Rural Development’s 515 program, properties in America’s communities that provide critical affordable housing today may not be available in the coming years. NeighborWorks® supports the preservation of existing affordable rental housing through training, capital grants, interim financing and quality property and asset management.

Promoting Affordable Housing as a Community Asset Through Asset Management: To ensure that affordable housing remains an appealing asset to the community and a quality place to live for residents, nonprofit owners of multifamily housing must employ strong property, portfolio and asset management strategies. NeighborWorks® closely partners with its organizations to ensure that the nonprofit owner is financially stable and that all properties in their multifamily portfolios are sustainable and represent assets to their communities.

Resident Services and Community Learning Centers: The Learning Center Consortium supports the personal asset building of residents through services such as after-school programs, financial management and credit repair, and employment advancement. These services not only strengthen family assets but also strengthen the overall health of the property, contributing to increased occupancy and collections, reduced turnover and reduced maintenance and security expenses.

The NeighborWorks® network preserves or develops 7,000 units per year in a wide range of urban, suburban and rural markets. Network organizations with rental housing operate in 40 states and own or manage more than 60,000 affordable housing units.

NeighborWorks® Training and Education Courses
Strengthen the Community Development Workforce

NeighborWorks® America is committed to preparing community development practitioners to deliver high-quality services. Through the NeighborWorks® Training Institutes and other venues, NeighborWorks® America delivers on this commitment. In 2006, NeighborWorks® America awarded nearly 13,000 training certificates to community development professionals and leaders from more than 2,500 organizations and municipalities from around the country. The NeighborWorks® Center for Homeownership Education and Counseling (NCHEC), the premier national trainer and certifier of housing counselors and educators nationwide, awarded nearly 6,000 training certificates in homeownership lending, counseling, education and foreclosure prevention to nonprofit practitioners.

Through NCHEC, NeighborWorks® America is working to help organizations develop new counselors and educators, market their programs to minority families, produce new services and tools, and serve consumers in a more efficient and effective manner. In addition, NeighborWorks® America is supporting other intermediary organizations that host and sponsor local trainings for certification and continuing education for their members; provide qual-
NeighborWorks® Organizations’ Total Investment Leveraged by NeighborWorks® America’s Appropriation

Amount of investment per dollar of appropriation

NeighborWorks® Organizations’ Annual Trend in Affordable Housing Units
FY 1996 – FY 2006

Housing Units

Affordable multifamily, mutual or rental housing units and others
Single family rehab
Homeownership units
ity control for affiliate organizations, counselors and trainers; and submit national data on homeownership education and counseling activities.

---

**E-Commerce Initiative Furthers NHSA’s Commitment to Lower-Income Populations**

NHSA’s e-commerce site — with new products and services — helps them reach deeper into the needs of lower-income populations. An exciting addition to the NHSA-Just Price Solutions (NHSA-JPS) Web portal during FY 2006 was its capacity to connect its automated underwriting engines to third-party loan fulfillment services. The result is a digital channel which allows loan packaging and approval processes to occur electronically as physical documents are reviewed on-line from any location, making quality loan underwriting and packaging available to small nonprofits with limited staff.

The e-commerce portal gives access to a wide array of products made possible by NHSA’s investors and Fannie Mae. A core product is a new e-commerce Emerging Markets loan product for credit-worthy borrowers whose nontraditional credit histories might have pushed them into subprime loans. This new product was launched with a $100 million investment from State Farm, $7.5 million in an equity-like loan for reserves from First American, and specially designed mortgage insurance products by MGIC and PMI. NHSA’s e-commerce platform is expanding to include the capacity to analyze options for FHA, VA, and state housing finance agency loans nationwide.

Forty-eight NeighborWorks® organizations and lender partners have been approved to do business through NHSA’s e-commerce Web site; NeighborWorks® organizations used NHSA’s Web-based automated underwriting systems to make approval decisions on 1,500 loans, totaling over $200 million.

NHSA’s e-commerce initiative has been a perfect intersection for NHSA’s mission of raising capital from socially responsive investors and providing innovative loan products and services in support of affordable single-family and multifamily residential properties.
Results

Real people, real communities, real results. Community development organizations strive everyday to improve lives and revitalize communities. The implementation of performance standards and goals and the subsequent measurement of results brings credibility to service delivery and the process of promoting positive change. The evaluation of results attests to an organization’s impact and effectiveness on the community. Although NeighborWorks® influence is felt long after communities are revitalized, affirmative results from our involvement are the ultimate justification and validation of our work.

Success Measures — Breakthrough Evaluation Approach

Success Measures Data System, the breakthrough evaluation approach, is helping the community development field measure the impact of its work on communities and individuals. As organizations develop strategies to revitalize their communities, results from the participatory outcome-based evaluation approach enable them to craft solutions that increase the organization’s effectiveness and efficiency in meeting community needs.

With Success Measures, NeighborWorks® America is continuing the work that was initiated by the Development Leadership Network and McAuley Institute with support from the F.B. Heron Foundation, Rockefeller Foundation, Fannie Mae Foundation, Ford Foundation and the Annie E. Casey Foundation.

Success Measures puts Web-based tools in the hands of community-based organizations to measure important results that are broader than the number of people they serve and number of housing units they provide — the longer-term and qualitative impact on communities. Success Measures provides services to NeighborWorks® Organizations and the community development field as a whole.

By the end of fiscal year 2006, a total of 64 organizations — of which 32 are NeighborWorks® organizations — were actively engaged in using the Success Measures process, indicators and data collection tools, and Web-based data system to conduct evaluations. To date, 97 organizations are engaged in Success Measures; 44 of them are NeighborWorks network organizations. In addition, NeighborWorks® America served five other funding and intermediary partners by delivering Success Measures to 33 non-network community development organizations. Participating organizations span 30 states and the District of Columbia.

Some NeighborWorks® Organizations have focused their evaluations on examining positive changes in a neighborhood where they work. Others have focused on assessing longer-term
results of a particular program or line of business. All found benefits in the evaluation process in terms of clarifying their intended outcomes, engaging community residents and stakeholders in the assessment process, and building their organizational ability to gather primary data to help strengthen the impact of their programs and services.

The evaluations have brought tangible results to NeighborWorks® Organizations in many ways:

– **DASH LaGrange** is using the results from a resident survey to gain local government funding for a new safe community center based on their resident survey results.

– **NHS of Black Hills** measured results of its homeownership programs in a target area by looking at how long residents had lived in the neighborhood, how connected they felt to the community and their level of participation in local community organizations. They also looked at the visual attractiveness of the neighborhood. The data collection process alone helped them document turnover in the target area and also provided a link to families seeking rehab services.

– **Montana HomeOwnership Network** and **NHS of Great Falls** were able to document a range of outcomes cited by homeowners they had assisted such as the equity they had gained in their homes and the personal changes they had experienced since achieving homeownership. The organization has been able to use this new data to support funding applications.

NeighborWorks® America is also using Success Measures as a means of working collaboratively with other intermediaries and community development funders to make this innovative program available throughout the community development field.
In 2006 NeighborWorks® America undertook a strategic planning process to assess the changes, challenges and opportunities that will influence NeighborWorks® America’s corporate goals and priorities for the coming years, from 2007 to 2011.

The contributions from key stakeholders guided NeighborWorks® America’s efforts to articulate a plan that builds on strengths — such as our network of NeighborWorks® organizations — and positions NeighborWorks® America to address challenges and capitalize on opportunities for the entire NeighborWorks® system.

Through the planning process, the mission, values, core competencies and business model of NeighborWorks® America were aligned to achieve results. The new mission statement reconfirms and more succinctly describes the corporation’s purpose: NeighborWorks® America creates opportunities for people to live in affordable homes, improve their lives and strengthen their communities.

In fulfilling our mission, NeighborWorks® America seeks to embrace a set of core values—community, effectiveness, integrity and results. Working effectively with and through local NeighborWorks® organizations has always been our central strength, and we will continue to build on that tradition working to achieve the goals set forth in the new strategic plan.

Our strategic goals for the next five years are as follows:
- Create and preserve affordable housing opportunities and build stronger communities.
- Build and sustain a network of excellence and promote innovation.
- Expand NeighborWorks® services and investments benefiting underserved populations and places.
- Develop and strengthen the nonprofit housing and community development workforces.
- Increase capital investment in America’s communities.
- Optimize the organizational performance of NeighborWorks® America to achieve our mission and strategic vision.
Salute to Partners

NeighborWorks® America recognizes the value of partnering with public-and private-sector organizations that are committed to positive community change. No one organization, company or government entity can fully meet the challenges of reshaping, rebuilding and investing in communities. In addition to investments, services, products and volunteers, public- and private-sector institutions also provide direct contributions to NeighborWorks® America and local NeighborWorks® organizations. These contributions support grassroots operations and increase the impact of our grantmaking, technical assistance and training. Moreover, they support the development of innovative products and services that are the hallmark of the NeighborWorks® system.

We thank the many partners who have helped NeighborWorks® America’s local organizations improve lives, strengthen families, create healthy communities and provide access to safe and affordable housing.
Alliance Data Systems
Allstate Foundation
Allstate Insurance Company
American Express
American Family Life Insurance Company
American General Finance Services
Ameren UE
Ameriquest
Annie E. Casey Foundation
Associated Bank
Baltimore Equitable Insurance Foundation
Bank of America
Bank of America Foundation
Bank of New York
Bank One Corporation
Banknorth Group
California Bank & Trust
Capital One
Cedar Crest Apartments LP
Charter One Bank, F.S.B.
Chase Bank
Church World Services
Citibank
Citibank Foundation
CitiGroup
CitiGroup Foundation
Citizens Bank
Citizens Bank Foundation
City of Syracuse
Comerica Bank
Commercial Capital Bank
Community Presbyterian Church
Corporate for Enterprise Development
Countrywide Financial Corporation
Department of Justice
Deutsche Bank
Discover Bank
Enterprise Community Investment, Inc.
E*Trade Financial
Fannie Mae
Fannie Mae Foundation
Federal Home Loan Bank of Des Moines, IA
Federal Home Loan Bank of Chicago, IL
Federal Home Loan Bank of Topeka, KS
Federal Home Loan Bank of Detroit, MI
Federal Home Loan Bank of New York, NY
Federal Home Loan Bank of Cincinnati, OH
Federal Home Loan Bank of Dallas, TX
Federal Home Loan Bank of Seattle, WA
Fifth Third Bank
Freddie Mac
Freddie Mac Foundation
GMAC Mortgage Corporation
Harris Bank
Hewlett-Packard
Homecomings
Home Depot
Honeywell
Homeownership Preservation Foundation
Housing Development Fund Corporation
Housing Partnership Network
HSBC Bank
Huntington National Bank
Illinois Fair Plan
Independence Blue Cross
Interfaith Network
John D. and Catherine T. MacArthur Foundation
JPMorgan Chase
JPMorgan Chase Foundation
LaSalle Bank Corporation
Lehman Brothers Bank
M&T Charitable Foundation
MB Financial Bank
Massachusetts Cultural Council
MetLife
MetLife Foundation
Microsoft Corporation
MidAmerica Savings Bank, F.S.B.
Minnesota Housing Partnership
Mizuho Bank
Morgan Stanley Bank
Nationwide Foundation
National City Bank
National City Consumer Finance
National Credit Union
National Trust for Historic Preservation
Nava Ade Corporation
New Alliance Bank
New Century
North Fork Bank
Northern Trust Bank
Oakland Private Industry Council
Oakwood Senior Apartments, LP
Ohio Partners for Affordable Energy
Option One
Park National
Perry State Bank
PMI Mortgage Insurance Company
PNC Bank Foundation
Prudential Foundation
Rancho Viejo Corporation
Rockefeller Foundation
Roman Catholic Archdiocese of Kansas City (Kansas)
SAFECO Insurance
Sears
Sisters of Charity
Sisters of Mercy
State Farm®
St. Paul Lutheran Church
Sun Trust Bank

TCF Financial Corporation
TD BankNorth
Team Up for Youth
Texas Department of Housing
The Bank of New York
The Home Depot Foundation
The Homeownership Learning Center Capital Campaign
The Paris National Bank
Third Federal Savings & Loan Association
Twin Cities NHS
Union Bank
Union Bank of America
Union Bank of California
United States Department of Housing and Urban Development (HUD)
United States Small Business Administration
US Bank
Wachovia Bank
Wachovia Foundation
Washington Mutual
Washington Mutual Foundation
Wells Fargo Bank
Wells Fargo Financial
Wells Fargo Housing Foundation
Western Financial Bank
Westport Apartments, LP
Wildwood Apartments, LP
Winn Management
World Savings Bank
Woodland Hills Inc.
World Changers
Yes WeCare Children’s Trust
Xcel Energy

Individual Contributors

Maconda Brown
Elizabeth and Phillip Hendrickson
George Keeler

Lois McClure
David and Kathleen Pozniak
"Power of 10" (Gulf Coast Rebuilding) Partners

AmeriCorps
ASI Federal Credit Union
Barrett Burke Wilson Castle Daffin & Frappier, L.L.P.
Citigroup
Enterprise Community Partners
Enterprise Corporation of the Delta
Evelyn and Walter Haas, Jr. Fund
Fannie Mae
F.B. Heron Foundation
FDIC
Federal Home Loan Bank of Dallas
Federal Home Loan Bank of New York
Freddie Mac
Gulf Coast Housing Partnership (GCHP)
Habitat for Humanity
Home Depot Foundation
Housing Partnership Network
United States Department of Housing and Urban Development (HUD)
International City/County Management Association
Local Initiatives Support Corporation
Massachusetts Institute of Technology Mortgage Bankers Association
National Council of LaRaza
National Housing Partnership Foundation
Providence Community Housing
Sears
State Farm

NeighborWorks® Center for Foreclosure Solutions (as of 9/30/06)

American General Financial Services—a member of AIG, Inc.
Bank of America
Citigroup
Countrywide Home Loans
EMC Mortgage Corporation
Freddie Mac
Homecomings Financial—a GMAC Company
Homeownership Preservation Foundation
Housing Policy Council,
HSBC—North America
JPMorgan Chase
LaSalle Bank Corporation—member of ABN-AMRO Group
National City Consumer Finance
New Century Financial Corporation
Ocwen Loan Servicing, LLC
Option One Mortgage
State Farm Insurance
Washington Mutual
Wells Fargo Home Mortgage
**Great Lakes District**  
(Indiana, Kentucky, Michigan, Ohio, Tennessee)

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NeighborWorks® America  
2368 Victory Parkway, Suite 210  
Cincinnati, OH 45206-2810  
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(Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont)

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North Central District
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Kansas City, MO 64111-2614
Phone: (816) 931-4176; (800) 823-1428

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(Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Texas, Utah, Wyoming)
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501 S. Cherry Street, Suite 400
Denver, CO 80246-3326
Phone: (303) 782-0299

Pacific District
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Margaret Frisbee, Director
NeighborWorks® America
2400 E. Katella Avenue, Suite 440
Anaheim, CA 92806-5929
Phone: (714) 940-0144

Southern District
(Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, South Carolina)
Donald R. Phoenix, Director
NeighborWorks® America
260 Peachtree Street
Suite #1000
Atlanta, GA 30303
Phone: (404) 526-1299
Listing of NeighborWorks® Organizations as of 2-16-07

Alabama
- Community Service Programs of West Alabama, Inc.
- Neighborhood Housing Services of Birmingham, Inc.

Alaska
- Anchorage Neighborhood Housing Services, Inc.
- Fairbanks Neighborhood Housing Services, Inc.

Arizona
- Neighborhood Housing Services of Phoenix, Inc.
- Neighborhood Housing Services of Southwestern Maricopa County, Inc.
- The Primavera Foundation, Inc.

Arkansas
- Argenta Community Development Corporation
- Arkansas Land and Farm Development Corporation
- Universal Housing Development Corporation

California
- Cabrillo Economic Development Corp.
- Community Housing Development Corporation of North Richmond
- Community HousingWorks
- Inglewood Neighborhood Housing Services, Inc.
- Los Angeles Neighborhood Housing Services, Inc.
- Neighborhood Housing Services of Orange County, Inc.
- Neighborhood Housing Services of the Inland Empire, Inc.
- Neighborhood Housing Services Silicon Valley
- Neighborhood Partnership Housing Services
- NeighborWorks® HomeOwnership Center Sacramento Region
- Pasadena Neighborhood Housing Services, Inc.
- Richmond (CA) Neighborhood Housing Services, Inc.
- Rural Communities Housing Development Corporation
- Sacramento Mutual Housing Association, Inc.
- Self-Help Enterprises
- South County Housing
- The Unity Council
- Vallejo Neighborhood Housing Services, Inc.

Colorado
- Colorado Rural Housing Development Corporation
- Housing Resources of Western Colorado
- Neighbor to Neighbor, Inc.
- NeighborWorks® of Pueblo
- Thistle Community Housing
- Tri-County Housing & Community Development Corporation
- Rocky Mountain Mutual Housing Association, Inc.

Connecticut
- Mutual Housing Association of Greater Hartford, Inc.
- Mutual Housing Association of South Central Connecticut, Inc.
- Mutual Housing Association of Southwestern Connecticut, Inc.
- Neighborhood Housing Services of New Britain, Inc.
- Neighborhood Housing Services of New Haven, Inc.
- Neighborhood Housing Services of Waterbury, Inc.

Florida
- Centro Campesino Farmworker Center, Inc.
- Clearwater Neighborhood Housing Services, Inc.
- Corporation to Develop Communities of Tampa
- Housing Partnership of Northeast Florida, Inc.
- Housing Partnership, Inc.
- Miami-Dade Neighborhood Housing Services, Inc.
- Neighborhood Housing & Development Corporation
- Orlando Neighborhood Improvement Corp.
- St. Petersburg Neighborhood Housing Services, Inc.

Georgia
- Atlanta Mutual Housing Association
- Cobb Housing, Inc.
- DASH for LaGrange, Inc.
- Historic District Development Corporation
- NeighborWorks® Columbus (GA)
- Reynoldstown Revitalization Corporation
- The IMPACT! Group

Hawaii
- Hawaii HomeOwnership Center
- Mutual Housing Association of Hawaii, Inc.

Idaho
- Neighborhood Housing Services, Inc.
- Pocatello Neighborhood Housing Services, Inc.

Illinois
- Joseph Corporation of Illinois, Inc.
- Mid Central Community Action
- Neighborhood Housing Services of Chicago, Inc.
- Neighborhood Housing Services of Elgin, Inc.

District of Columbia
- Manna, Inc.
- Marshall Heights Community Development Organization, Inc.
- Neighborhood Housing Services of Freeport, Inc.
- Neighborhood Partners of Kankakee, Inc.

**Indiana**
- La Casa of Goshen, Inc.
- Lafayette Neighborhood Housing Services, Inc.
- South Bend Heritage Foundation

**Iowa**
- Community Housing Initiatives
- Neighborhood Finance Corporation

**Kansas**
- CHWC, Inc.
- Community Housing Services of Wichita/Sedgwick County
- El Centro, Inc.

**Kentucky**
- Community Ventures Corporation
- Federation of Appalachian Housing Enterprises
- Frontier Housing, Inc.
- New Directions Housing Corporation
- The Housing Partnership, Inc.

**Louisiana**
- Neighborhood Housing Services of New Orleans, Inc.

**Maine**
- Community Concepts, Inc.
- Kennebec Valley Community Action Program Housing Services

**Maryland**
- Cumberland Neighborhood Housing Services, Inc.
- Interfaith Housing Alliance, Inc.
- Montgomery Housing Partnership, Inc.
- Mutual Housing Association of Baltimore, Inc.

**Massachusetts**
- Cambridge Neighborhood Apartment & Housing Services, Inc.
- Chelsea Neighborhood Housing Services, Inc.
- Coalition for a Better Acre
- Codman Square Neighborhood Development Corp.
- Lawrence CommunityWorks, Inc.
- Madison Park Development Corporation
- Neighborhood Housing Services of the South Shore, Inc.
- Neighborhood of Affordable Housing, Inc.
- Nuestra Comunidad Development Corp.
- Oak Hill Community Development Corp.
- Springfield Neighborhood Housing Services, Inc.
- Twin Cities Community Development Corp.
- Urban Edge Housing Corporation

**Michigan**
- Kalamazoo Neighborhood Housing Services, Inc.
- Neighborhood Renewal Services of Saginaw, Inc.
- Neighborhoods Inc. of Battle Creek
- Southwest Solutions

**Minnesota**
- Community Neighborhood Housing Services, Inc.
- Dayton’s Bluff Neighborhood Housing Services, Inc.
- Neighborhood Housing Services of Duluth, Inc.
- Northside Neighborhood Housing Services, Inc.
- Southwest Minnesota Housing Partnership

**Mississippi**
- Voice of Calvary Ministries

**Missouri**
- Beyond Housing/ Neighborhood Housing Services of St. Louis
- Neighborhood Housing Services of Kansas City, Inc.
- North East Community Action Corporation
- Westside Housing Organization, Inc.

**Montana**
- Montana HomeOwnership Network
- Neighborhood Housing Services, Inc. of Great Falls

**Nebraska**
- NeighborWorks® Lincoln
- NeighborWorks® Northeast Nebraska

**Nevada**
- Neighborhood Housing Services of Southern Nevada, Inc.

**New Hampshire**
- Affordable Housing Education and Development, Inc.
- CATCH Neighborhood Housing
- Laconia Area Community Land Trust, Inc.
- Neighborhood Housing Services of Greater Nashua, Inc.
- NeighborWorks® Greater Manchester

**New Jersey**
- Brand New Day, Inc.
- Housing and Neighborhood Development Services, Inc.
- Housing Partnership for Morris County

**New Mexico**
- Homewise, Inc.
- Navajo Partnership for Housing, Inc.
- Tierra del Sol Housing Corporation
New York
- Black Rock–Riverside Neighborhood Housing Services, Inc.
- Broadway–Fillmore Neighborhood Housing Services, Inc.
- Chautauqua Home Rehabilitation and Improvement Corporation
- Community Development Corporation of Long Island, Inc.
- Home HeadQuarters, Inc.
- Housing Assistance Program of Essex County, Inc.
- Housing Resources of Columbia County, Inc.
- Hudson River Housing, Inc.
- Ithaca Neighborhood Housing Services, Inc.
- Kensington–Bailey Neighborhood Housing Services, Inc.
- Neighborhood Housing Services of New York City, Inc.
- Neighborhood Housing Services of South Buffalo, Inc.
- NeighborWorks® Home Resources
- NeighborWorks® Rochester
- Niagara Falls Neighborhood Housing Services, Inc.
- Opportunities for Chenango, Inc.
- Rural Opportunities, Inc.
- Rural Ulster Preservation Company, Inc.
- St. Lawrence County Housing Council, Inc.
- Steuben Churchpeople Against Poverty, Inc.
- Syracuse Model Neighborhood Corporation
- Troy Rehabilitation & Improvement Program, Inc.
- UNHS NeighborWorks® HomeOwnership Center
- West Side Neighborhood Housing Services, Inc.

North Carolina
- Charlotte–Mecklenburg Housing Partnership, Inc.
- Durham Community Land Trustees
- Neighborhood Housing Services of Asheville, North Carolina, Inc.

North Dakota
- CommunityWorks North Dakota

Ohio
- Columbus Housing Partnership, Inc.
- East Akron Neighborhood Development Corporation, Inc.
- The Home Ownership Center of Greater Cincinnati, Inc.
- Neighborhood Conservation Services of Barberton, Inc.
- Neighborhood Development Services
- Neighborhood Housing Partnership of Greater Springfield, Inc.
- Neighborhood Housing Services of Greater Cleveland, Inc.
- Neighborhood Housing Services of Hamilton, Inc.
- Neighborhood Housing Services of Toledo, Inc.
- St. Mary Development Corporation

Oklahoma
- Community Action Project of Tulsa County
- Little Dixie Community Action Agency
- Neighborhood Housing Services of Oklahoma City, Inc.

Oregon
- NeighborImpact
- Portland Housing Center
- Umpqua CDC
- Willamette Neighborhood Housing Services

Pennsylvania
- Neighborhood Housing Services of Reading, Inc.
- Neighborhood Housing Services of the Lehigh Valley, Inc.
- New Kensington Community Development Corporation
- Philadelphia Neighborhood Housing Services, Inc.
- Pittsburgh Neighborhood Housing Services, Inc.
- Scranton Neighborhood Housing Services, Inc.

Puerto Rico
- Ponce Neighborhood Housing Services, Inc.
- San Juan Neighborhood Housing Services, Inc.

Rhode Island
- Greater Elmwood Neighborhood Services, Inc.
- NeighborWorks® Blackstone River Valley
- West Elmwood Housing Development Corp.

South Carolina
- Family Services, Inc.
- Spartanburg Housing Development Corporation

South Dakota
- Neighborhood Housing Services of the Black Hills, Inc.

Tennessee
- Affordable Housing Resources, Inc.
- Chattanooga Neighborhood Enterprise, Inc.
- Housing Development Corporation of the Clinch Valley, Inc.
- Knox Housing Partnership, Inc.
- United Housing, Inc.
Texas
- Alamo Area Mutual Housing Association, Inc.
- Amigos Del Valle, Inc.
- Avenue Community Development Corporation
- BCL of Texas
- Fifth Ward Community Redevelopment Corporation
- Foundation Communities
- Laredo-Webb Neighborhood Housing Services, Inc.
- Neighborhood Housing Services of Dimmit County, Inc.
- Neighborhood Housing Services of North Texas, Inc.
- Neighborhood Housing Services of San Antonio, Inc.
- NeighborWorks® Waco
- Nueces County Community Action Agency
- Tejano Center for Community Concerns

Utah
- Neighborhood Housing Services of Provo, Inc.
- Salt Lake Neighborhood Housing Services, Inc.

Vermont
- Central Vermont Community Land Trust, Inc.
- Champlain Housing Trust
- Gilman Housing Trust, Inc.
- NeighborWorks® of Western Vermont
- Rockingham Area Community Land Trust, Inc.

Virginia
- AHC Inc.
- Community Housing Partners Corporation
- Neighborhood Housing Services of Richmond (VA), Inc.

Washington
- Central Area Development Association
- Community Frameworks
- HomeSight
- NeighborWorks® of Grays Harbor County

West Virginia
- CommunityWorks In West Virginia, Inc.
- Fairmont Community Development Partnership, Inc.
- HomeOwnership Center, Inc.

Wisconsin
- Neighborhood Housing Services of Beloit, Inc.
- Neighborhood Housing Services of Green Bay, Inc.
- Neighborhood Housing Services of Richland County, Inc.
- Neighborhood Housing Services of Southeast Wisconsin, Inc.

Wyoming
- Wyoming Housing Network
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, 2006 and 2005 and the related statements of activities 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Neighborhood Reinvestment Corporation (d.b.a. NeighborWorks® America) as of September 30, 2006 and 2005, 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.

In accordance with Government Auditing Standards, we have also issued our report dated December 1, 2006 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Neighborhood Reinvestment Corporation (d.b.a. NeighborWorks® America) taken as a whole. The accompanying statements of functional expenses are presented for additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is 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.

December 1, 2006
### Neighborhood Reinvestment Corporation
(d.b.a. NeighborWorks® America)

#### Statements of Financial Position
September 30, 2006 and 2005

<table>
<thead>
<tr>
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<th>2006</th>
<th>2005</th>
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</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
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<td></td>
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<tr>
<td><strong>Current assets</strong></td>
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<tr>
<td>Cash and cash equivalents</td>
<td>$7,042,617</td>
<td>$3,800,401</td>
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<td>Short-term investments</td>
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<td>2,499,713</td>
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<td>Receivables:</td>
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<tr>
<td>Contributions receivable, net</td>
<td>$1,848,420</td>
<td>642,901</td>
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<tr>
<td>Grant and contract receivables</td>
<td>$1,752,083</td>
<td>1,501,538</td>
</tr>
<tr>
<td>Other receivables - net of allowance for doubtful accounts of $32,737 in 2006 and $983,319 in 2005</td>
<td>$365,797</td>
<td>90,863</td>
</tr>
<tr>
<td>Travel advances</td>
<td>5,704</td>
<td>54,616</td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>442,706</td>
<td>460,211</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>$11,457,327</td>
<td>9,050,243</td>
</tr>
<tr>
<td><strong>Noncurrent assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions receivable, net of current portion</td>
<td>277,759</td>
<td>583,730</td>
</tr>
<tr>
<td>Endowment investments</td>
<td>3,500,000</td>
<td>3,567,591</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>4,214,707</td>
<td>3,360,476</td>
</tr>
<tr>
<td><strong>Total noncurrent assets</strong></td>
<td>7,992,466</td>
<td>7,511,797</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$19,449,793</td>
<td>16,562,040</td>
</tr>
</tbody>
</table>

|                                |            |            |
| **Liabilities and Net Assets** |            |            |
| **Current liabilities**        |            |            |
| Accounts payable and accrued expenses | $5,728,065 | $4,031,845 |
| Deferred revenue               | 115,740    | 105,672    |
| **Total current liabilities**  | 5,843,805  | 4,137,517  |
| **Noncurrent liabilities**     |            |            |
| Accounts payable and accrued expenses | 500,000 | 250,000 |
| Deferred rent liability        | 2,064,705  | 2,016,711  |
| **Total noncurrent liabilities** | 2,564,705  | 2,266,711  |
| **Total liabilities**          | 8,408,510  | 6,404,228  |

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted net assets</td>
<td>3,122,344</td>
<td>4,097,906</td>
</tr>
<tr>
<td>Temporarily restricted net assets</td>
<td>4,418,939</td>
<td>2,559,906</td>
</tr>
<tr>
<td>Permanently restricted net assets</td>
<td>3,500,000</td>
<td>3,500,000</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td>11,041,283</td>
<td>10,157,812</td>
</tr>
<tr>
<td><strong>Total liabilities and net assets</strong></td>
<td>$19,449,793</td>
<td>$16,562,040</td>
</tr>
</tbody>
</table>

*The accompanying notes are an integral part of these financial statements.*
### Year ended September 30, 2006

<table>
<thead>
<tr>
<th>Revenue, Gains, and Other Support</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Congressional appropriation</td>
<td>$116,820,000</td>
<td>$</td>
<td>$</td>
<td>$116,820,000</td>
</tr>
<tr>
<td>Contributions</td>
<td>828,229</td>
<td>6,352,327</td>
<td>-</td>
<td>7,180,556</td>
</tr>
<tr>
<td>Grants and contracts</td>
<td>6,060,723</td>
<td>-</td>
<td>-</td>
<td>6,060,723</td>
</tr>
<tr>
<td>Training registration fees</td>
<td>2,659,046</td>
<td>-</td>
<td>-</td>
<td>2,659,046</td>
</tr>
<tr>
<td>Investment income</td>
<td>1,872,633</td>
<td>126,822</td>
<td>-</td>
<td>1,999,455</td>
</tr>
<tr>
<td>Other income</td>
<td>1,072,755</td>
<td>-</td>
<td>-</td>
<td>1,072,755</td>
</tr>
<tr>
<td>Net assets released from restrictions:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Satisfaction of program and time restrictions</td>
<td>4,620,116</td>
<td>(4,620,116)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total revenue, gains, and other support</strong></td>
<td>133,933,502</td>
<td>1,859,033</td>
<td>-</td>
<td>135,792,535</td>
</tr>
</tbody>
</table>

### Expenses

<table>
<thead>
<tr>
<th>Expenses</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants and grant commitments</td>
<td>80,404,153</td>
<td>-</td>
<td>-</td>
<td>80,404,153</td>
</tr>
<tr>
<td>Personnel</td>
<td>27,396,200</td>
<td>-</td>
<td>-</td>
<td>27,396,200</td>
</tr>
<tr>
<td>Professional services</td>
<td>9,806,307</td>
<td>-</td>
<td>-</td>
<td>9,806,307</td>
</tr>
<tr>
<td>Other operating costs</td>
<td>7,213,758</td>
<td>-</td>
<td>-</td>
<td>7,213,758</td>
</tr>
<tr>
<td>Occupancy</td>
<td>3,884,453</td>
<td>-</td>
<td>-</td>
<td>3,884,453</td>
</tr>
<tr>
<td>Travel</td>
<td>3,057,774</td>
<td>-</td>
<td>-</td>
<td>3,057,774</td>
</tr>
<tr>
<td>Conferences and workshops</td>
<td>2,302,667</td>
<td>-</td>
<td>-</td>
<td>2,302,667</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>843,752</td>
<td>-</td>
<td>-</td>
<td>843,752</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>134,909,064</td>
<td>-</td>
<td>-</td>
<td>134,909,064</td>
</tr>
</tbody>
</table>

### Change in net assets

<table>
<thead>
<tr>
<th>Change in net assets</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>(975,562)</td>
<td>1,859,033</td>
<td>-</td>
<td>-</td>
<td>883,471</td>
</tr>
</tbody>
</table>

### Net assets, beginning of year

<table>
<thead>
<tr>
<th>Net assets, beginning of year</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>4,097,906</td>
<td>2,559,906</td>
<td>3,500,000</td>
<td>-</td>
<td>10,157,812</td>
</tr>
</tbody>
</table>

### Net assets, end of year

<table>
<thead>
<tr>
<th>Net assets, end of year</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$3,122,344</td>
<td>$4,418,939</td>
<td>$3,500,000</td>
<td>-</td>
<td>$11,041,283</td>
</tr>
</tbody>
</table>
## Neighborhood Reinvestment Corporation
(d.b.a. NeighborWorks® America)

### Statements of Activities

**Year ended September 30, 2005**

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue, Gains, and Other Support</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Congressional appropriation</td>
<td>$114,080,000</td>
<td>- $</td>
<td>- $</td>
<td>$114,080,000</td>
</tr>
<tr>
<td>Contributions</td>
<td>108,000</td>
<td>5,076,612</td>
<td>-</td>
<td>5,184,612</td>
</tr>
<tr>
<td>Grants and contracts</td>
<td>5,069,578</td>
<td>-</td>
<td>-</td>
<td>5,069,578</td>
</tr>
<tr>
<td>Training registration fees</td>
<td>2,343,143</td>
<td>-</td>
<td>-</td>
<td>2,343,143</td>
</tr>
<tr>
<td>Investment income</td>
<td>847,923</td>
<td>86,895</td>
<td>-</td>
<td>934,818</td>
</tr>
<tr>
<td>Other income</td>
<td>826,918</td>
<td>-</td>
<td>-</td>
<td>826,918</td>
</tr>
<tr>
<td>Net assets released from restrictions:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Satisfaction of program and time restrictions</td>
<td>6,241,546</td>
<td>(6,241,546)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total revenue, gains, and other support</strong></td>
<td>129,517,108</td>
<td>(1,078,039)</td>
<td>-</td>
<td>128,439,069</td>
</tr>
</tbody>
</table>

**Expenses**

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants and grant commitments</td>
<td>79,164,448</td>
<td>-</td>
<td>-</td>
<td>79,164,448</td>
</tr>
<tr>
<td>Personnel</td>
<td>25,495,485</td>
<td>-</td>
<td>-</td>
<td>25,495,485</td>
</tr>
<tr>
<td>Professional services</td>
<td>9,150,143</td>
<td>-</td>
<td>-</td>
<td>9,150,143</td>
</tr>
<tr>
<td>Other operating costs</td>
<td>6,002,468</td>
<td>-</td>
<td>-</td>
<td>6,002,468</td>
</tr>
<tr>
<td>Occupancy</td>
<td>3,546,125</td>
<td>-</td>
<td>-</td>
<td>3,546,125</td>
</tr>
<tr>
<td>Travel</td>
<td>2,823,367</td>
<td>-</td>
<td>-</td>
<td>2,823,367</td>
</tr>
<tr>
<td>Conferences and workshops</td>
<td>2,125,698</td>
<td>-</td>
<td>-</td>
<td>2,125,698</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>803,811</td>
<td>-</td>
<td>-</td>
<td>803,811</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>129,111,545</td>
<td>-</td>
<td>-</td>
<td>129,111,545</td>
</tr>
</tbody>
</table>

**Change in net assets**

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in net assets</td>
<td>405,563</td>
<td>(1,078,039)</td>
<td>-</td>
<td>(672,476)</td>
</tr>
</tbody>
</table>

**Net assets, beginning of year**

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net assets, beginning of year</td>
<td>3,692,343</td>
<td>3,637,945</td>
<td>3,500,000</td>
<td>10,830,288</td>
</tr>
</tbody>
</table>

**Net assets, end of year**

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net assets, end of year</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>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in net assets</td>
<td>$ 883,471</td>
<td>$(672,476)</td>
</tr>
<tr>
<td><strong>Adjustments to reconcile change in net assets to net cash provided by operating activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amortization of discount on contributions receivable</td>
<td>(32,099)</td>
<td>(31,975)</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>843,752</td>
<td>803,811</td>
</tr>
<tr>
<td>Loss on disposal of property and equipment</td>
<td>9,662</td>
<td>71,570</td>
</tr>
<tr>
<td><strong>(Increase) decrease in assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables</td>
<td>(1,392,928)</td>
<td>900,008</td>
</tr>
<tr>
<td>Travel advances</td>
<td>48,912</td>
<td>130,486</td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>17,505</td>
<td>90,990</td>
</tr>
<tr>
<td><strong>Increase (decrease) in liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>1,946,220</td>
<td>741,436</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>10,068</td>
<td>23,683</td>
</tr>
<tr>
<td>Deferred rent liability</td>
<td>47,994</td>
<td>232,902</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>2,382,557</td>
<td>2,290,435</td>
</tr>
</tbody>
</table>

| **Cash flows from investing activities** |        |        |
| Proceeds from sale of investments | 117,131,397 | 50,232,355 |
| Purchases of investments         | (114,564,093) | (51,648,938) |
| Purchases of property and equipment | (1,707,645) | (811,396) |
| **Net cash provided by (used in) investing activities** | 859,659 | (2,227,979) |

| **Increase in cash and cash equivalents** | 3,242,216 | 62,456 |
| **Cash and cash equivalents, beginning of year** | 3,800,401 | 3,737,945 |
| **Cash and cash equivalents, end of year** | $7,042,617 | $3,800,401 |

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, 2006 and 2005

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 230 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, which are classified as endowment investments in the statements of financial position.

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 contributions revenue. Conditional promises to give are not included as support until the conditions are substantially met.
Note 2. Summary of Significant Accounting Policies - (continued)

An allowance for uncollectible contributions receivable is provided based on management's evaluation of potential uncollectible contributions receivable at year-end. Management believes that all contributions receivable as of September 30, 2006 and 2005 are fully collectible, accordingly no allowance for doubtful accounts has been established.

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. Management believes that all grant and contract receivables as of September 30, 2006 and 2005 are fully collectible, accordingly no allowance for doubtful accounts has been established.

Investments
Investments are carried at fair market value.

Property and Equipment
Property and equipment are recorded at cost. The Corporation capitalizes all expenditures for property 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 asset's 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.

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

Unrestricted Net Assets
Unrestricted 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.

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.
Neighborhood Reinvestment Corporation  
(d.b.a. NeighborWorks® America)  
Notes to Financial Statements  
September 30, 2006 and 2005

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

Major Source of Funding  
The Corporation receives a substantial portion, 87% and 88% in 2006 and 2005, 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.

Reclassification  
Certain reclassifications have been made to the 2005 financial statements to conform to the current year presentation.

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

<table>
<thead>
<tr>
<th>September 30, 2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unconditional contributions receivable before unamortized discount</td>
<td>$2,192,701</td>
</tr>
<tr>
<td>Less: unamortized discount</td>
<td>(66,522)</td>
</tr>
<tr>
<td>Total unconditional contributions receivable</td>
<td>$2,126,179</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>September 30, 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amounts due in:</td>
</tr>
<tr>
<td>Less than one year</td>
</tr>
<tr>
<td>One to five years</td>
</tr>
<tr>
<td>Less: unamortized discount</td>
</tr>
<tr>
<td>Total unconditional contributions receivable</td>
</tr>
<tr>
<td>Less: current unconditional contributions receivable</td>
</tr>
<tr>
<td>Noncurrent unconditional contributions receivable</td>
</tr>
</tbody>
</table>

Discount rates ranged from 2.63% to 5.04%. There were no conditional promises to give at September 30, 2006 and September 30, 2005.
Neighborhood Reinvestment Corporation  
(d.b.a. NeighborWorks® America)  
Notes to Financial Statements  
September 30, 2006 and 2005

Note 4. Investments

Investments consist of the following:

<table>
<thead>
<tr>
<th>September 30</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$3,500,000</td>
<td>$ -</td>
</tr>
<tr>
<td>Money market accounts</td>
<td>-</td>
<td>3,567,591</td>
</tr>
<tr>
<td>Government securities</td>
<td>-</td>
<td>2,499,713</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$3,500,000</strong></td>
<td><strong>$6,067,304</strong></td>
</tr>
</tbody>
</table>

At September 30, 2006 the permanently restricted funds are held in a cash 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>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td>$1,999,455</td>
<td>$934,818</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,999,455</strong></td>
<td><strong>$934,818</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 2006 and 2005 amounted to $8,250,000 and $8,084,000, respectively.
Neighborhood Reinvestment Corporation  
(d.b.a. NeighborWorks® America)  
Notes to Financial Statements  
September 30, 2006 and 2005

Note 6. Property and Equipment

Property and equipment consists of the following:

<table>
<thead>
<tr>
<th>September 30,</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer and software equipment</td>
<td>$4,939,266</td>
<td>$4,202,166</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>3,762,202</td>
<td>3,702,789</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>3,188,424</td>
<td>2,382,391</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$11,890,892</strong></td>
<td><strong>10,287,346</strong></td>
</tr>
<tr>
<td>Less: accumulated depreciation and amortization</td>
<td>(7,675,185)</td>
<td>(6,926,870)</td>
</tr>
<tr>
<td><strong>Total, net</strong></td>
<td><strong>$4,214,707</strong></td>
<td><strong>3,360,476</strong></td>
</tr>
</tbody>
</table>

Depreciation and amortization expense for the years ended September 30, 2006 and 2005 was $843,752 and $803,811, respectively.

Note 7. Deferred Revenue

Deferred revenue consists of the following:

<table>
<thead>
<tr>
<th>September 30,</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training registration fees</td>
<td>$115,740</td>
<td>$105,672</td>
</tr>
</tbody>
</table>
Neighborhood Reinvestment Corporation  
(d.b.a. NeighborWorks® America)  
Notes to Financial Statements  
September 30, 2006 and 2005

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 2015. 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>2007</td>
<td>$ 3,729,108</td>
</tr>
<tr>
<td>2008</td>
<td>3,567,260</td>
</tr>
<tr>
<td>2009</td>
<td>3,458,999</td>
</tr>
<tr>
<td>2010</td>
<td>3,300,941</td>
</tr>
<tr>
<td>2011</td>
<td>2,988,323</td>
</tr>
<tr>
<td>Thereafter</td>
<td>5,286,766</td>
</tr>
<tr>
<td></td>
<td>$ 22,331,397</td>
</tr>
</tbody>
</table>

Rent expense for the years ended September 30, 2006 and 2005 amounted to $3,884,453 and $3,546,125, 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
(d.b.a. NeighborWorks® America)
Notes to Financial Statements
September 30, 2006 and 2005

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, 2006, 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>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Campaign for Homeownership</td>
<td>$1,662,597</td>
<td>$977,831</td>
</tr>
<tr>
<td>NeighborWorks® Center for Homeownership Education and Counseling (NCHEC)</td>
<td>1,031,480</td>
<td>830,080</td>
</tr>
<tr>
<td>Native American Community Development Program</td>
<td>638,429</td>
<td>-</td>
</tr>
<tr>
<td>Success Measures</td>
<td>331,904</td>
<td>149,685</td>
</tr>
<tr>
<td>Healthy Homes Training</td>
<td>230,629</td>
<td>132,123</td>
</tr>
<tr>
<td>Endowment fund scholarships</td>
<td>228,346</td>
<td>185,524</td>
</tr>
<tr>
<td>Achieving Excellence</td>
<td>211,649</td>
<td>-</td>
</tr>
<tr>
<td>Predatory Lending Initiative</td>
<td>36,687</td>
<td>72,656</td>
</tr>
<tr>
<td>Multi Family Initiative</td>
<td>30,239</td>
<td>101,527</td>
</tr>
<tr>
<td>National Insurance Services</td>
<td>16,979</td>
<td>110,480</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$4,418,939</td>
<td>$2,559,906</td>
</tr>
</tbody>
</table>

Neighborhood Reinvestment Corporation
(d.b.a. NeighborWorks® America)
Notes to Financial Statements
September 30, 2006 and 2005

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 2006 and 2005. 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, 2006 and 2005:

<table>
<thead>
<tr>
<th>September 30,</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Program Services:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capacity building</td>
<td>$ 58,205,463</td>
<td>$ 44,791,096</td>
</tr>
<tr>
<td>Preserving affordable housing</td>
<td>33,596,936</td>
<td>43,125,999</td>
</tr>
<tr>
<td>Organizational assessment</td>
<td>5,947,670</td>
<td>5,556,741</td>
</tr>
<tr>
<td>Training and informing</td>
<td>24,935,877</td>
<td>24,150,200</td>
</tr>
<tr>
<td>Secondary market</td>
<td>8,250,000</td>
<td>8,084,000</td>
</tr>
<tr>
<td>Total program services</td>
<td>130,935,946</td>
<td>125,708,036</td>
</tr>
<tr>
<td><strong>Supporting Services:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General and administrative</td>
<td>3,403,650</td>
<td>2,668,779</td>
</tr>
<tr>
<td>Resource development</td>
<td>569,468</td>
<td>734,730</td>
</tr>
<tr>
<td>Total supporting services</td>
<td>3,973,118</td>
<td>3,403,509</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>$ 134,909,064</td>
<td>$ 129,111,545</td>
</tr>
</tbody>
</table>

**Capacity Building**

Capacity building refers to the practical assistance the Corporation provides to strengthen the performance of NeighborWorks® organizations 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, 2006 and 2005

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

Preserving Affordable Housing

The Corporation helps NeighborWorks® organizations construct new housing, repair and renovate existing housing, promote homeownership and further mixed-income affordable housing opportunities. The Corporation also supports the organizations’ hazard abatement, energy conservation, postpurchase counseling, and foreclosure prevention activities. Equity capital, in the form of highly flexible Corporation grants to local organizations’ revolving loan funds, is also vitally important. 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.

Organizational Assessment

The Corporation pays close attention to the capacity of each 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 the organizations.

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

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, homeownership and real-estate development.
Neighborhood Reinvestment Corporation  
(d.b.a. NeighborWorks® America)  
Notes to Financial Statements  
September 30, 2006 and 2005

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 2006 and 2005 amounted to $2,122,379 and $2,023,485, respectively. 

Note 13. Supplemental Cash Flow Information

During the year ended September 30, 2005, the Corporation’s landlord paid for $139,790 of tenant improvements as part of the amended lease agreement as discussed in Note 8. This is a noncash transaction which resulted in an asset and deferred rent liability being recorded.
Supplemental Material
<table>
<thead>
<tr>
<th></th>
<th>Program Services</th>
<th>Supporting Services</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Capacity Building</td>
<td>Preserving Affordable Housing</td>
<td>Organizational Assessment</td>
</tr>
<tr>
<td>Grants and grant commitments</td>
<td>$ 35,531,295</td>
<td>$ 33,596,936</td>
<td>$ -</td>
</tr>
<tr>
<td>Personnel</td>
<td>10,552,385</td>
<td>-</td>
<td>3,232,386</td>
</tr>
<tr>
<td>Professional services</td>
<td>2,942,892</td>
<td>-</td>
<td>323,899</td>
</tr>
<tr>
<td>Other operating costs</td>
<td>968,020</td>
<td>-</td>
<td>151,770</td>
</tr>
<tr>
<td>Occupancy</td>
<td>1,235,919</td>
<td>-</td>
<td>323,864</td>
</tr>
<tr>
<td>Travel</td>
<td>1,327,865</td>
<td>-</td>
<td>278,885</td>
</tr>
<tr>
<td>Conferences and workshops</td>
<td>345,871</td>
<td>-</td>
<td>13,007</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total expenses</td>
<td>52,904,247</td>
<td>33,596,936</td>
<td>4,333,811</td>
</tr>
<tr>
<td>Overhead allocation</td>
<td>5,301,216</td>
<td>-</td>
<td>1,623,859</td>
</tr>
<tr>
<td>Total expenses, after overhead allocation</td>
<td>$ 58,205,463</td>
<td>$ 33,596,936</td>
<td>$ 5,947,670</td>
</tr>
</tbody>
</table>

### 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></td>
<td>Capacity Building</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>
</tbody>
</table>

|                  | General and Administrative | Resource Development | Total Supporting Services | 2005 Total |
|                  | $ | $ | $ | $ |
| Grants and grant commitments | $ | - | - | - |
| Personnel | 5,796,831 | 436,367 | 6,233,198 |
| Professional services | 1,206,981 | 19,676 | 1,226,657 |
| Other operating costs | 2,453,644 | 23,342 | 2,476,986 |
| Occupancy | 1,136,443 | 37,856 | 1,174,300 |
| Travel | 257,525 | 295,381 |
| Conferences and workshops | 82,527 | 2,823,367 |
| Depreciation and amortization | 99,119 |
| **Total expenses** | 12,271,595 | 533,333 | 129,111,545 |

**Overhead allocation**

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>4,543,792</td>
<td>-</td>
<td>1,415,080</td>
<td>2,909,214</td>
<td>-</td>
</tr>
<tr>
<td>8,868,086</td>
<td>(9,068,983)</td>
<td>200,897</td>
<td>(8,868,086)</td>
<td>-</td>
</tr>
</tbody>
</table>

**Total expenses, after overhead allocation**

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>$44,791,096</td>
<td>$43,125,999</td>
<td>$5,556,741</td>
<td>$24,150,200</td>
<td>$8,084,000</td>
</tr>
<tr>
<td>$125,708,036</td>
<td>2,668,779</td>
<td>734,730</td>
<td>3,403,509</td>
<td>129,111,545</td>
</tr>
</tbody>
</table>
Schedule of Expenditures of Federal Awards
Neighborhood Reinvestment Corporation
(d.b.a. NeighborWorks® America)
Schedule of Expenditures of Federal Awards

Year ended September 30, 2006

<table>
<thead>
<tr>
<th>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</th>
<th>Federal CFDA/ Public Law Number</th>
<th>Federal Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Congressional Appropriation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NeighborWorks® System Program</td>
<td>99.95-557</td>
<td>$116,820,000</td>
</tr>
<tr>
<td>U.S. Department of Housing and Urban Development</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Housing Counseling Program</td>
<td>14.169</td>
<td>5,124,257</td>
</tr>
<tr>
<td>U.S. Department of Justice</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NeighborWorks® Weed and Seed Training and Technical Assistance</td>
<td>16.595</td>
<td>153,277</td>
</tr>
</tbody>
</table>

Total Expenditures of Federal Awards: $122,097,534

Notes to Schedule of Expenditures of Federal Awards

1. **Basis of Presentation**
   The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Corporation and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. **Subrecipients**
   Of the federal expenditures presented in the schedule, the Corporation provided federal awards to subrecipients as follows:

<table>
<thead>
<tr>
<th>Program Title</th>
<th>Federal CFDA/ Public Law Number</th>
<th>Amount Provided to Subrecipients</th>
</tr>
</thead>
<tbody>
<tr>
<td>NeighborWorks® System Program</td>
<td>99.95-557</td>
<td>$76,003,653</td>
</tr>
<tr>
<td>Housing Counseling Program</td>
<td>14.169</td>
<td>$2,504,051</td>
</tr>
</tbody>
</table>
Independent Auditors’ Reports Required by Government Auditing Standards and OMB Circular A-133
Independent Auditors’ Report
on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards

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

We have audited the financial statements of the Neighborhood Reinvestment Corporation
(d.b.a. NeighborWorks® America) (the Corporation) as of and for the year ended September 30,
2006, and have issued our report thereon dated December 1, 2006. We conducted our audit in
accordance with auditing standards generally accepted in the United States of America and the
standards applicable to financial audits contained in Government Auditing Standards, issued by
the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Corporation's internal control over
financial reporting in order to determine our auditing procedures for the purpose of expressing
our opinion on the financial statements and not to provide an opinion on the internal control over
financial reporting. Our consideration of the internal control over financial reporting would not
necessarily disclose all matters in the internal control over financial reporting that might be
material weaknesses. A material weakness is a reportable condition in which the design or
operation of one or more of the internal control components does not reduce to a relatively low
level the risk that misstatements caused by error or fraud in amounts that would be material in
relation to the financial statements being audited may occur and not be detected within a timely
period by employees in the normal course of performing their assigned functions. We noted no
matters involving the internal control over financial reporting and its operation that we consider
to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements
are free of material misstatement, we performed tests of its compliance with certain provisions of
laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct
and material effect on the determination of financial statement amounts. However, providing an
opinion on compliance with those provisions was not an objective of our audit and, accordingly,
we do not express such an opinion. The results of our tests disclosed no instances of
noncompliance or other matters that are required to be reported under Government Auditing
Standards.
This report is intended solely for the information and use of the audit committee, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Bethesda, Maryland
December 1, 2006
Independent Auditors' Report
on Compliance with Requirements Applicable to
Each Major Program and on Internal Control Over Compliance
in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of the Neighborhood Reinvestment Corporation (d.b.a. NeighborWorks® America) (the Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended September 30, 2006. The Corporation's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Corporation's management. Our responsibility is to express an opinion on the Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Corporation's compliance with those requirements.

In our opinion, the Neighborhood Reinvestment Corporation (d.b.a. NeighborWorks® America) complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2006.
Internal Control Over Compliance

The management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Bethesda, Maryland
December 1, 2006

BDO Seidman, LLP
Neighborhood Reinvestment Corporation  
(d.b.a. NeighborWorks® America)  
Schedule of Findings and Questioned Costs

Section I - Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unqualified

Internal control over financial reporting:

• Material weakness(es) identified? ______ yes  X no

• Reportable condition(s) identified that are not considered to be material weakness(es)? ______ yes  X none reported

• Noncompliance material to financial statements noted? ______ yes  X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? ______ yes  X no

Reportable condition(s) identified that are not considered to be material weakness(es)? ______ yes  X none reported

Type of auditors’ report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section .510(a) of Circular A-133? ______ yes  X no

Identification of major program:

CFDA/Public Law Number Name of Federal Program or Cluster  
99.95-557 NeighborWorks® System Program

Dollar threshold used to distinguish between Type A and Type B programs: $3,000,000

Auditee qualified as low-risk auditee? ______ yes  X no
Neighborhood Reinvestment Corporation  
(d.b.a. NeighborWorks® America)  
Schedule of Findings and Questioned Costs

Section II - Financial Statement Findings

There were no findings related to the financial statements which are required to be reported in accordance with generally accepted government auditing standards (GAGAS).

Section III - Federal Award Findings and Questioned Costs

There were no findings and questioned costs for Federal awards (as defined in section .510(a) of the Circular) that are required to be reported.

Section IV – Prior Year Audit Findings

There were no findings and questioned costs for Federal awards (as defined in section .510(a) of the Circular) that are required to be reported.
The 2006 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 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 2006 Annual Report, please contact Joann Parker at (202) 220-2368, e-mail jparker@nw.org. This report also is available at www.nwstore.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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