Critical challenges in the local, state and federal environment

The economic environment of 2009 has proven to be the most challenging faced by New Directions in over 20 years. Reduced staffing, constrained budgets and the juxtaposition of seemingly accessible stimulus funding opportunities run parallel to sharp increases in human need. Louisville had an even more rarified year than most of Kentucky, as it suffered from multiple natural disasters including three damaging wind storms, an ice storm and a flash flood. Property impacts to our city are in the millions. New Directions insured damages will surpass $700,000 and at one time, the agency had over 20 units and five Learning Centers out of service. In fact, HUD and New Directions are exploring redevelopment options for one property, Pearson Court Apartments.

There has been ice in the Real Estate Development Pipeline too, as chilly capital markets caused a year’s delay for two essential redevelopment projects, Saint William Apartments and Jackson Woods Apartments. Delayed deployment of American Recovery and Reinvestment Act funding increased the agency’s predevelopment carrying costs, although recent negotiations have reached productive stages and closing on both projects is imminent.

Good partners are ever more important. Careful negotiations with Louisville Metro Government came to successful conclusion as HUD, Mayor Jerry Abramson and the District Council reached orchestrated agreement around a New Directions request that $11.2 million in subordinate loans be assigned or forgiven. The resulting shift in the balance sheet dramatically reduces the New Directions debt-to-income ratio, a change welcomed by banking partners as they work with us to reinvest in housing.

Despite all of this, or because of it, our community is also experiencing a renaissance of community building in many neighborhoods and New Directions has been invited to participate. JPMorgan Chase Foundation is sponsoring a Quality of Life Action Plan in Louisville’s Smoketown and Shelby Park neighborhoods.

The Community Foundation of Louisville, with Annie E. Casey Foundation and others, has gifted the California Neighborhood with $300,000 to test the NeighborWorks hypothesis of Robust Revitalization. Metro United Way and Louisville’s innovative Gheens Foundation invited New Directions to be part of Bridges to Tomorrow, a collaborative designed to test breakthroughs in Pre-K education and financial empowerment in four urban communities.

These innovations involve New Directions as partner, fiscal agent, operations manager and stakeholder.
Changes

In 2009, creative solutions have emerged that improve Property Management and Resident Services for people served by the portfolio of 950 units owned by the agency. Decentralization of both staff teams has emptied administrative buildings in favor of getting people to where our customers are. Intensive training for these staff members have included an in-house property management certification and an asset management course delivered by LISC and NeighborWorks Trainer Jack Geary.

Another-by-product of decentralization caused sufficient space for a new tenant at the Maintenance Service Center. Breaking New Grounds, one of the region’s leading environmental groups. Their vision is to establish a commercial compost operation, demonstration gardens and an environmental educational center patterned after Growing Power of Milwaukee.

HUD officials have been pleased, and are also excited to see our development of an on-site Learning Center at Jackson Woods Apartments, dubbed the Kelly-Steinbach Idea Center—to serve as a hub for neighborhood revitalization activities in Shelby Park.

The agency “houses” financial operations for two collaborative groups, Gheens Bridges to Tomorrow and The California Collaborative. The former was featured at the National Training Institute in May 2009 during a workshop on financial coaching and the latter has created a quiet stir, as it is the NeighborWorks hypothesis of Robust Revitalization® and a neighborhood management system come to life.

During the summer, a demonstration garden at our Brandeis Apartments (funded through an NWA Green Community Stabilization grant) caught the attention of local media and the neighborhood. Plans call for this to be expanded in 2010. And, in fall 2009, a case study commissioned by the Great Lakes Region will be published to document the 2006-07 Greater Neighborhood Project, the first place-based delivery of the Community and Neighborhood Revitalization Professional Certification series.

A welcoming change to the agency comes in the form of four AmeriCorps VISTA volunteers, secured via NeighborWorks. These four great volunteers are being assigned community stabilization duties in resident leadership development, grassroots communications, financial empowerment, home repair and resource development.

Real Estate Development

To serve people with chronic mental illness, New Directions completed development and construction duties related to the new nine-unit WedSpring Bridge housing community and the redevelopment of the surrounding Mary Speed Tuley Campus by December 2008. The new building was almost immediately occupied—such is the need for supportive housing.

We work with families to help them hold onto precious shelter. Resident Services, following best practices acquired from The NWA Learning Center Consortium, has instituted an eviction prevention program, which is achieving results. A new Resident Services HELP LINE opened this year.

Transitional Services Program staff celebrated the graduation of nine homeless families into permanent housing.

In June 2009, the California Collaborative was launched. A neighborhood manager was recruited, programs were designed and implemented, and then measured for impact! This neighborhood’s vision to be "green, wireless and move to an art's" beat is coming to life!

The Quality of Life Action Plan, facilitated with the help of LISC, was rescheduled for May 2010, by the recommendation of the Smoketown and Shelby Park Steering Committee when new strategies for resident-inclusive planning were designed.

The Neighborhood Roundtable continued its successful property code report with Louisville Metro Government, with great impact. Its newsletter, minutes and NDHC board information processes informed and influenced agency direction.

Asset and Property Management

Our Property Management group captured multiple high-ranking REAC housing inspections, and our Asset Manager is reaching final predevelopment stages in a complicated Mark-to-Market process to benefit Smoketown Apartments (16 units).

The occupancy average for the entire portfolio was maintained at 90 percent; 88 percent for Low Income Tax Credit Units and 90 percent for subsidized units. Sixteen-day turnarounds resulted from property impacts from five natural disasters occurring at our properties within 15 months, including inland winds from Hurricane Ike, a winter ice storm and flash flooding.

By September 30, 2009, however, most impacted units and all five damaged Learning Centers were back on line.

Home Ownership Preservation

Home Repair, while negatively impacted by public funding cutbacks, is the region's single largest aid to older and disabled homeowners of low income. Our Repair Affair Program continues to attract hundreds of volunteers and enough donors to enable work on over 120 homes. New Directions completed the rehabilitation of 15 owner-occupied houses in Smoketown and Shelby Park using HOME and other contributed funding.

Production and Performance Measures

In addition to the measured outcomes already listed, New Directions has secured other local awards and acknowledgments. Exceptional Performance Awards from Metro United Way have been presented to our Learning Center and Transitional Services programs for both 2007-08 and 2008-09.

New Directions has been cited for its efficiencies, too. As measured by local tabloid, Business First, New Directions is the region's 22nd largest agency; as measured by local tabloid, Business First, New Directions is the region’s 22nd largest agency; the 12th agency as ranked by volunteer hours; and the 6th most cost-effective agency as measured by percentage of expenses used for programs and services.

Seizing opportunities

In the past two years, development efforts have prepared for the redevelopment of Saint William Apartments (53 units) and Jackson Woods Apartments (60 units). The $4.2 million plan for Saint William Apartments and the $6.8 million plan for Jackson Woods Apartments have both secured LIHTC and/or Commonwealth of Kentucky ARRA Exchange/T-Cap funds as well as city-supported HOME funds.

Another opportunity has presented itself for our board’s 2009 planning retreat. Courtesy of JPMorgan Chase, Facilitator Michelle Busch and Federal Policy Director Barbara Burnham and Senior Vice President Evelyn Brown—both from LISC—presented at our planning retreat in late October, preparing the board for the continuous upheaval occurring due to national administration change, stimulus funding streams and policy shifts at the US departments of Housing, Education and Transportation.

People make the difference

Volunteers’ time and talent are highly valued at New Directions. In 2010, with the help of one of our AmeriCorps VISTA volunteers, New Directions will bravely wade into Twitter/ Facebook waters, to embellish its already award-winning communications plan. Repair Affair volunteers will soon have new social media bridges to each other, to discuss their work, and hopes, for the folks served.

Challenges to success

This Great Recession of 2009 has created a tough, but intriguing learning environment. We continue to press for progressive outcomes, rather than “holding ground” despite the uncertainties.

Impact

Resources from NeighborWorks, Metro United Way, foundations and public sources were deployed in creative ways to leverage both programmatic and capital impact. Our capital grants are fully invested in worthy projects adding stability to our housing and resident services portfolios. NeighborWorks provided much needed capital funding that strengthen our Green investment in Saint John Gardens and predevelopment at Woodbourne House, a bid for new housing for seniors. Innovative grants enabled core operations and special projects like The Brandes Demonstration Garden, and community stabilization initiatives in Smoketown Neighborhood and New Albany.

Resident Services and Community Building and Organizing

New Directions is a member of The Coalition for the Homeless, which enables access to HUD Supportive Services funding to help our families at Heverin House. New Directions is also a member agency of Metro United Way. This relationship aids in our Transitional Housing and Learning Center programs, and now includes our new Bridges to Tomorrow operational duties. We are grateful that New Directions continues to be generously funded by Louisville Metro External Agency Funds (general funds), which are competitively awarded annually.

All of our efforts and strengths from partnerships benefit families and other households in need.

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New Directions Annual Fund

Anonymous
Ann H. Beckemeyer
Brian Fisher
Flaget Alumni Association
Humana Foundation, Inc.
Perry Johnson
Doug Magee and Anne Marie Regan
Metro United Way
Marquita Monsour and Roger Metry
NeighborWorks America
Joy Peterson
Phoenix Hill Association, Inc.
PNC Foundation
Harold and Dorothy Rose
St. Williams Church
Thorn Snyder
William and Sharon Spath
Allen and Sherry Steinbook
Jack Trawick and Patti Clare
Marita and Bob Willis

Community Building and Organizing
The California Collaborative
Bridges to Tomorrow
Newburg Weed & Seed IDA
Neighborhood Roundtable
Smoketown & Shelby Park Revitalization

The Community Foundation of Louisville
The Development Training Institute
NeighborWorks America
PNC Foundation
Metro United Way
Humana Foundation
Louisville Metro Government
JPMorgan Chase Foundation

Resident Services
Transitional Services for Homeless Families Program
The Learning Center Program
Service Coordination
Al Spotts and Maggie Steptoe
Brenda Rabiteau
Booker “Butch” Rice
Charles Martin
Erika Taylor
Janice Hill
Jeremy Angermeyer
Joel Henderson
Joseph and Van Gliessner
Julie Zoeller
Lisa Thompson and Tom Johnson

Michael Gardner
Nancy Peterson
Phyllis Hall
Rosetti A. Rhodes
Samantha Pope
Sheila Ledford
Saint William Church
Starlight Systems
Theresa McCauley
Tom Meagher
Louisville Metro Government
Metro United Way
Saint William Church
Sweet Leaf UP Baptist Church
PNC Foundation
US Department of Housing and Urban Development

Home Ownership Preservation
Repair Affair
Emergency Repair
Louisville Metro Roof Program
Smoketown & Shelby Park Rehab

Anonymous
Bargain Supply
Eric Benmour
Floyd and Estelle Benner
Catholic Community of Saint Patrick
Cecil C. McCool
Dennis Ford
Charles Martin
Cliff Brownmiller
Carrel Smith
Al Spotts and Maggie Steptoe
First Harrison Bank
Greater Louisville Association of Realtors
Hazel & Walter T. Bales Foundation Inc.
Hikes Point Christian Church
Hoehler, Inc.
Holy Trinity Church
Jason Johnson
Joanne Breen
Katherine Bailey
Ellen H. Kinloch
IDX – Louisville
Horseshoe Foundation of Floyd County
Louisville Metro Government
Federal Home Loan Bank
Kentucky Housing Corporation

Real Estate Development
Al Spotts and Maggie Steptoe
Louisville Metro Government
Kentucky Housing Corporation
NeighborWorks America
US Department of Housing and Urban Development

PNC Foundation
Ron Mercer
National City Bank
Laura Pendygraft
Louis Hettinger
Duke Energy
General Mills Foundation
Schaefer General Contracting Services
Louise Schulman
Schwartz Insurance Group
Debbie Thompson
The City of New Albany
New Albany Urban Enterprise Association
Saint Agnes Church
Saint Gabriel Parish
George Pfau’s Sons Company, Inc.
St. Mark’s United Church of Christ
Saint William Church
Joe and Ruth Wimsatt
Mike O. Wilson
Wall Street United Methodist Church
The Learning House, Inc.
Yale in Kentucky
United Parcel Service
Horseshoe Foundation of Floyd County
Louisville Metro Government
Federal Home Loan Bank
Kentucky Housing Corporation
### Statement of Financial Position
**June 30, 2009 and June 30, 2008**

#### Assets

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>890,787.30</td>
<td>1,174,777.78</td>
</tr>
<tr>
<td>Accounts Receivable, net</td>
<td>351,678.18</td>
<td>2,464,134.03</td>
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<tr>
<td>Notes &amp; Mortgages Receivables, net</td>
<td>15,924.07</td>
<td>314,236.85</td>
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<tr>
<td>Unconditional promises to Give</td>
<td>152,753.17</td>
<td>155,144.89</td>
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<tr>
<td>Notes Receivable NWA Loans</td>
<td>40,600.00</td>
<td>75,600.00</td>
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<tr>
<td>Prepaid Expenses</td>
<td>124,363.18</td>
<td>146,916.78</td>
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<tr>
<td>Inventories</td>
<td></td>
<td>50,752.03</td>
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<tr>
<td>Construction In Progress</td>
<td>189,537.61</td>
<td>119,070.78</td>
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<tr>
<td>Other Assets</td>
<td>3,132,725.12</td>
<td>3,128,079.33</td>
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<tr>
<td>Property and Equipment</td>
<td>18,358,040.90</td>
<td>18,864,128.61</td>
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<tr>
<td><strong>Total Assets</strong></td>
<td><strong>23,256,409.53</strong></td>
<td><strong>26,492,841.08</strong></td>
</tr>
</tbody>
</table>

#### Liabilities

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Payable</td>
<td>305,010.44</td>
<td>356,672.16</td>
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<tr>
<td>Accrued Expenses</td>
<td>887,673.10</td>
<td>1,596,092.72</td>
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<tr>
<td>Deferred Revenue</td>
<td>46,776.95</td>
<td>47,739.77</td>
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<tr>
<td>Short Term Debt</td>
<td>1,623,665.05</td>
<td>1,477,055.02</td>
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<tr>
<td>Deposits</td>
<td>115,924.80</td>
<td>116,771.78</td>
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<tr>
<td>Long Term Debt</td>
<td>8,519,484.72</td>
<td>19,307,949.18</td>
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<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>11,498,535.06</strong></td>
<td><strong>22,902,280.63</strong></td>
</tr>
</tbody>
</table>

#### Net Assets

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted</td>
<td>10,776,532.86</td>
<td>2,871,720.87</td>
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<tr>
<td>Temporarily Restricted</td>
<td>154,730.61</td>
<td>157,228.58</td>
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<tr>
<td>Permanently Restricted</td>
<td>826,611.00</td>
<td>561,611.00</td>
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<tr>
<td><strong>Total Net Assets</strong></td>
<td><strong>11,757,874.47</strong></td>
<td><strong>3,590,560.45</strong></td>
</tr>
</tbody>
</table>

#### Total Liabilities and Net Assets

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Liabilities and Net Assets</strong></td>
<td><strong>23,256,409.53</strong></td>
<td><strong>26,492,841.08</strong></td>
</tr>
</tbody>
</table>

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*Result of Louisville Metro Government mortgage forgiveness and assignment process described within this report.*

### Total Assets of New Directions and Affiliates
**June 30, 2009 and June 30, 2008**

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Directions Housing Corp.</td>
<td>23,256,409.53</td>
<td>26,492,841.08</td>
</tr>
<tr>
<td>Reeser Court Apts.</td>
<td>998,850.96</td>
<td>1,054,385.49</td>
</tr>
<tr>
<td>Smoketown Apts.</td>
<td>183,233.96</td>
<td>206,044.81</td>
</tr>
<tr>
<td>St. John Gardens, Inc.</td>
<td>1,139,680.40</td>
<td>657,264.90</td>
</tr>
<tr>
<td>Brandeis Apts</td>
<td>2,188,122.09</td>
<td>2,318,821.45</td>
</tr>
<tr>
<td>Pearson Court Apts</td>
<td>243,242.45</td>
<td>226,191.88</td>
</tr>
<tr>
<td>O’Connor Square Ltd</td>
<td>2,993,113.99</td>
<td>3,140,294.68</td>
</tr>
<tr>
<td>St. Edward Court LP</td>
<td>5,071,360.06</td>
<td>5,299,847.05</td>
</tr>
<tr>
<td>Clifton Court</td>
<td>1,319,338.01</td>
<td>1,363,820.48</td>
</tr>
<tr>
<td>New Community Housing Development Org.</td>
<td>140.00</td>
<td>576.00</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>37,393,491.42</strong></td>
<td><strong>40,760,087.82</strong></td>
</tr>
</tbody>
</table>

### Comparative Statement of Activities For Fiscal Years Ending June 30, 2009 and June 30, 2008

#### Revenue

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions</td>
<td>60,617.75</td>
<td>182,086.41</td>
</tr>
<tr>
<td>Rent</td>
<td>4,478,546.49</td>
<td>4,671,979.07</td>
</tr>
<tr>
<td>Grant Income - Operations</td>
<td>2,138,935.48</td>
<td>1,829,121.66</td>
</tr>
<tr>
<td>Management &amp; Other Fees</td>
<td>795,418.95</td>
<td>50,654.53</td>
</tr>
<tr>
<td>Interest Income</td>
<td>33,017.30</td>
<td>576.00</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>198,396.92</td>
<td>223,787.85</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td><strong>7,704,932.89</strong></td>
<td><strong>7,661,953.10</strong></td>
</tr>
</tbody>
</table>

#### Expenses

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management &amp; General</td>
<td>2,015,594.85</td>
<td>1,928,209.34</td>
</tr>
<tr>
<td>Fund Raising</td>
<td>479,426.28</td>
<td>382,867.90</td>
</tr>
<tr>
<td>Asset &amp; Property Management</td>
<td>14,217.15</td>
<td>46,739.77</td>
</tr>
<tr>
<td>Community Building &amp; Organizing</td>
<td>764,158.10</td>
<td>683,010.78</td>
</tr>
<tr>
<td>Home Ownership Preservation</td>
<td>3,229,924.42</td>
<td>1,193,201.04</td>
</tr>
<tr>
<td>Rental Property</td>
<td>1,623,665.05</td>
<td>1,477,055.02</td>
</tr>
<tr>
<td>Real Estate Development</td>
<td>5,028,001.99</td>
<td>4,687,247.82</td>
</tr>
<tr>
<td>Resident Services</td>
<td>189,537.61</td>
<td>119,070.78</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td><strong>8,421,948.83</strong></td>
<td><strong>8,016,833.86</strong></td>
</tr>
</tbody>
</table>

#### Increase (decrease) in Net Assets before Extraordinary Items

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Increase (decrease) in Net Assets</strong></td>
<td><strong>8,168,394.01</strong></td>
<td><strong>(354,880.76)</strong></td>
</tr>
</tbody>
</table>

#### Extraordinary Items

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extraordinary Items</td>
<td>8,885,409.95</td>
<td>-</td>
</tr>
</tbody>
</table>

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*Result of Louisville Metro Government mortgage forgiveness and assignment process described within this report.*