

| 2014 |

Fahe Annual Report



fahe



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Fahe President Jim King.

We've had a great year in 2014. The year has been a culmination of success that will provide us great momentum for years to come.

First, we have moved into a new building that will help us deliver our mission, allow for great collaboration, and provide room to grow.

Secondly, we achieved our major collaboration goal that was set in 2005. (See sidebar for more information.)

Third, our financial investment in the region grows every year.

The momentum that we have achieved will help us with our next big challenge.

We have set a goal to reach one million people with one billion dollars by 2025. But reaching one million people isn't our next big challenge. The actual challenge we will be facing has to do with peo-

ple's hope. Too many people in the region believe that there can't be anything better for Appalachia or themselves. The oppressive nature of poverty has them believing that they are not worthy or deserving.

It is our hope that the opportunities we bring allow a million people to have a transformational experience. We want them to be able to accept they deserve a good home, access to health care, and a job that provides a living wage. For when people understand that they are worthy, they also accept that they have power to make a difference and they will become part of the solution.

People with momentum are hard to stop. The great thing about our Strength In Numbers is that we have developed an entire culture and history of working with other people who become part of our momentum. Bolstered by success,

Ten-Year Goal

One of the biggest accomplishments we have celebrated in 2014 was reaching our 10-year goal of producing 8,000 units of housing across the membership. Back in 2005, we planned to move from 2,000 units of housing a year to 8,000 by 2015. We reached and exceeded that goal by producing 8,725 units in 2014. 8,725 became sort of a rallying cry throughout the year.

Not only is 8,725 an impressive amount of housing in a year's time, but it also represents an impressive commitment and execution of a widespread collaborative effort. It is not an easy task to coordinate across 55 different businesses in a region as difficult as Appalachia. But our members successfully worked together to further our mission of providing opportunity and change across Appalachia. The 10-year challenge captures the Fahe network's ability to adapt to change, work effectively in difficult situations, and commitment to improving Appalachia.



8,725 UNITS OF
HOUSING CREATED
IN 2014

I believe we can not only serve one million people but also help to provide the transformations they need in their lives. We have a good plan, being executed by good people and with such momentum I don't see us stopping any time soon.



Jesse Tolbert in front of his family's former residence.

Who can save Appalachia? We asked this question earlier in the year when faced with negative press from people living outside the region. The most insulting of which was a call for government dollars to be spent to help people move out of Appalachia and relocate elsewhere. It's ridiculous to set up a plan for people to pull up and leave their home for other areas, with no guarantees of a better life.

However, getting mad at someone for pointing out a problem doesn't solve the problem. Appalachia is still one of the poorest regions of the country. We still face high levels of poverty, joblessness, and poor housing stock. However, we are making a difference.

When we asked, who could save Appalachia, we answered: all of us. Fahe, our members, volunteers, donors, investors, other organizations, and the people who live and work here. We must work together if we want to see a greater change. This means reaching out to other industries for assistance, this means providing greater education on and exposure to what we are doing.

Our motto is Strength in Numbers and it encompasses what we need moving forward. We believe that collaboration across the non-profit and for profit worlds are required to reach our goal of empowering Appalachia.

Fahe Awarded \$2 Million CDFI Award

Fahe's ability to inject capital into difficult markets caught the attention of the Department of Treasury's Community Development Financial Institution Fund (CDFI FUND) and Fahe was awarded \$2 million dollars for continued investment into persistent poverty counties and low-income areas in Appalachia. The \$2 million award was among the highest presented to CDFIs in the country.

Kentucky Congressman Andy Barr officially presented the award at Fahe's office in Berea, KY on October 7, 2014. Thanks to awards like the CDFI fund and responsible investors such as J.P. Morgan Chase, Fahe is able to leverage funds where they are needed most. J.P. Morgan Chase has been a partner since 2007 and has made an investment in Appalachia through Fahe for more than \$20 million.

Also in attendance was Jenny Ceesay, a community member whose family was directly served by Fahe's utilization of the CDFI Fund. Jenny, her husband Ismaila, and their three children were able to purchase a quality home large enough to accommodate their family with a mortgage that was significantly cheaper than rent.

| Who Can Save Appalachia? |

Since we preach strength in numbers and change, we want to show a small part of what we are bringing to the table, to prove we are doing what we feel is our part.

First, back in 2005 we set a goal to increase the number of homes built per year by the membership. The original goal was to increase from 2,000 units per year to 8,000 per year by 2015. The Fahe Network met and beat that challenge in 2014 by 725 units. That made 8,725 units in 9 years. During the course of the challenge we all grew, and with that growth we developed the ability to deliver our products and services at a greater scale to the region by training in ways to access new resources and new strategic partnerships. We are now pushing forth with another challenge and that's to help one million people by investing one billion dollars by 2025.

Fahe is currently embarking on another form of collaboration that will produce a huge impact. Partnering closely with J.P. Morgan Chase and three of our members, Knox Housing Partnership, Randolph County Housing Authority, and Kentucky Highlands Investment Corporation we are developing a pilot program for Appalachia modeled on the Supports and Services at Home (SASH) in Vermont. The SASH program will identify the needs of the elderly and the service providers that are currently serving the elderly in our region. There are several providers in Appalachia that serve the elderly, but they rarely work together. By connecting them, we can provide all encompassing

Meet the Tolberts

Jesse and Heather Tolbert from Knoxville, TN were renting a dilapidated house from an absentee landlord. The roof leaked, the floors were sinking, and the utility bills were \$400 a month due to poor insulation. The Tolberts have two young sons, ages two and four, and Heather's mother, Ruth, living with them. Both Jesse and Heather work, but despite this, the local banks wouldn't give them a home loan, so they turned to Fahe member, Knox Housing Partnership (KHP). According to KHP's Chris Osborn, the Tolberts were closer to homeownership than they realized, they simply needed someone willing to take the time to help. The Tolberts worked with KHP to resolve some credit issues and attended a Homebuyer Education Class. Their hard work paid off and the Tolberts purchased a LEED-certified home with help from the City of Knoxville Down Payment Assistance Program.

The Tolberts stated that a quality, safe home has helped them achieve the American dream. "Our new home is helping us get ahead," said Jesse. "Our utilities bills are now \$120 a month. I can live now. I can live."

The Tolberts in front of their new home.





Workers renovate East Corbin School in Corbin, Kentucky into apartments for low-income seniors.

services and fill in the existing service gap. Once fully established, the Fahe network and new resource partners will be able to provide solutions for the vulnerable elderly populations of the Appalachian region. After our pilot, we will replicate the model throughout Appalachia.

Our mortgage lending division, JustChoice Lending, made a huge impact in FY2014 by closing 411 loans that totaled \$38 million. (See sidebar for more information.)

The Fahe network has also proven to be a source for employment across Appalachia. There are 3,064 employees working at Fahe and across the network. In addition, we created 3,560 new construction jobs in FY 2014.

We have the ability to shape Appalachia for the better. Each person who lives here who is able to get ahead, each organization that makes an investment, each construction worker who hammers a new nail, all of these people are saving Appalachia. With hard work and perseverance, Appalachia will be a place lauded for its beauty, warmth, and spirit instead of criticized for its poverty.

JustChoice Lending

Fahe's mortgage lending division, JustChoice Lending, had a banner year in 2014. The JCL team closed 411 loans totaling \$38 million dollars. \$25.4 million was from 221 USDA 502 Direct Loans and another \$7.3 million was from 66 USDA Guaranteed loans.

These loans represent a significant amount of quality housing being provided for the people of Appalachia, in particular with the 502 Direct Program, which is available only for low-income households. Thanks to the Fahe Network, this means that 221 families were able to get a loan when many traditional lending institutions would have turned them down.

\$38 million in loans is incredibly significant to Fahe and JustChoice Lending as it indicates a great growth in scale. We did more business in one month of 2014 than we did in the entire year of 2000. Thanks to great leadership and dedication among the team, we have grown to provide a better product for our members and partners to utilize and a wider net of availability for families at need.

JCL did more business in one month of 2014 than we did in the entire year of 2000.

Statement of Activities

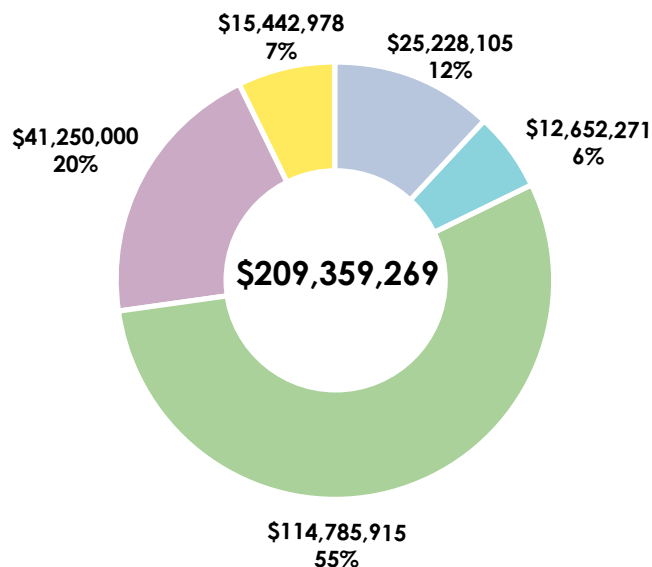
June 30, 2013 and 2014

Revenue	2014	2013
Grants and Donations	\$5,733,900	\$3,429,311
Interest and Investment Income	\$1,605,952	\$1,606,536
Income from Operations	\$1,696,079	\$1,505,761
Total Revenue	\$9,035,931	\$6,541,608

Expenses	2014	2013
Program Services	\$1,694,729	\$1,604,234
General and Administrative	\$5,142,921	\$2,855,810
Membership	\$324,868	\$299,700
Fundraising	\$211,842	\$1,289,474
Total Expenses	\$7,374,360	\$6,049,218
Increase in Net Assets	\$ 1,661,571	\$492,390

Assets Under Management

- Mortgage Portfolio
- Community Loan Portfolio
- Servicing Portfolio
- Equity Funds
- Other Assets



Statement of Financial Position

June 30, 2013 and 2014

Assets	2014	2013
Cash and Cash Equivalents	\$10,503,023	\$11,148,695
Receivables	\$1,050,590	\$1,159,051
Investments	\$732,250	\$697,137
Property and Equipment-Net	\$3,529,626	\$934,904
Mortgage Notes Receivable-Net	\$24,582,684	\$23,967,888
Notes Receivable-Net	\$12,216,932	\$13,714,675
Other Assets	\$700,850	\$931,360
Total Assets	\$53,315,955	\$52,553,710

Liabilities	2014	2013
Accounts Payable	\$1,034,220	\$446,390
Notes Payable	\$24,215,818	\$23,601,141
EQ2	\$2,000,000	\$4,000,000
Other Liabilities	\$3,182,357	\$2,828,188
Total Liabilities	\$30,432,395	\$30,875,719

Net Assets	2014	2013
Unrestricted	\$10,286,544	\$9,282,685
Temporarily Restricted	\$11,176,915	\$11,395,306
Permanently Restricted	\$1,427,500	\$1,000,000
Total Net Assets	\$22,890,959	\$21,677,991
Total Liabilities and Net Assets	\$53,323,354	\$52,553,710

Staff

Angie Badgett
Norma Bartruff
David Brock
Tina Cain
Tom Carew
Marj Dasher
Jeneene Estridge
Brad Finn
Sara Gambill
Eric Haralson
David C. Howard Jr.

Pam Johnson
Sarah Johnson
Tyler Johnson
Melinda Jones
Jim King
Laura Meadows
Jeanine Monaghan
Sara Morgan
Susan L. Smith Mullins
Brittney Murphy
Anthony Newman

Tina Parker
Aaron Phelps
Vonda Poynter
Jamie Puckett
Justin Rabnott
Elsa Reynolds
Amy Rogers
Jon Rogers
Daniel Sexton
Joel Shepherd
Clay Smith

Myralee Smith-Cowley
Tammy Sparks
Janet Stepp
Angela Stephens
Emilee Stites
Bethany Taylor-Gilbert
Jenna Urusky
Jackie Weiss

Board of Directors

Colin Arnold
*Community Housing
Partners Design Studio*
Joseph Belden
*Housing Assistance
Council*
Karen Jacobson
*Randolph County
Housing Authority*

Lindy Karns
Blue & Company, LLC
G. Andrew Kegley
H.O.P.E. Inc.
David Kreher
People's Self-Help Housing
Diane N. Loeffler
UK College of Social Work

John Martys
Fairmont Housing Authority
Justin Maxson
MACED
Jackie Mayo
Knox Housing Partnership
Scott McReynolds
*Housing Development
Alliance*

Lina Page
*Opportunity Finance
Network*
Sandy Spurling
*Appalachia Habitat
for Humanity*



Alabama

- Community Action Partnership of North Alabama
- Hale Empowerment & Revitalization Organization
- Neighborhood Housing Services of Birmingham

Kentucky

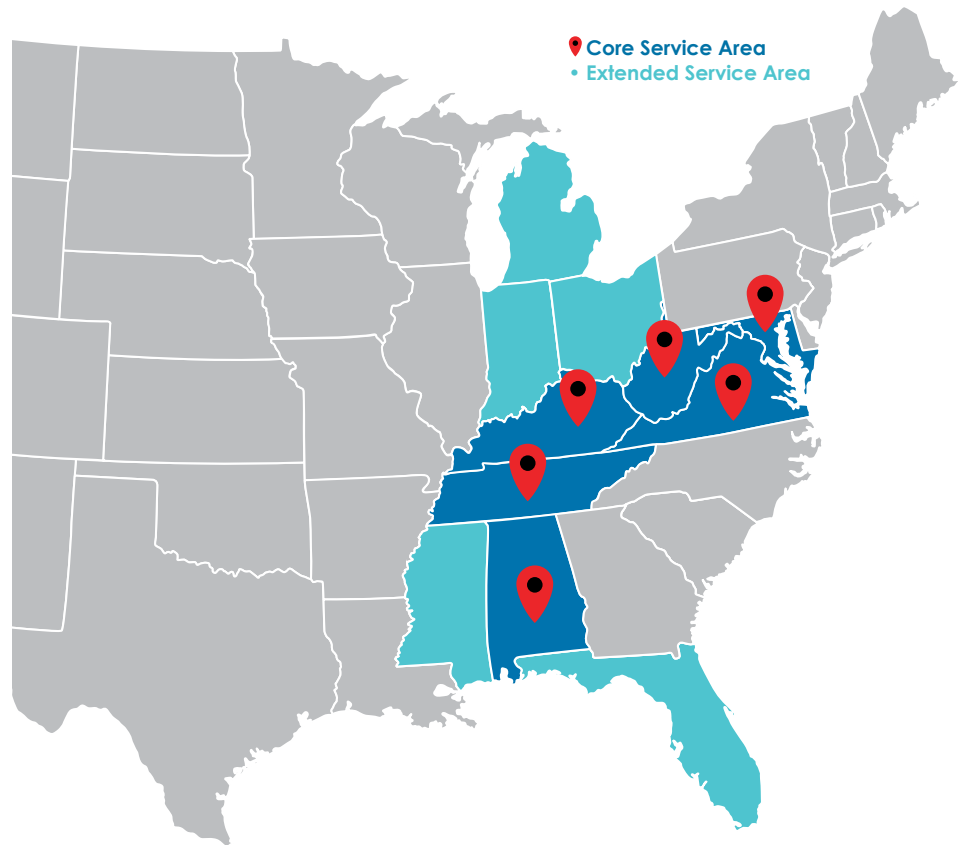
- Beattyville Housing and Development
- Bell-Whitley Community Action
- Christian Appalachian Project (CAP)
- Christian Outreach with Appalachian People (COAP)
- Community Ventures Corporation (CVC)
- Frontier Housing
- Housing Development Alliance (HDA)
- Housing-Oriented Ministries Established for Service (HOMES)
- KCEOC Community Action Partnership
- Kentucky Highlands Investment Corporation (KHIC)
- Kentucky Mountain Housing Development
- Kentucky River Community Care (KRCC)
- Kentucky River Foothills Development Council, Inc.
- Low-Income Housing Coalition of East Kentucky (LINKS)
- Partnership Housing
- People's Self-Help Housing

Maryland

- Garrett Co. Community Action Committee

Tennessee

- Aid to Distressed Families of Appalachian Counties (ADFAC)
- Appalachia Habitat for Humanity
- Appalachia Service Project (ASP)
- Blount County Habitat for Humanity
- Chattanooga Neighborhood Enterprise
- Clinch-Powell RC&D Council



- Creative Compassion
- Crossville Housing Authority
- Eastern Eight Community Development
- Foothills Community Development
- Kingsport Housing & Redevelopment Authority
- Knox Housing Partnership
- Knoxville Habitat for Humanity
- Knoxville Leadership Foundation

Virginia

- Appalachian Community Action & Development Agency (AppCAA)
- Clinch Valley Community Action
- Community Housing Partners (CHP)
- HOPE, Inc.
- People Inc. of Virginia
- Southeast Rural Community Assistance Project
- Total Action Against Poverty (TAP)

West Virginia

- Almost Heaven Habitat for Humanity
- Community Resources, Inc. CAP
- Fairmont-Morgantown Housing Authority
- HomeOwnership Center
- Housing Authority of Mingo County
- Mon County Habitat for Humanity
- North Central West Virginia Community Action Association
- Randolph County Housing Authority
- Religious Coalition for Community Renewal (RCCR)
- SAFE Housing and Economic Development (SHED)
- Southeastern Appalachian Rural Alliance (SARA)
- Southern Appalachian Labor School (SALS)
- West Virginia Affordable Housing Trust Fund
- Woodlands Development Group

| Acknowledgements |

We gratefully acknowledge the generous support of these organizations and individuals, who, through grants, loans, donations, volunteer work, and the sharing of expertise, contributed to Fahe's success this fiscal year.

A. Merinoff	Flagstar Bank	Opportunity Finance Network
Andrew Horne	Forcht Bank	Peoples Exchange Bank
Appalachian Regional Commission	Ford Foundation	People's Self-Help Housing
The Atlantic Philanthropies	Franciscan Sisters of Mary	PNC Foundation
Bank of America	F.B. Heron Foundation	Rural LISC
BB&T	Glenmary Home Missioners	Seton Enablement Fund
Bluegrass Integrated Communications	Grant Foundation	Sisters of Charity of the Blessed Virgin
Calvert Social Investment	Heritage Bank	Sisters of Loretto
CDFI Fund	J.P. Morgan Chase Foundation	Tennessee Housing and Development Authority
Central Bank	Kentucky Bank	Traditional Bank
Cg. Of the Sisters of the Incarnate Word	Kentucky Dept. of Local Government	US Department of Agriculture
Charles & Mary Grant Foundation	Kentucky Highlands Investment Corporation	US Department of Housing and Urban Development
Citizen's Union Bank	Kentucky Housing Corporation	US Department of Treasury
Commercial Bank	Kentucky Mountain Land Title	VHDA
Community Trust Bank	Mary Reynolds Babcock Foundation	Wells Fargo Bank
CUB	Mercy Investment Services	West Virginia Housing Development Fund
Domestic and Foreign Missionary Society	Nazareth Literary & Benevolent Institution	Whitaker Bank
Episcopal Diocese of Iowa	Neighborworks America	
Fairmont Morgantown Housing Authority of WV	Ohio Capital Corp for Housing	
Fifth Third Bank		



P.O. Box 908 | Berea, KY 40403
859.986.2321 | www.fahe.org

 Equal Housing Opportunity