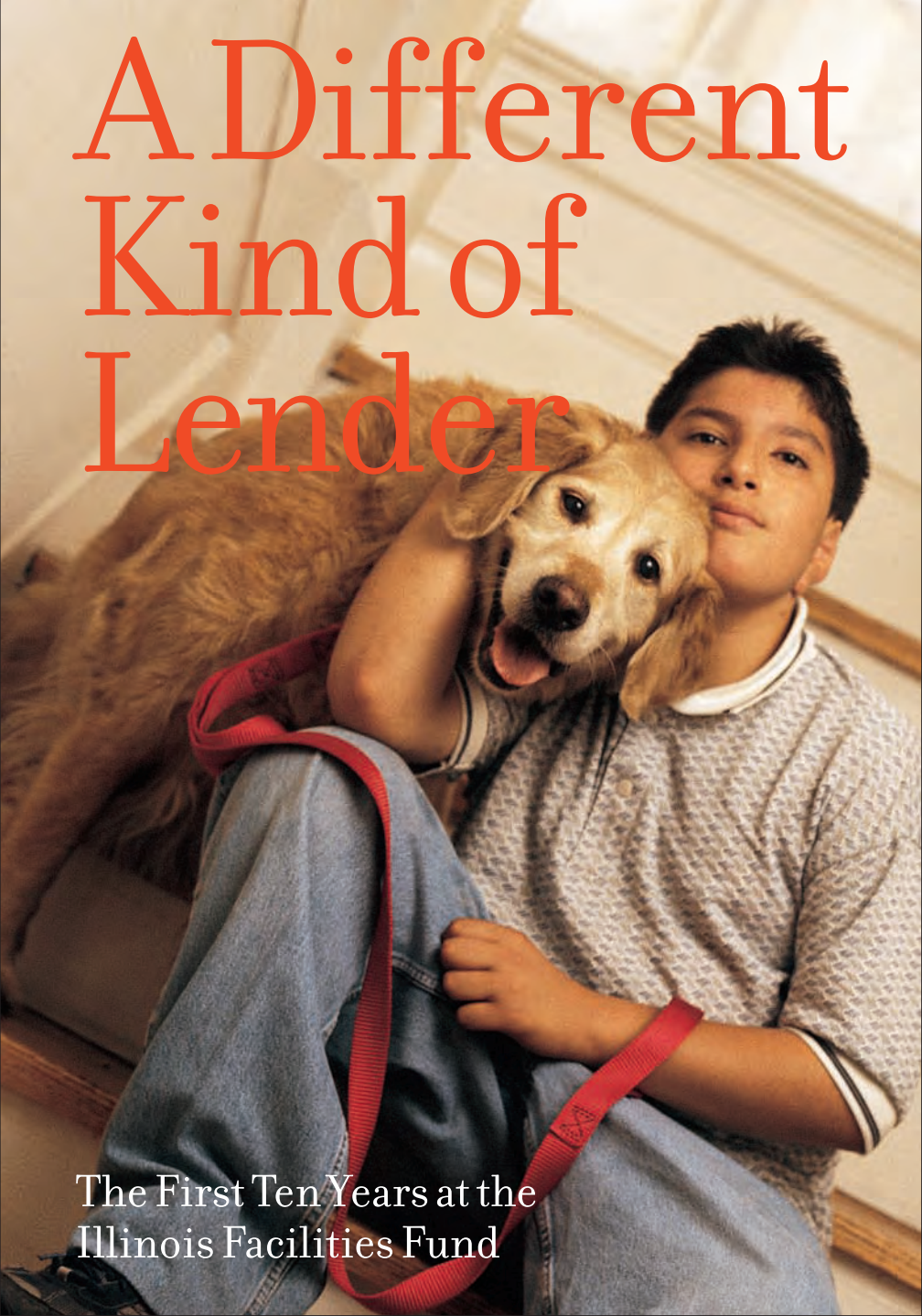
A Different Kind of Lender



The First Ten Years at the Illinois Facilities Fund

A Different Kind of Lender

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1990–2000

There's something about a building...

Trinita Logue
President, Illinois Facilities Fund

Bill Fitzgerald, IFF Board Vice Chair and Trinita Logue, IFF President

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It started with an idea...

Cold winds blow into Chicago every winter, forcing even the hardiest residents to dig out warm clothing and fill gaps around windows. Those winds brought another kind of trouble in the late 1970s. The energy crisis had driven heating costs up so fast that many nonprofit organizations were diverting thousands of dollars from their programs to pay winter fuel bills. Even in warmer months, many human service agencies limped along with barely adequate facilities—payments couldn't be used for capital improvements.

This was just the kind of problem that sets the wheels turning in Chicago's philanthropic community.

It was 1980 when six foundations pooled funds and made their first energy-conservation loan, disbursing $4,200 at 3% interest to an arts and film organization named Facets Multimedia. The money bought ceiling insulation and a new thermostat control, with the promise of $3,000 *per year* in energy savings. MoMing Dance and Arts Center borrowed $2,197 to install insulation and ceiling fans, figuring on getting half its money back the first year. Twenty-five other organizations won small grants for energy audits, and Lutheran Home and Service for the Aged went for the first "big" loan, $60,000 over five years, to automate its heating system.

As foundation initiatives go, the Joint Foundation Energy Conservation Fund was a direct hit: a little money

invested toward a big problem, with gratifying results. But by opening a window onto the facility needs of nonprofits, it exposed a much bigger challenge. And it planted the seed for a new organization that would be a lender, consulting firm, construction manager and think tank, all rolled into one: the Illinois Facilities Fund.

Raising the bar

Trinita Logue was assistant director of the Chicago Community Trust when the Joint Foundation's loan portfolio reached $750,000. A whirlwind of energy with a deft touch for the persuasive memo, Logue was asked by the Trust's executive director, Bruce Newman, to explore expansion of the loan program. He was thinking beyond energy conservation to gut rehabs, additions and new construction.

Newman had seen plenty of down-at-the-heels nonprofit facilities where a visitor's first impression is of worn-out linoleum, caked-on paint and makeshift partitions. Some agencies took a perverse pride in such facilities, figuring it proved their frugality and need, but to Newman and others in government and philanthropy, it seemed all wrong. Why should nonprofits serving people have substandard buildings?

The Trust and the Illinois Department of Children and Family Services had started a second facilities-loan

program, channeling $1 million to agencies serving children, and it too was successful. Logue's assignment was to find out how far the concept could be pushed. Did other agencies have similar needs? Could payback mechanisms be created? With a thoroughness that would be a hallmark of the organization she would lead, Logue put together the argument.

Focus groups, interviews and surveys revealed not only an enormous need among nonprofits but a sound basis for allocating government reimbursements towards property improvements. After reading Logue's 1987 memo, Newman began lining up funds.

Money, people and buildings

Incorporation papers were filed in 1988 and independent operations began in 1990 with $1.7 million in preliminary support from the Chicago Community Trust. Later the IFF would take over the two existing loan funds and, as its by-laws allowed, take on development projects and even ownership of properties. In 10 years, the organization would develop a loan portfolio approaching $25 million and make its mark on lower-income communities across Illinois.

The IFF has built and owns seven child care centers—beautiful light-filled buildings financed with tax-exempt bonds—and is building more in neighborhoods

across Chicago. Staff members recommend three or four new loans at each month's loan committee meeting, helping agencies build medical clinics, housing for people with disabilities or AIDS, charter schools, job training centers and offices. Technical assistance has been a specialty from day one, but now the IFF is considered *the* expert on facilities questions: how much they should cost, how they should be built, whether the demand is there for the services being offered. Research, public policy work and management training for nonprofits are also part of the mix, not simply to protect the loans but to help borrowers move on to bigger endeavors and to advance the status and scope of the nonprofit sector as a whole.

What does this look like? It is financial tables and loan files, blueprints and contracts, memos by the hundreds and proposals stitched together under deadline pressure, just like at other nonprofit organizations. The offices have a hint of a big bank's elegance, but among staff there is a definite social-purpose attitude. Boil it down and you can describe the work with three words: money, people and buildings.

IFF Board member
Phil Warth

IFF staff members Sarah Carroll and Marcus Weathersby

Chad Wolbrink and Nikki Nelson of Inspiration Cafe, an IFF borrower with IFF staff David Antioho, Jane Bilger and Joe Neri.

IFF Board members Rupert Evans and Anita Green

What more can we do for the nonprofit sector…?

Chuck Hill
IFF Board member and Executive Vice President,
Federal Home Loan Bank of Chicago

IFF Board Chair, Charles Hill and Board member, Patrick Arbor

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Balancing risk and reward

Around a conference table, 18 IFF board members and staff listen with rapt attention as vice-chair and treasurer, Rhonda Hopps walks them through the proposed year 2000 budget. Like a storyteller, the Allstate Insurance Company investment analyst brings to life each grey column of numbers, pointing out interesting spikes and valleys and putting each one in perspective. There's $500,000 allocated to a new "board designated endowment," she notes, which will bring both financial stability and flexibility down the road. There's a jump in staff costs. "Money well spent," Hopps argues, for five new employees. Then she calls attention to the real eye-popper: a $10 million projection for loan volume in 2000.

"This will double our disbursements," she says, checking faces to gauge reaction, "but we think it is manageable." Jane Bilger doesn't flinch, though as the organization's director of finance and lending it is her responsibility to move those dollars. "It's a good stretch number," Bilger affirms, smiling with a banker's confidence. Hopps then concludes with a flourish, directing attention to the bottom line of the projected statement of position. "We're looking at a $46 million organization next year."

Started with two staff and borrowed office space, the Illinois Facilities Fund has grown at a rate that would

make a venture capitalist smile. The loan portfolio has inched up from under $3 million in 1991 to almost $25 million in 2000. The staff has grown to 25 ("mostly Type A personalities," notes staffer Joe Neri), there is substantial cash available for debt reserve and new loans, and the company has diversified its offerings while staying in a focused niche. As for what the organization has accomplished, the cumulative numbers are impressive: by leveraging an estimated $64 million in total capital, the IFF has helped create and maintain 3,500 jobs, develop 2.4 million square feet of space and improve facilities serving nearly two hundred thousand clients, annually.

Still, it's a little known story. In a discussion of the IFF's fundraising needs, board member Mercedes Laing of Bid4Real.com identifies one of the IFF's biggest challenges: "It's hard to reduce our work to a sound bite or a heart rending story," she notes, "even though we make a big difference in peoples' lives."

Better places for people

That was especially true in the early days, before evidence began showing up across metro Chicago and in Peoria, East St. Louis, Bloomington and Rockford. Lending in disadvantaged communities wasn't unknown, but it wasn't high-profile either. So in the early days, board president James Brice, a retired senior partner at Arthur

Andersen & Company, and executive director Logue spent a lot of time explaining what exactly the IFF did. The easiest approach was to talk about a recent borrower. In the course of the story, the three core elements would surface: money, people, buildings.

The first loan was for $200,000 to the North Avenue Day Nursery to convert a handsome building across from Wicker Park into a child care center. It was the beginning of an IFF specialty, though the toddlers and parents who walk through the doors each morning don't even know the IFF exists. The second transaction was with WilPower Inc. of suburban Glencoe, $32,000 at 5% as a second mortgage on a house for mentally ill adults. This would become another IFF trademark, a second position (which puts the IFF at more risk) to bridge a financing gap.

Six more files rounded out the first year's portfolio, bringing it to $958,000. The funds created child care centers, homes for developmentally disabled adults, a residence for prison parolees and administrative offices for a youth organization. Seventeen folders were added in 1991, bringing loan receivables to $2.75 million. Each closed loan, of course, created a flow of interest back to the IFF. This revenue reached $92,000 in 1991 and $266,000 the following year. This different kind of bank was clearly open and doing business.

Staff member Joe Neri,
Board members Maurice Grant
and Mary Anne Cronin

Relationships and risk

Like every lending institution, the IFF is built on risk. But where a typical bank protects its real estate loans primarily with a claim on the property being mortgaged, the IFF uses a different formula. It will take collateral when possible, but it looks primarily at cash flow from government payments, judging whether they will be adequate to service the loan and if the year-to-year appropriations are likely to continue. It also looks closely at the borrower's management, the makeup of its board of directors and its ability to raise funds. In every calculation there is the question of benefit: will the project help low-income individuals and communities?

The IFF was created to provide loans that traditionally many banks won't touch. Building a facility on a distressed inner-city street may bring excellent benefits—many IFF projects have become anchors of revitalization—but the immediate market value of the finished building may be far less than the outstanding liability. Compounding that problem is the limited equity of many nonprofits and the unsure nature of government appropriations. Even though bankers today are far more receptive to community development lending than in the past, these factors often add up to three strikes against the agency. The IFF was created to incorporate these risks and balance them against a strong base of

knowledge of the borrowers, of government and of the social needs of Illinois residents.

The IFF's most radical departure from traditional underwriting is its approach to borrowers of limited means. When banks and mortgage companies stretch to serve these customers—as they sometimes do—they will usually increase the interest rate a point or two to help cover costs if the borrower defaults. The IFF figures it differently; if the organization is managing on flat revenues, why siphon away funds and further cut into cash flow? "Repayment is more likely if payments fit comfortably within the known revenues," argued loan officer Liz Olfe Feldman in a 1994 presentation to the loan committee. Rates on IFF loans stay about 1.5% below what a bank would charge. There is no variance based on risk.

Getting a loan

The loan process typically begins when one of the four loan officers handles a telephone inquiry. The call involves a quick screen to make sure the project will benefit a disadvantaged community and to determine if the borrower is strong enough to use a conventional bank. If the match sounds right, the agency fills out an application and the loan evaluation process begins. There is a site visit, meetings with key people, an

analysis of the program or services in the target building and the need for those services, discussion of funding streams and the organization's overall financial situation, and a thorough analysis of the construction or renovation plan. About 90 percent of loans are covered by collateral or other securities, but as Jane Bilger points out, "We don't lend based on collateral because we aren't interested in owning the building. We look at the history and the ability to repay, and part of that is what kind of financial and management systems do they have in place?"

The IFF often becomes guide and consultant to borrowers, particularly if they have limited experience with mortgages and construction. The IFF recommends architects and builders, provides checklists for what needs to be done, even makes suggestions on how to attract a bank loan. When necessary, it discourages or rejects what it considers an ill-founded construction plan, a bad building choice or a too-ambitious expansion. "We visited a building that an applicant wanted to rehab and before we got through the front door the architect announced that he had just spent $200,000, because the lintels over the windows were rusted and would have to be replaced," remembers Joe Neri. "We found them a better building."

When the underwriting fundamentals are covered, the loan officer writes a summary and takes it to the

board's monthly loan committee meeting, where almost all loans are approved. The grueling final leg begins with a letter of requirements followed by a pre-closing meeting at which the IFF walks the borrower through an inch-thick binder known as the borrower's book. It contains lists of responsibilities on both sides, sample contracts, even procedures on maintaining a valid property tax exemption. "Not everyone likes us at this stage," admits Bilger, "because we're tough and very rigorous. They might not understand why we insist on a performance bond from the contractor. We tell them it is to protect their own interests, and ours."

Workouts and bad loans

The system works. Thanks to ongoing monitoring that includes semi-annual reports from all borrowers and aggressive follow-up when agencies turn up on the "close monitoring" list, only five of nearly 200 total loans have been written off. At $185,000, losses have been so slim that the board has periodically encouraged the staff to take more chances on promising borrowers.

If an agency does get into trouble, the IFF tailors a "workout" to prevent a default. When a homeless services agency couldn't make its payments, the IFF paid for a business consultant and established a grace period when only interest would be due; the following year,

full payments were flowing again. Another default—a management failure—couldn't be saved, but the IFF recouped most of the $98,000 balance by selling the property. Results were less favorable when one of the Chicago charter schools closed. "All that was left," reported loan officer Marcus Weathersby, fighting back a grin in his presentation to the loan committee, "were bookcases and a few brooms."

Loans in a social context

Whatever the outcome, the lending process has generated new ideas and programs as the contact with borrowers (and even those unable to borrow) prompts questions about what more can be done to serve Illinois' human service agencies.

The overwhelming need for child care facilities, for instance, prompted the IFF to become a developer as well as a lender. The need to understand its markets led to research studies that documented tremendous needs among Illinois' 5,000 nonprofits. This in turn expanded IFF's public policy work, especially in child care but also across the nonprofit sector, because management, financial stability, government support and program quality are all threads of the same cloth. Finally, as loan volume grew year to year, the IFF would face an internal and ongoing fiscal need: how to raise more funds for

lending. These challenges began emerging within the first two years of the IFF and increased as the organization scaled up for its first major leadership role: the Child Care Facility Development Program.

Illinois Facilities Fund loan products

Bridge Investment (Community Asset Builder)
Allstate Child Care and Education Fund
Charter School Loan Fund
Elgin Area Facility Action Program
Facility Improvement Loan
Facility Line of Credit
Residential Mortgage Program
New Visions

St. Leonard's House new facility for homeless parolees.

Staff, Board members, parents and children celebrate the opening of Respite House, an IFF borrower. Respite House provides care for medically fragile chidren and support to their families.

Former client, Johnathan Jones, Ernest Smith and Marcia Mead, Board members, Suzanne Aubury, Assistant Executive Director of Youth Job Center of Evanston, an IFF borrower.

Illinois Facilities Fund Loans Closed as of June 30, 2000

Agency Name	Project Location	Loan Purpose	Loan Amount
1990			
7720, Incorporated	Chicago	Acquisition of occupied house for mentally ill adults.	84,000
Chicago Commons	Chicago	Acquisition of a day care center.	157,000
Chicago Administrative Services	Chicago	Acquisition and renovation for administrative space.	125,000
Cornerstone Services, Inc.	Joliet	Renovation of four houses for developmentally disabled adults.	80,000
Hull House Association	Chicago	Renovations to space for infant and toddler center in Orr High School.	162,088
New Earth Child Care	Chicago	Renovation of child care facility.	50,000
North Avenue Day Nursery	Chicago	Renovation of agency-acquired building into a child care center.	200,000
Proviso Day Care Center	Chicago	Renovation of child care facility.	$44,200
St. Leonard's House	Chicago	Renovation of house for parolees.	50,000
WilPower, Inc.	Northfield	Second mortgage on house for mentally-ill adults.	32,000
Youth Service Project	Chicago	Acquisition of building for expansion of offices.	200,000
1991			
Aunt Martha's Youth Service Center, Inc.	Park Forest	Acquisition of property and home for a foster home for teenage girls.	220,000
Bethel New Life, Inc.	Chicago	Construction of 23-unit building for congregate care for low-income elderly.	75,000
Cathedral Shelter of Chicago	Chicago	Renovation of agency owned building to expand services and meet codes.	252,619
Catholic Social Services	Belleville	Renovation of property for emergency shelter for children 0 - 12 years.	112,500
CEDA of Cook County, Inc.	Arlington Heights	Acquisition of an apartment building for transitional housing for families.	160,000
Chicago Abused Women Coalition	Chicago	Refinance mortgage.	34,917
Hephzibah Children's Association	Oak Park	Renovation to expand children's residential program.	300,000
Korean American Community Services Inc.	Chicago	Refinance and renovation of building to reduce costs and increase earned income.	260,000
New Hope Center	Dolton	Renovation of church building for program space.	60,000
New Hope Center	Dolton	Acquisition of church building and parking lot contiguous to agency's main program site, to provide day care for developmentally disabled pre-schoolers.	204,027
The Night Ministry	Chicago	Acquisition and renovation of building as a shelter for homeless youth.	350,000
Outreach Community Services	Carol Stream	New construction of community assistance center.	100,000

Illinois Facilities Fund Loans Closed as of June 30, 2000

Agency Name	Project Location	Loan Purpose	Loan Amount
1991			
Teen Living Program	Chicago	Acquisition of a six-flat for homeless teens who are wards of the state.	$260,000
Trinity Services, Inc.	Joliet	Refinance of two houses serving autistic adults and developmentally disabled adults.	203,000
Trinity Services, Inc.	Joliet	Refinance of a home for disabled adults.	152,000
1992			
7720, Incorporated	Chicago	Purchase and renovation of a property to house mentally ill adults.	200,000
Center on Deafness	Northbrook	Purchase of property for school for the hearing impaired.	200,000
Cornerstone Services, Inc	Chicago	New construction to expand elderly services.	100,000
Cornerstone Services, Inc.	Joliet	Addition of a second floor and installation of fire alarm system for CILA site.	100,000
Hull House Association	Chicago	Fire protection system in infant and toddler center in Orr High School.	41,000
Methodist Youth Services	Chicago	Purchase and renovation of property for residential therapeutic group home for boys.	188,000
New Hope Center	Calumet City	Purchase of three residential facilities for CILA programs.	201,800
Wilpower Inc.	Wilmette	Refinance two residential properties.	39,750
Trinity Services	Lockport	Purchase of property to be used as a CILA home for developmentally disabled adults.	173,000
1993			
7220, Incorporated	Chicago	Refinance property for developmental disability facility.	78,321
Ezzard Charles Montessori Day Care Center	Chicago	Purchase and renovation to expand child care facility.	171,906
First Presbyterian Church of Chicago	Chicago	Renovation of child care facility to meet city and state fire codes.	124,376
Hull House Association	Lawndale	Finance construction of an additional means of access to the property.	15,960
Hull House Association	Chicago	Increase approved loan for the renovation of space in the Berry Memorial Methodist church for use as a child care center.	109,544

Illinois Facilities Fund Loans Closed as of June 30, 2000

Agency Name	Project Location	Loan Purpose	Loan Amount
1993			
Methodist Youth Services	Chicago	Completion of renovations for a residential group home for boys.	38,000
Methodist Youth Services	Chicago	Acquisition of property to be used for Residential Diagnostic Assessment Group Home.	236,500
People's Housing	Chicago	Renovation of agency owned property for administration and community programs.	$200,000
Reba Place Day Nursery	Evanston	Acquisition and renovation of property to expand child care services.	101,050
Reba Place Day Nursery	Evanston	Renovation of child care services.	114,524
The Resurrection Project	Chicago	Renovation of agency headquarters including administrative space and school and child care programs.	450,000
St. Leonard's House	Chicago	Renovations to administrative building.	50,000
SOS Children's Village	Lockport	Construction of an activity center located in a children's village.	200,000
Youth Service Bureau of Illinois Valley	Ottawa	Renovation of agency owned property to be used to house administration and direct services.	110,000
1994			
Chinese American Service League, Inc.	Chicago	Acquisition and renovation of a property to house the agency's headquarters and elderly center.	35,000
Claretian Associates	Chicago	Acquisition and renovation of a property to house the agency's administrative offices.	180,000
Community Response, Inc.	Oak Park	Acquisition and renovation of a property to be used to house HIV positive, low to moderate income people.	162,000
Ezzard Charles Montessori Day Care Center	Chicago	Increase approved loan for child care center.	181,906
Glenkirk Foundation	Arlington Heights	Building improvements to school for developmentally disabled children and adults.	$156,175
Jamal Place, Inc.	Chicago	Purchase and renovation of property to house a therapeutic residential home for pre-teen and adolescent boys.	250,000
Janet Wattles Foundation	Rockford	Acquisition of a property to house female adolescents with emotional disturbances.	166,950
NIA Comprehensive Center for Developmental Disabilities, Inc.	Chicago	Acquisition and renovation of administrative and program space for agency serving the developmentally disabled.	200,000
Sinai Family Health Centers	Chicago	Renovation of two floors of the property to relocate the agency's Madison Family Health Center.	300,000

Illinois Facilities Fund Loans Closed as of June 30, 2000

Agency Name	Project Location	Loan Purpose	Loan Amount
1994			
Sullivan House	Chicago	Renovation of existing property which houses a school and young mother and foster care programs.	200,000
Test Positive Aware Network, Inc.	Chicago	Renovation of leased property to relocate meeting room space to serve clients with HIV/AIDS.	50,000
Trilogy, Inc.	Chicago	Renovation of administrative and program space for the mentally ill.	100,000
Trinity Services	New Lenox	Down payment for the acquisition of a property to be used as a CILA home for four individuals.	35,000
Trinity Services	Wilmington	Downpayment on a residential property to be used for a CILA program.	24,000
1995			
7720, Incorporated	Chicago	Acquisition and renovation of property for the mentally ill.	207,500
Association House of Chicago	Chicago	Acquisition and renovation of property for a group home for boys.	147,600
Bloomington Day Care Center, Inc.	Bloomington	Acquisition of two existing for-profit child care center locations for conversion to nonprofit centers serving primarily low-income children.	315,000
Cathedral Shelter of Chicago	Chicago	Acquisition and renovation of property to be used as program and administrative space for substance abuse programs.	$500,000
Catholic Social Services	Belleville	Refinance existing IFF loan.	51,681
El Rincon Supportive Services Organization	Chicago	Acquisition of leased property for clinic serving substance abusers.	250,000
Erie Neighborhood House	Chicago	Renovation of administrative space for multi service agency.	250,000
Ezzard Charles Montessori Day Care Center	Chicago	Refinance of debt on current property for child care center.	387,116
Greer's Residential Center	Chicago	Construction of residential facility to serve pregnant and parenting teenage girls.	230,676
International Learning Center	Markham	Acquisition and renovation of rented property for early childhood development center.	107,000
Jamal Place, Inc.	Chicago	Additional loan principal for renovations to a home for teen boys.	325,000
Korean American Community Services	Chicago	Refinance previous IFF debt with additional principal for community services agency.	197,917
Reba Place Day Nursery	Evanston	Refinance of IFF debt for child care center.	98,602

Illinois Facilities Fund Loans Closed as of June 30, 2000

Agency Name	Project Location	Loan Purpose	Loan Amount
1995			
The Resurrection Project	Chicago	Renovation of administrative space for community development agency.	88,000
Trinity Services, Inc.	Wilimington	Acquisition of property and construction of a CILA home for developmentally disabled adults.	32,000
Trinity Services, Inc.	Joliet	Additional loan principal for construction of a CILA home.	48,000
1996			
Abraham Lincoln Center	Chicago	Acquisition and renovation of previously rented Head Start sites.	171,000
El Rincon Supportive Service Organization	Chicago	Renovation of agency's headquarters for substance abuse programs.	50,000
Family Guidance Centers, Inc.	Chicago	Acquisition and renovation of property to house program and administrative space to serve substance abusers.	500,000
Howard Brown Health Center	Chicago	Acquisition and renovation of property to house program and administrative space to provide health care and wellness programs for people with HIV/AIDS.	500,000
Hull House Association	Chicago	Renovation of property to house program space for a transitional living program.	212,600
Hull House Association	Chicago	Renovations to property for administrative space.	32,200
Hull House Association	Chicago	Renovations to a transitional living program for teens who are wards of the state.	132,700
Instituto del Progreso Latino	Chicago	Installation of fire alarm system to bring facility to code.	20,000
Matthew House	Chicago	Renovation of vacant building to serve as program headquarters for homeless service agency.	500,000
Options, Inc.	Niles	Acquisition and renovation of property to serve as a residential care site for males with disabilities.	165,000
Pioneer Civic Services, Inc.	Peoria	Acquisition and renovation of a vacant school for use as rental space for a variety of nonprofit human service agencies.	500,000
REBOUND, Inc.	Waukegan	Construction of residential facility for teen male offenders as an alternative placement to incarceration.	517,625
The Resurrection Project	Chicago	Refinance of property debt for a facility offering supportive services and housing for homeless women and their children.	50,000
Teen Living Program	Chicago	Refinance of previous IFF debt.	$163,367
Youth Attention Center, Inc.	Jacksonville	Acquisition and renovation of agency headquarters and program space for child welfare agency.	30,000

Illinois Facilities Fund Loans Closed as of June 30, 2000

Agency Name	Project Location	Loan Purpose	Loan Amount
1997			
Academy of Communications and Technology Charter School, Inc.	Chicago	Acquisition of equipment for charter school.	82,000
Academy of Communications and Technology Charter School, Inc.	Chicago	Acquisition and renovation of site for charter school.	545,055
ACORN Charter High School	Chicago	Start-up costs for charter school.	19,200
ACORN Charter High School	Chicago	Renovation of site to serve as a charter school.	60,800
Chicago Anti-Hunger Federation	Chicago	Renovation of property to serve as administrative headquarters and food distribution center.	500,000
Chicago Health Outreach	Chicago	Renovation of residential space for program serving mentally ill and homeless clients.	80,000
Chicago Preparatory Charter High School	Chicago	Acquisition of equipment for a charter school.	85,000
Chicago Preparatory Charter High School	Chicago	Start-up costs for charter school.	20,000
El Rincon Supportive Services Organization	Chicago	Refinance IFF loan with additional principal for the renovation of agency headquarters.	109,313
Friends of Battered Women and Their Children	Chicago	Acquisition and renovation of site to serve as program and administrative headquarters for supportive services agency.	$241,000
Horizons Children's Center	Wheeling	Facility improvements to child care center.	87,210
Jamal Place, Inc.	Chicago	Renovation of basement to serve as additional program space as a group home for boys.	$60,970
Lawndale Community School	Chicago	Acquisition and renovation of rented space to serve as a school for community youth.	300,000
Older Adult Rehabilitation Services (OARS)	LaGrange	Acquisition of building to serve as administrative and program headquarters.	354,000
Options, Inc.	Morton Grove	Acquisition and renovation of a residential home to serve as a CILA site.	227,000
Options, Inc.	Mount Prospect	Acquisition and renovation of a residential home to serve as a CILA site.	208,700
Options, Inc.	Glenview	Acquisition and renovation of a CILA home.	282,820
Park Ridge Youth Campus	Park Ridge	Renovation of program and administrative space for child welfare agency.	200,000

Illinois Facilities Fund Loans Closed as of June 30, 2000

Agency Name	Project Location	Loan Purpose	Loan Amount
1997			
Perspectives Charter School	Chicago	Start-up loan for charter school.	20,000
Perspectives Charter School	Chicago	Equipment for charter school.	20,000
Pioneer Civic Services, Inc.	Peoria	Renovation of a community center.	57,000
Seguin Services, Inc.	Cicero	Refinance of parking lot for agency serving the disabled.	100,000
Sinai Family Health Centers	Chicago	New construction of a health clinic.	400,000
South East Asia Center	Chicago	Acquisition and renovation of a building to serve as multi-service site.	300,000
Southeast Chicago Development Commission	Chicago	Renovation of administrative space for community development corporation.	30,000
Triumphant Charter School	Chicago	Acquisition of equipment for charter school.	71,500
Triumphant Charter School	Chicago	Exterior renovation of site to serve as a charter school.	92,270
Triumphant Charter School	Chicago	Interior renovation of site to serve as a charter school.	192,500
Victor C. Neumann Foundation	Chicago	Acquisition and renovation of program and administrative space for agency serving people with disabilities.	500,000
1998			
Carole Robertson Center for Learning	Chicago	Construction of child care center on leased property.	550,000
Champaign County Association for the Mentally Retarded (CCAMR)	Champaign	Acquisition and renovation of property for the developmentally disabled.	135,000
Chicago City Theater Company	Chicago	Renovation of leased space for agency administration and programming.	115,000
Claretian Associates, Inc.	Chicago	Renovations to community development corporation's administration building.	10,000
Community Health & Emergency Services, Inc.	Cairo	Acquisition and renovation of community health care clinic.	80,000
Des Plaines Valley Community Center	Summit	Renovation of leased space for agency headquarters and programming space.	70,000
Inspiration Cafe	Chicago	Renovation of leased space for homeless food program.	139,000

Illinois Facilities Fund Loans Closed as of June 30, 2000

Agency Name	Project Location	Loan Purpose	Loan Amount
1998			
Instituto del Progreso Latino	Chicago	Renovation of agency headquarters and refinancing of IFF debt for educational services agency.	166,372
Intuit: The Center for Intuitive and Outsider Art	Chicago	Refinance of short term financing for acquisition of site to serve as agency administration and program space.	210,000
Lawndale Christian Development Corporation	Chicago	Acquisition of vacant land and construction of child care center.	550,000
New Hope Center	South Holland	Acquisition and renovation of CILA home to serve developmentally disabled adults.	127,950
Options, Inc.	Des Plaines	Acquisition and renovation of site to serve as a CILA home.	215,975
Our World	O'Fallon	Acquisition of property and newly constructed building for an adult day services program.	$500,000
Perspectives Charter School	Carbondale	Leasehold improvements for charter school.	280,114
Rainbow House	Chicago	Refinance of women's shelter.	125,000
Renz Addiction Counseling Center	Elgin	Acquisition and renovation of site to house agency administration and programs.	470,000
Respite House, Inc.	Naperville	Renovation of home to serve as short term residential care for medically fragile children.	350,000
Rockford MELD, Inc.	Rockford	Renovation of agency headquarters for youth services agency.	30,000
Search Development Center, Inc.	Chicago	Acquisition and renovation of site to serve as group home for adults with developmental disabilities.	275,000
Southwestern Illinois Area Agency on Aging	Shiloh	Acquisition and renovation of agency headquarters.	275,000
Triolgy, Inc.	Chicago	Renovation of agency headquarters and program space.	394,840
University of Chicago Charter School Corporation	Chicago	Acquisition of furniture and equipment for charter school.	100,000
University of Chicago Charter School Corporation	Chicago	Installation of fire alarm system in charter school.	169,275
Youth Job Center of Evanston, Inc.	Evanston	Acquisition and renovation of site to serve as agency's administrative and program headquarters.	309,550

Illinois Facilities Fund Loans Closed as of June 30, 2000

Agency Name	Project Location	Loan Purpose	Loan Amount
1999			
Academy of Communications and Technology	Chicago	Improvements to facility for charter school.	100,000
The Advantage Group Foundation, Ltd.	Crystal Lake	Acquisition and new construction of substance abuse counseling center for youth and families.	444,000
Catholic Social Services	Belleville	Leasehold improvements and equipment to medical services building.	100,000
Community Health and Emergency Services, Inc.	Chicago	Acquisition of property for women's health clinic.	205,000
Ecker Center for Mental Health, Inc.	Elgin	Acquisition of mental health center.	266,640
Infant Welfare Society of Evanston	Evanston	Renovation and expansion of child care center.	135,905
Jane Addams Resource Corporation	Chicago	Facility improvements for administrative and program space for job training, education, and industrial programs.	67,856
Lawndale Community School	Chicago	Renovations to school for code compliance.	25,000
NorthSide Community Health Resource Facility	Chicago	Acquisition and renovation of health care clinic.	500,000
Parc	Westchester	Acquisition and renovation for new agency headquarters and program site.	495,000
Roseland Christian Health Ministries	Chicago	Aquisition of equipment for primary health care facility.	100,000
School for Little Children of Evanston	Evanston	Renovation of space for child care center.	147,200
South Chicago Parents and Friends of Retarded Children, Inc.	Chicago	Renovation and expansion to program and administration facility for persons with disabilities.	23,642
South Chicago Parents and Friends of Retarded Children, Inc.	Chicago	Renovation and expansion to program and administration facility for persons with disabilities.	343,000
South Side Help Center	Chicago	Acquisition of building for relocation of agency outreach facility.	320,000
SouthStar Services	Chicago Heights	Acquisition and renovation of program space for developmentally disabled.	150,000
Victor C. Neumann Association	Chicago	Acquisition and construction of special-use townhouses for developmentally disabled youth.	500,000
Will County Community Action Building Corporation	Joliet	Acquisition and renovation of agency headquarters.	$90,000
Youth in Crisis	Berwyn	Renovations of agency headquarters for youth assistance.	114,000
Youth Service Bureau of Illinois Valley	LaSalle	Refinance agency equity for school renovations.	109,300

Illinois Facilities Fund Loans Closed as of June 30, 2000

Agency Name	Project Location	Loan Purpose	Loan Amount
2000			
Community Health and Emergency Services, Inc.	Carbondale	Acquisition of property for women's health clinic.	$205,000
New Hope Center	South Holland	Acquisition of a residential facility for developmentally disabled adults.	192,500
Pioneer Civic Services, Inc.	Peoria	Acquisition and renovation of property to provide operating spaces for nonprofits.	245,000
School for Little Children of Evanston	Evanston	Improvements to space for use as a child care center.	147,200
South Chicago Parents and Friends of Retarded Children, Inc.	Chicago	Renovation of property serving developmentally disabled adults and chldren.	343,000
South Chicago Parents and Friends of Retarded Children, Inc.	Chicago	Refinance of property serving developmentally disabled adults and children.	23,642
Triolgy, Inc.	Chicago	Renovation of administration site including a new HVAC system.	210,000
Victor C. Neumann Foundation	Chicago	Construction of a group home for teen boys.	500,000
Youth in Crisis	Berwyn	Refinance and renovations for youth counseling facility.	114,000
Young Women's Leadership Charter School	Chicago	Renovation of space for charter school.	400,000

The bricks were laid and the mortar cured in the spirit of giving…that spirit will breathe life into these buildings and strength into those who work in them.

Cordell Reed, IFF Board member

Cordell Reed, former IFF Board Chair and current Chair of the Resource Development Committee

3

Taking child care up a notch

The school bus drivers come first to the Circles of Learning on North Main in Rockford, dropping off their children before 6 a.m. Next come factory workers who punch in at 7:00, then certified nurse's assistants and retail workers. While teacher Cindy Carlson spoons cereal into an infant's mouth, other workers are arriving at the Nia Family Center 90 miles away on Chicago's West Side. A mechanic in oil-stained jeans brings in his daughter as Beulah Miller hurries to her secretarial job. "In this building my children are safe," says Miller. "My mind and my heart are at ease."

1994 was a good year for children and their parents in Illinois. Five new child care centers opened that year as part of the IFF's first major construction effort, the $21.7 million Child Care Facility Development Program. Conceived in 1991 as a way to rapidly create new child care capacity, the project represented by far the most complex undertaking in the short history of the IFF, and as each center opened its doors, it was proving to be a spectacular success.

Involving dozens of individuals including architects, builders, government officials and nonprofit agency directors, the project was a test of the IFF's capabilities, pushing it into new and demanding areas of expertise from child care design to construction management. But after three years of effort it positioned the IFF as a can-do organization with the stamina and know-how to not only

create public-private partnerships, but to invent new ways to strengthen the nonprofit sector in Illinois.

Child-level windows

Seven centers were built under the program, five from the ground up and two from the shells of older buildings. Costing $1.3 million to $6 million each, the centers are doused in light from large windows, filled with colors and shapes and fitted out with thoughtful details such as industrial kitchens, windows between rooms at child level and half-walls around the bathrooms for easy supervision.

Designed by the architectural firm Boyer/Hoppe & Associates, each building is distinct, colorful and responsive to local needs. The three-story Christopher House facility in Chicago's Uptown is squeezed upward from a small urban lot, while the New Horizon Family and Child Development Center in Decatur has a large internal courtyard and a series of peaked roofs to mimic its residential neighbors.

Serving 150 to nearly 300 children each, including infants and Head Start classrooms, the centers are big enough to provide economies of scale and to chip away at the waiting lists in their communities. But as the IFF would learn in coming years, they would be only a small first step toward providing quality child care that is affordable to families of modest income.

Innovative financing

In 1990 when the U.S. Congress allocated $27 million for child care in Illinois, Sue Howell of the Illinois Department of Children and Family Services (DCFS, now the Department of Human Services) knew the state wasn't ready. "The big hurdle was that we didn't have facilities," she remembered, "but we weren't thinking of a big construction program, just a lot of rehabilitation and program expansions." It didn't take long to realize that wouldn't be enough.

Logue had advanced the notion for several years that a single large loan or investor could finance such a construction effort. Sue Howell and others helped negotiate the State's promise to repay debt if the IFF would assume the liability for construction. The IFF hired Carol Rubin, a deputy to the chief of staff of Mayor Richard M. Daley, to make things happen. Rubin put together a prospectus for $11 million in loans and set up meetings with area banks and other investors. But the response was cool. There were no takers.

The fallback was tax-exempt bonds, a tool familiar to many business community board members long used by health care and other institutions, but out of reach to small agencies lacking the financial resources to back the bonds. Equity was needed, so the executive committee at the Chicago Community Trust pledged $2 million, the

Children play in the large motor skills room at the Uptown Family and Child Development Center.

largest single-payment grant in memory. Logue lined up the Illinois Development Finance Authority (IDFA) to issue the bonds and Christine Kelly of William Blair & Company to sell them. "We call this type of deal a 'story bond' because it doesn't carry a AAA rating," said Kelly. "You have to tell the story to sell it." With equity from the Trust and other foundations plus a $1 million IDFA loan as a reserve, Kelly told a story that had the IFF as its institutional anchor. It sounded good to money market funds that could use a 12-year stream of 7.4% interest, and they bought the $12.73 million package. It was enough to start.

Ready, set, build

Child care agencies were eager to get involved with a program that would build them a brand new facility; it was up to the IFF and DCFS to select the agencies that had the management savvy and experience to handle a major expansion. A screening committee reduced 44 applicants to 21. Site visits whittled the list to 14. Then a fresh team of national experts spent four days in a Printers Row hotel to pick the seven finalists.

With money and partners in place, architects Jonathan Boyer and Heidren Hoppe upped their pace, shuttling among the agencies to hammer out design details. The IFF recruited a blue-ribbon construction team,

including Teng & Associates for engineering, Stein & Company to manage budget and construction, and Pepper Construction as general contractor for six of the sites. For the partner agencies, the IFF organized a four-week mini-business school to prepare them for opening day, when budgets and staff would be far bigger, with management challenges to match.

Construction proceeded like it always does: an endless series of small setbacks, detours, meetings and budget discussions, including some hard-fought battles over amenities like extra drinking fountains that Jonathan Boyer and the child care agencies had to ultimately give up. Boyer remembers some "very dark days" when he feared the designs would be compromised, but Carol Rubin, while pressing relentlessly to keep the project on time and budget, cultivated a good-natured relationship among team members. Stein contributed "value engineering" that protected elements like fine millwork by shaving costs elsewhere. Pepper Construction came through with high-quality work that could stand up to a daily beating. The child care agencies were graceful about cutbacks and dug around for other resources. The give and take "gave almost a spiritual quality to the resulting buildings," remembered architect Hoppe, a sentiment shared later by teachers in the classrooms.

Various photographs celebrating the Child Care Facility Development Program—

Boyer Hoppe and Associates architects, Mayor Daley and other officials at Erie Community Center ground-breaking, Sue Howell of DCFS at Circles of Learning groundbreaking in Rockford and Former Governor Edgar with Mark McHugh and children at Christopher House.

New buildings completed as part of the Child Care Facility Development Program.

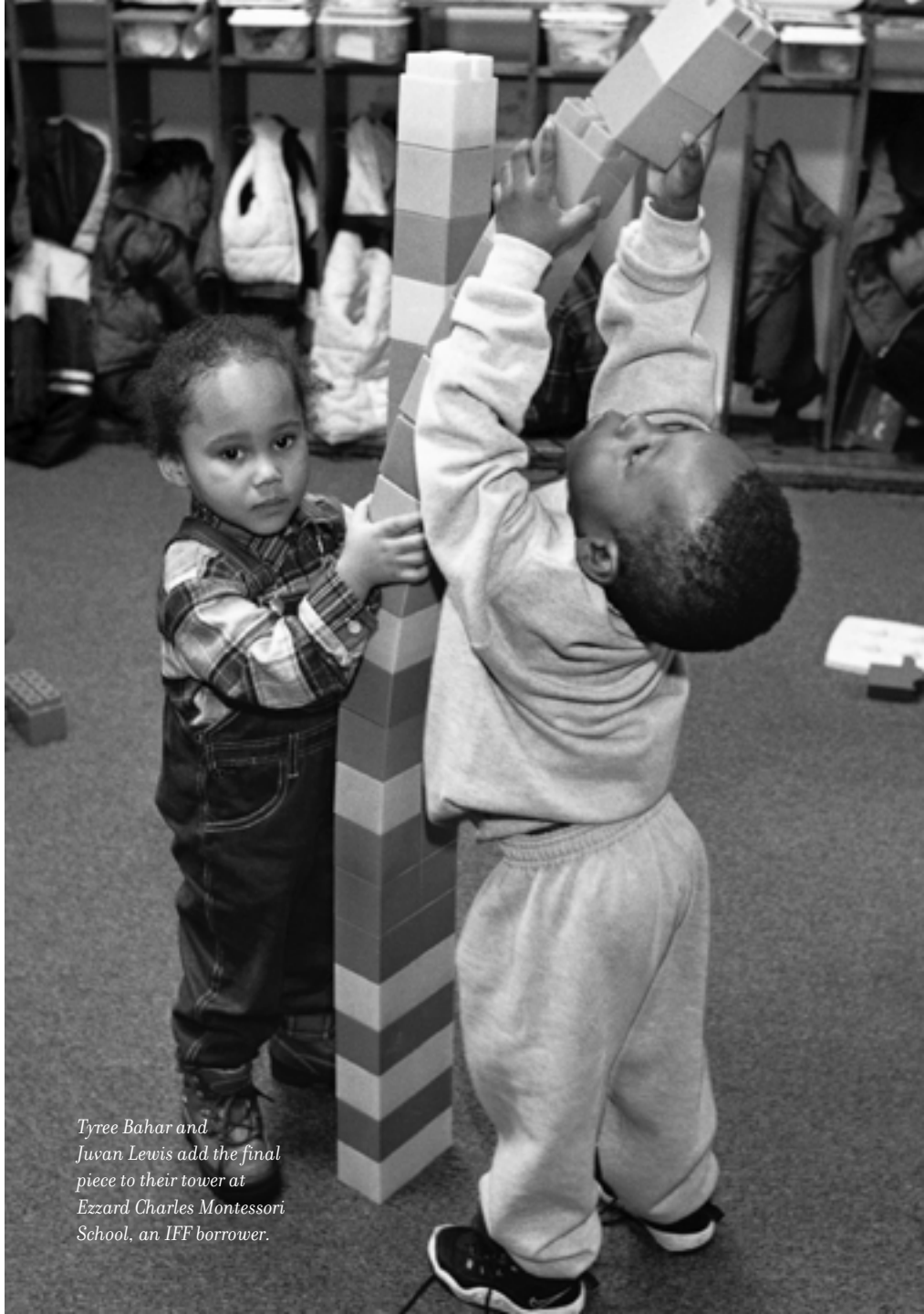
Uptown Family and Child Development Center, New Horizon Family and Child Development Center, Nia Family Center and East St. Louis Family Development Center.

Erie Community Center, Community Mennonite Early Learning Center and Circles of Learning on North Main.

Learning process

Building the child care centers was a formative period in the IFF's development. Not only was it the first hands-on construction effort, but it opened the door to large-scale financing approaches and suggested that lending would be complemented by parallel activity in real estate services, public policy and nonprofit management. This was reflected in a broadening of expertise on the IFF board to guide new policies and programs.

The project made clear that these areas weren't superfluous "add-ons" to the IFF's lending mission but essential elements of helping the nonprofit sector during a period of tremendous opportunity and serious challenges. In an IFF study on the financial health of the nonprofit sector five years later, more than half of the responding agencies said they were making fundamental changes. Facing competition, growth in demand for their services and falling government support—sometimes all at once—agencies were beefing up their management and attempting to diversify their sources of revenue. That was the next challenge for the IFF as well; it needed a larger pool of grants and low-interest investments to support the transformation of the nonprofit world, even as it continued its support through real estate consulting services.



Tyree Bahar and Juvan Lewis add the final piece to their tower at Ezzard Charles Montessori School, an IFF borrower.

Guy Summers,
IFF Board member

Dan Azark and Bill Jones, IFF Board members

Child Care Facility Development Program

Community Mennonite Early Learning Center, Markham
Affiliated with
Community Mennonite
Church of Markham
186 children served;
$1.9 million project cost

East St. Louis Family Development Center, East St. Louis
Managed by Leslie Bates
Davis Neighborhood House
150 children served;
$1.3 million project cost

Erie Community Center, Chicago
Child care managed by Erie
Neighborhood House,
clinic managed by
Erie Family Health Center
205 children served;
$6 million project cost

New Horizon Family and Child Development Center, Decatur
Managed by Decatur Macon County
Opportunities Corporation
176 children served;
$1.9 million project cost

Nia Family Center, Chicago
Managed by Chicago Commons
156 children served
plus 68 in Head Start;
$2.6 million project cost

Circles of Learning on North Main, Rockford
Managed by Circles of Learning
153 children served;
$1.7 million project cost

Uptown Family and Child Development Center, Chicago
Managed by Christopher House
223 children served
plus 68 in Head Start;
$2.6 million project cost

We are bringing new sources of financial capital to distressed are as, so neighbors can lend to neighbors.

Robert E. Rubin
Former U.S. Secretary of the Treasury

Former IFF staff member Lori Scott and Chair of the Board's Loan Committee Robin Coffey

4

Raising the stakes

The IFF started out with the easiest kind of money: $1.75 million in grants that could be lent out to support ongoing operations. Operating grants were in hand to get the first loans out the door, and there was an expectation of additional support from the Chicago Community Trust. But it was understood from the beginning that the IFF couldn't grow without finding other sources of funds.

The crunch came quickly. To make the most of its equity, the IFF kept lending terms short—five to eight years—so that principal repayments could accumulate quickly and be recycled into new loans. Even with $405,000 from United Way and a $120,000 no-interest loan from the Harris Foundation, money was going out faster than it was coming back. By 1992 discussions about fundraising were under way, and loan officer Liz Olfe Feldman later put the situation in writing: "The IFF is running out of capital to lend."

There were three options. Like its counterparts in commercial lending, the IFF could "buy" money to lend it out again at a higher interest rate. The second approach was to pursue more equity grants that provided funds "free of charge." In the middle was a Program—related investment, a very-low-interest loan, from philanthropic organizations, that was almost as good as an equity grant.

After numerous discussions at the board and staff level a decision was made to go after all three types of investments.

Finding inexpensive funds

In its first four years, the IFF's overall cost of funds was an enviable 0.8 %, while it charged about 7% on its loans. The resulting margin of 6% net interest was impossible to maintain. Inquiries that began in 1992 with foundations and financial institutions revealed no immediate prospect for equity grants, but there was a possibility of program-related-investments, or PRIs, from foundations.

The John D. and Catherine T. MacArthur Foundation came through first, committing a $750,000 PRI in 1992. The McCormick Tribune Foundation followed with a $600,000 PRI the following year. The agreements called for 3% interest and no principal payments, with the balloon payment not due until 2004 at the earliest.

The two investments represented the IFF's first interest-paying obligations, but the costs were low and the arrangements weren't a major departure because they took place within the "family" of nonprofit institutions. Breaking into the commercial lending world was another matter. When the IFF visited five of Chicago's big banks, looking for money that it could

relend to nonprofits, there wasn't even a nibble of interest. The idea took root only when the IFF story reached the desk of Continental Bank's Fran Grossman, who knew the nonprofit world and was a pioneer in that bank's community development lending programs. She shepherded the application through the bank's upper levels and in 1993 the IFF closed on a loan of $1 million. As expected, the bank funds were more expensive than equity grants, at 5.6% over three years, so they provided only a slight margin to cover expenses. But the loan opened the door to the downtown bankers. They would become key partners in the future.

In the meantime, Olfe Feldman and Logue found other willing partners. The Polk Bros. Foundation provided a $200,000 grant to the loan program; the Blowitz Ridgeway Foundation pledged a series of five $200,000 PRIs, and the Calvert Strategic Growth Fund invested $100,000. All were at low interest rates. While diluting the original equity-rich pool, this new wave of investments nevertheless kept the cost of funds low. But with $2.1 million approved for new loans in 1994, and $3.5 million the following year, the money was soon committed, and the push for loan capital continued.

Banks and the U.S. Treasury

As hoped, the relationship with Continental Bank (nowBank of America) was expanded in 1995. Fran Grossman and senior vice president Mary White Vasys were receptive to IFF new director of finance and lending Karen Seabury's pitch for another, bigger loan, but they wanted other banks to be involved with them. "Syndication to share risk was done all the time in real estate, but it was still very cutting edge to do it with a nonprofit borrower," remembered Vasys. "We knew how to find the right people at the other banks, and when we went to them with Trinita Logue and Karen Seabury, they could look at the IFF's track record and see that it was something they could respond to." The "bank consortium" ultimately included Bank of America and five other banks—Cole Taylor, First Chicago NBD (now Bank One), Harris Trust and Savings, LaSalle National and St. Paul Federal—which committed to purchasing up to $10 million in trust notes collateralized by IFF loans.

The consortium agreement was a huge boost to the loan program at a critical time, but it was not inexpensive because the interest and principal were passed through to the banks. The IFF retained only a 0.75% administration fee. And so even as the IFF increased its lending power, it also had to find a lower-cost counter-weight to this commercial borrowing, ideally another

source of no-cost equity grants. The best prospect for that lay in a national movement to elevate the status and financial strength of "community development financial institutions" (CDFIs), a category that included the IFF and similar loan funds as well as community development banks such as Shorebank. The CDFI movement received a boost when President Bill Clinton expressed admiration for work done by Shorebank in his home state of Arkansas. With Clinton's go-ahead, the US Treasury began seeking ways to create a network of such banks across the United States.

This put the IFF in a sensitive situation. Along with other unregulated lenders such as micro business lenders, the IFF wanted the program to include unregulated agencies that could be more flexible than banks in meeting the needs of low-income communities. Logue got involved early with other community development advocacy groups, preparing position papers and testifying at hearings as the Community Development Financial Institutions Act was conceived and moved through Congress. "There were moments when we were at odds with the banks, which we really did not like because they were and continue to be our partners," Logue remembers. "But we wanted to make sure the nonprofits were included, along with the banks. And in the end they were."

IFF Board member
Patricia Kampling

Children and teachers celebrate the beginning of construction of Our World, an IFF borrower providing intergenerational programs in downstate Illinois.

Mabel Greathouse and Evan Paeth enjoy the new Our World Center

It was a remarkable process because it redefined the delivery system for capital in the United States, said Mark Pinsky, President of the National Community Capital Association, which represents the interests of nonprofit financial services providers. "When I got involved in the field in 1990, when the IFF was just formed, the work of the nonprofit financial institutions wasn't considered relevant to the mainstream economy," Pinsky remembered. "But during those negotiations, people in the White House and in Congress listened to what we had to say, and ultimately the CDFI Program was built around some of our ideas. The extent and scale of the victory was astounding."

In 1996 when then-Secretary of the Treasury Robert Rubin announced the first 31 awardees for CDFI funds, the IFF received $900,000. By 1999 the CDFI program had invested $3.4 million in the IFF's work and a proposal for an additional $2 million was in the pipeline. Granted without interest and requiring a one-to-one match of other funds—which led to a $1 million infusion from the State of Illinois, among other new investors—these federal investments represented the greatest expansion of IFF equity since the original large grants from the Chicago Community Trust.

Money in, money out

In coming years, the IFF would further diversify its overall funding mix. A 1996 campaign chaired by board member Susan Pritzker dramatically boosted corporate and foundation support for operations, expanding the list to three dozen donors. In 2000 the list will easily exceed 50 donors for general operating and special projects. Cordell Reed, another longtime board member and former chair, opened more doors, first working his way around the boardroom table, requesting personal contributions that reached $22,000 in 1999, then framing a campaign to reach family foundations and individual investors. The first two results of that effort were a small grant from the Speh Family Foundation and the Morrison Foundation.

Success with loan program investors in turn attracted additional investors whose own missions required the IFF's skills and resources. The IFF responded aggressively to this "market" for its services, proactively pursuing the opportunities and creating new loan "products" to meet specific needs.

When the Hyatt Corporation and Circus Circus opened the Grand Victoria Casino riverboat, for example, it set up a foundation with a geographic focus on the old industrial city of Elgin. Even before the foundation was

formalized, the IFF approached the corporations and did a preliminary survey, at its own expense, of the area's nonprofit needs. The Grand Victoria Foundation awarded the IFF a small grant in 1996 to analyze local child care needs, and in 1998 the partnership bloomed into the Elgin Area Facilities Action Program, a $1 million grant for geographically targeted construction loans, with additional funds for operations and predevelopment work on a child care center.

More targeted funds filled out the portfolio. The Local Initiatives Support Corporation provided a $1 million loan to be lent to community development corporations to build child care and family resource centers. The Chicago Public Schools, launching a network of charter schools, needed an expert intermediary to help the new schools find and finance their classrooms. It chose the IFF not only for its lending but for its evaluation of the financial and managerial strength of charter school applicants. After the IFF made five loans to community health clinics and did consulting with three others, it formalized a Community Health Care Capital Fund and attracted grants from Michael Reese Health Trust and Community Memorial Foundation, both created by for-profit acquisitions of nonprofit health providers.

The biggest targeted program came in 2000 with a $5 million loan at 3% from Allstate Insurance Company; the funds will be used exclusively for child care and educational facilities for children.

Having set out in the early 1990s to broaden and increase its own funding, the IFF ended the decade with a healthy surplus in its loan fund and enough new dollars in the pipeline to help agencies buy hundreds of truckloads of steel, drywall and plumbing fixtures. "The demand is there," says Jane Bilger, referencing 1998 survey results showing that more than 400 agencies plan facilities projects. "There are thousands of nonprofits in our target market and we've made loans to fewer than 200 of them. We haven't even begun to meet the needs of the communities."

Katie Graham, Former Associate Director of Claretian Medical Center, an IFF borrower and real estate client.

Students learning to cook at Sullivan House, an IFF borrower.

Cloyd Norwood, Executive Director of Ezzard Charles Montessori School in Chicago's Englewood neighborhood, an IFF borrower.

Funders of Special Projects and Operations

American National Bank Foundation
The Aspen Institute
Bank of America Illinois
Bank One Corporation
Bauer Foundation
Blowitz Ridgeway Foundation
The John Buck Company
Chase Manhattan Bank Foundation
The Chicago Community Foundation
The Chicago Community Trust
Chicago Cotillion Charities Foundation
Chicago Title & Trust
Chicago Tribune Foundation
Citibank F.S.B.
Cole Taylor Bank
Commonwealth Edison Company
Community Memorial Foundation
Design Industries Foundation Fighting AIDS
Richard H. Driehaus Foundation
Fannie May Foundation
Fel-Pro/Mecklenburger Foundation
Field Foundation of Illinois, Inc.
First Bank Illinois
Firstar Corporation
The Ford Foundation
The Freddie Mac Foundation
Lloyd A. Fry Foundation
GATX Corporation
The Grand Victoria Foundation
Harris Bank Foundation
F.B. Heron Foundation
LaSalle Bank N.A.
The John D. and Catherine T. MacArthur Foundation
The McCormick Tribune Foundation
Michael Reese Health Trust
Harold M. and Adeline S. Morrison Family Foundation
Near North National Group
The Northern Trust Company
John Nuveen & Co. Incorporated
Nicor Gas
Peoples Energy
Pepper Companies, Inc.
Polk Bros. Foundation
Prince Charitable Trusts
The Prudential Foundation
Sara Lee Foundation
St. Paul Federal Bank
The St. Paul Companies, Inc.
Albert J. Speh, Jr. and Claire R. Speh Family Foundation
Steans Family Foundation
TCF Bank Illinois
US Bank
William Blair & Company
WPWR-TV Channel 50 Foundation

Contracts

Chicago Department of Human Services
City of Chicago, Community Development Block Grant
Day Care Action Council
Illinois Department of Children and Family Services
Illinois Department of Mental Health
Illinois Planning Council on Developmental Disabilities

Investors and Funders of the Loan Program

Allstate Insurance Company
Bank of America Illinois
Blowitz-Ridgeway Foundation
Calvert Foundation
The Chicago Community Trust
Chicago Public Schools
Citibank, N.A.
Community Memorial Foundation
Local Initiatives Support Corporation
Lloyd A. Fry Foundation
David K. Hardin Generativity Trust
The Grand Victoria Foundation
The Harris Foundation
F.B. Heron Foundation
Illinois Department of Commerce and Community Affairs
Illinois Development Finance Authority
The John D. and Catherine T. MacArthur Foundation
McCormick Tribune Foundation
Manufacturers Bank
Northern Trust Company
Polk Bros. Foundation
United Way of Metropolitan Chicago
U. S. Department of the Treasury Community Development Financial Institutions Fund

Bank Consortium Members

Bank of America Illinois
Cole Taylor Bank
Bank One
Harris Trust and Savings Bank
LaSalle National Bank
St. Paul Federal Bank

Pro-bono legal counsel

Sidley & Austin for Family Resource Center Partnership

The IFF will become the preeminent financial and development services provider for under-capitalized nonprofits.

IFF vision statement, 1998

Alison Falls, former IFF Board Chair

5 Hammers and hardhats

If there is one thing that Trinita Logue is absolutely sure about, it is that most nonprofit organizations should think three times before taking on big real estate projects. Sitting at the round table in her office, she asks a simple question; "Even if they have the funds, why should nonprofits try to become experts in construction if it is going to divert them from their core mission?"

Most nonprofits won't do more than one major rehab or new construction project in 20 years, Logue points out, "So they spend a whole lot of time on it and then can't use what they've learned. They'll get a much better payback putting energy into improving management or learning how to raise funds, because they'll always have to do that."

Joe Neri has worked both sides of the issue. He was associate director at The Resurrection Project, a Pilsen community development organization that managed large construction projects including a child care center; it is one of the IFF's largest borrowers with four loans. Now Neri is director of the IFF Real Estate Services division. "We know the architects, we have relationships with builders and we know how construction works," says Neri. "We also understand the nonprofit world's governance and funding environment. So even if some nonprofits are capable of doing construction management, you have to ask if that is the best use of their time."

Paint-bucket chairs

Across the hall from Neri's office is George Marquisos' desk, piled high with rolled-up blueprints and construction paperwork. As Real Estate Services Manager, Marquisos is the most hands-on of the division's four members, and today he is checking up on the Marwen Foundation project. He jumps in a cab with a rolled blueprint in his hand and five minutes later leads the way into a brick loft in River North. It is 10 days before the lease runs out at Marwen's current facility, where more than 2,200 inner-city students are enrolled in drawing, painting, sculpture and printmaking classes. The new space i s clearly not ready, but there are workers everywhere, knifing drywall compound onto the walls, welding the staircase and installing sinks in the mixed-media room.

The table for today's meeting is a sheet of plywood, with five-gallon paint buckets for chairs. Marquisos sits down with contractor Jeff Berry and architect Dan Wheeler of Seymour Goldberg and Associates. Though there are no drawing tables or art benches yet, the awesome timber beams and exposed brick walls suggest that this room will change the lives of many young people. Eight-foot south-facing windows give spectacular views of Loop skyscrapers, and the CTA trains that pass through the Chicago Avenue station seem close enough to draw the faces of the commuters.

Formerly a small scale developer himself, Marquisos is known at this meeting as the "owner's rep," and in that role he reels off a series of questions about last minute details for architect and builder. What's the plan for the coat hooks? Wood pegs or metal? Did the heating contractor finish the vent work? When will the tempered glass be cut for the stairwell? Should the Levelor blinds be silver or grey? Contractor Berry is under the gun because Marwen must move in 10 days and resume classes soon after, but he files each item mentally and seems ready for the push. He has lined up a weekend crew to clean floors, he says, and is preparing storage areas in the basement. Not everything will be done, but the move will happen. As everyone stands up to adjourn, they talk about paint colors and share a laugh about the circles of drywall dust on the backsides of their pants.

A sense for buildings

Experience in the tricky and expensive world of real estate development is one of the most valuable assets the IFF has built over the years. Its worth became obvious as soon as Larry Cleland got involved in 1990. One of several retired executives who volunteered with the IFF through the Executive Service Corps, Cleland perused loan files and went into the field to look over the facilities of prospective borrowers. In a few minutes

Students enjoy a Marwen Foundation's spacious studio.

Richard Townsell, Executive Director of Lawndale Christian Development Corporation, an IFF borrower and real estate client, with IFF staff member George Marquisos, review plans for a family resource center in Lawndale.

Parents, staff and children enjoy the groundbreaking ceremony for the Carole Robertson Center for Learning's child care center, an IFF borrower and real estate client

Jamal Place, an IFF borrower, hosts a community picnic.

he would see things that others missed: an inflated appraisal, for instance, or a poorly conceived floor layout. Bringing that kind of expertise permanently onto the IFF staff became a goal before the first set of child care centers was finished, augumented by board members such as Dan Azark of Hyatt Development Corporation and Bill Jones from LISC.

A bit of technical assistance was always part of the IFF loan application process, and sometimes chewed up hundreds of hours as IFF staffers helped a borrower solve unexpected problems. Turning such work into a paying proposition made good business sense, but it didn't gel until late in 1996 when the Chicago Department of Housing hired the IFF to study its program to fund renovations for nonprofits. Joe Neri was soon hired as director of the Real Estate Services division, and he found plenty of work: analyses of community child care needs, feasibility studies on building proposals, and small jobs handling acquisition contracts, permits and schedules. The common thread is specialized knowledge, which is what Neri looked for as he built up his staff.

The division's current director, Gabriella DiFilippo, is the nonprofit world's equivalent of a downtown developer. She did most of the preliminary work for Community*Health*, a $1.3 million project that involved the IFF from start to finish. DiFilippo worked with

the agency finding and purchasing a suitable building, financing the buildout with a bank loan and a $500,000 second position IFF loan, and selecting the architect and general contractors. She then turned the project over to Marquisos for construction management while she started over again, this time for a new child care center in the Back of the Yards.

With as many as 10 projects underway at any one time, the division has confirmed broad demand for its services, but one type of agency wasn't fitting into the IFF's offerings. Logue and Neri both had encountered agencies that badly needed better facilities but were too weak financially to pursue them. "One group spent seven years talking about the critical need for a new home, but just couldn't do it," says Logue. "So we designed a program to help them get started even before they had financing in place."

Out on a limb

The first participant in the Community Asset Builder program is Southwest Women Working Together, a provider of services to battered and abused women. Working from cramped offices with inadequate privacy for counseling sessions, the 25-year-old organization nonetheless provided educational, emotional and social support to 13,000 women in 1999. It had solid

operating funding from city and state agencies, but not enough equity or fundraising experience to develop a new facility.

Logue has a gleam in her eye as she describes how the new program, fraught with financial risk, will be structured. Using an initial $50,000 investment from the IFF's loan program, Real Estate Services will help the agency define its site needs and then begin scouting for properties. Meanwhile a fundraising consultant will be hired to work with the organization's board on a three-year schedule to raise funds. When a facility plan is finalized, a loan application will be submitted to cover the purchase and buildout. Real Estate Services will manage the project and, to further lighten the financial load, defer 70% of its fees until the capital campaign is completed and used to repay the IFF in full.

"IFF would never lend against fundraising in the past," says Logue, "but as we gained experience with different agencies and looked at what they needed to get facilities built, it was always the same three things: time, skills and cash. We can provide those things. There's more risk for us, but there's also a big reward for the community, because the project will actually get done and the organization will be stronger than it was before."

Karen Tilly, Director of Development and Board member Jim Pirstas of Meld in Rockford open a new residence financed by the IFF for teen-age girls who are State wards.

Valee Salone, Executive Director of Nia Center for Developmental Disabilities, an IFF borrower, and Karen Seabury, former IFF staff member.

Agencies served by Real Estate Services

Client	Project
1996	
Chicago Department of Human Services	Head Start facilities assessment
The Ounce of Prevention Fund	Facilities assessment
1997	
Gads Hill Center	Consulting on new child care center
Carole Robertson Center for Learning	Development of a 270-child family resource center
Chicago Department of Housing	Analysis of and recommendations for not-for-profit facility rehab program
Chicago Family Health Center (formerly Claretian Medical Clinic)	Feasibility analysis of new expansion
Chicago Public Schools	Project management for charter schools
Grand Victoria Foundation	Child care needs assessment
Illinois Department of Children and Family Services	Construction/renovation of seven child care centers—1992-97
Interfaith Housing Development Corporation	Child care needs assessment
Lawndale Christian Development Corporation	Development of a new 247-child family resource center
1998	
Chicago Commons	Consulting on new multi-purpose facility
Chicago Department of Human Services	City-wide child care needs assessment
Chicago MOST	Three after-school classroom makeovers
Children's Home and Aid Society of Illinois	Development of a family resource center
City of Evanston, School District 65, Child Care Network of Evanston	Child care needs assessment
GATX Foundation	Child care needs assessment
Illinois State Board of Education	1998 charter school applicant review
Northside Community Health Resource Facility	New facility feasibility assessment and development of new health clinic
The Resurrection Project	Development of a new family resource center
Woodlawn Preservation Investment Corporation	Child care needs assessment and new facility recommendations

Agencies served by Real Estate Services

Client	Project
1999	
Community and Economic Development Association of Cook County	Child care needs assessment of 51 Cook County municipalities
Evanston School District 65	1999 charter school application analysis Applicant review — facilities, management and governance
Grand Victoria Foundation	Development of a new family resource center
Marwen	Project management for build-out of new program space
Suburban Job Link	New facility feasibility assessment
The Storehouse	New facility feasibility assessment
2000	
Chicago MOST	Three after-school classroom makeovers
Chicago Public Schools	1996, 1997, 1999, 2000 charter school applicants review — facilities, management and governance
Department of Human Services	Management of Children's Capital Fund
Leslie's Place	New facility feasibility assessment
Southwest Women Working Together	Project management of renovation of new facility
The Resurrection Project	Consulting on organizational development
Two Rivers Head Start	Child care facilities assessment and expansion analysis for Dekalb, Boone, Grundy, Kane and Kendall Counties

When I came to the old facility I always knew I was poor, but here I feel just like everybody else.

A client at Community*Health*

Jon Gilligan, Alan Ervick of Berglund Consruction, IFF's George Marquisos, architects Marta Godza and Jack Murchie and Executive Director Roberta Shapiro review plans for Community Health, an IFF borrower and real estate client.

6

Building nonprofit muscle

The waiting room is always full on Tuesday nights at Community*Health*, a free medical facility on a worn stretch of Chicago Avenue, but tonight the couches have been pushed to the side and the children's playhouse is serving as a coatroom. More than 200 guests, mostly in business attire, are celebrating the facility's grand opening, a $1.3 million investment in health care for Chicago's uninsured and working poor residents. The mood is triumphant.

Joy Glazer, an LPN who is director of clinical services, remembers opening the first tiny facility in 1993. "We did no advertising but the first week we had four patients a night. It rose to 20 the second week and we've been busy ever since." In 1999, the free services provided by 300 volunteer doctors, nurses and attendants attracted 10,000 patient visits. For this kind of load, even the group's second facility, a converted union hall, was woefully inadequate. "It was hanging lightbulbs and half-walls around the exam rooms," Glazer remembered. "In comparison, this building is like working in heaven."

Behind the terra-cotta façade of Community*Health's* first permanent home are 12 private exam rooms, a laboratory, pharmacy, patient education room, volunteer lounge and offices. The Illinois Facilities Fund provided a $500,000 second-position loan and managed the construction. Honoring the volunteer culture of the

organization, the IFF staff also turned out to help paint the yellow and white walls. "This space is changing the culture of our organization," says Roberta Sharpiro, executive director. "Our volunteers love working here, but more importantly, they love what the facility allows us to do for patients. We can serve our patients with dignity. And it is opening up the way we think about our work. We used to let the space constrain us. That restriction is gone."

Nonprofits on the rise

Helping nonprofits make a leap in quality has always been a central IFF goal, but accomplishing that often takes much more than a loan. For the IFF to be an informed and effective lender, it has had to steep itself in the shifting nature of the nonprofit world and grapple with the forces that can make or break any organization: markets, cashflow, government policy and management.

If knowledge is the foundation of the IFF's approach, research provides the building stones. Before the IFF incorporation papers were even signed, the fledgling organization had commissioned its first study, an analysis of the needs of Illinois children under the state's care. The Chapin Hall Center for Children at the University of Chicago documented that institutions

and group homes were losing government support and that family-oriented foster homes were becoming the placement of choice. But the study also noted that there would always be a need—and accompanying government support—for group homes that serve especially disturbed children and those teenagers who would resist a family setting. This knowledge gave the IFF enough confidence in its first three years to make five loans for these types of facilities.

"The lesson is that we should always do research to be aware of the needs of the nonprofits and whether there will be long-term commitment from government or other sources," says Logue. "We have to understand the whole nonprofit world, including real estate but also programs and funding and mission."

The next study laid out a huge potential market for this knowledge-based lending. A 1991 survey of 472 Illinois human service agencies, by Loyola University's Kirsten Grønbjerg, documented massive facility needs, including widespread building code and safety issues, plus a lack of government funding streams that could be tapped to make the improvements. This suggested that agencies had to use their financial resources wisely, become better fundraisers and even get involved in changing government policies.

Andy Teitelman, Vice President, Metropolitan Family Services and IFF staff member Elizabeth Evans.

The toilet tours

Public policy was inserted into the IFF's everyday work by the Child Care Facility Development Program. Designing seven centers from scratch forced the IFF and its partners to learn the minute details of local, state and federal regulations. It was an eye-opening experience. Federally funded Head Start classrooms, which were integrated into several of the centers, had different rules than state-funded child care classrooms. Head Start was a half-day program—though most working parents need full-day coverage—and it had different requirements for teacher certifications and age groupings. This forced very creative staff shuffles across the 12-hour workday of a typical child care center, and absorbed management and financial effort that might have gone into more constructive work.

While the integration of Head Start remains unresolved, and even more of a challenge as welfare reforms force mothers to work, it was pint-sized toilets that launched the formal public policy mission. Teachers interviewed by the architects identified bathrooms as an everyday problem area because they were often too far away and hard to supervise. Architects Boyer and Hoppe responded by designing toilets next to the classrooms with half-height walls that allowed at-a-glance supervision without leaving the other children. It was a

fine idea, but Chicago's building code didn't allow it. The IFF got the city to grant variances for the three centers built in Chicago, and after the construction dust settled, they set out to permanently change the code.

Public policy director Karen Muchin led city officials, including the Building Department's Cheryl Thomas and Graham Grady, on what became known as "the toilet tours." They visited a child care center whose bathrooms met the code, pointing out that teachers made the long trips away from the classrooms many times a day, and that children often stood in a dark hallway to wait to use the toilet. Then they showed off the half-wall design at the Christopher House facility in Uptown, where many children no longer asked to go to the bathroom; they just used it when they needed to. It was a convincing demonstration (especially for parents of young children), and was part of a long list of other suggestions. Over a two-year period the city became a responsive partner, revamping its regulations and paving the way for the current generation of child care centers. They are better designed, safer and less expensive to build while respecting both children's needs and those of adult caregivers.

Half-finished work

These nuts-and-bolts issues proved easier to resolve than many others, including the Head Start regulations

IFF staff member Debbie Zima

IFF Board members Jim O'Connor and Lois Scott

Frank Pieri, M.D., Board member, Eileen Durkin, Executive Director and State Representative Larry McKeon, celebrate the groundbreaking of Howard Brown Health Center, an IFF borrower.

and the anemic reimbursement rates that keep salaries low and turnover high among child care teachers. In 1999 building support for change, the IFF sponsored a conference on these subjects to bring Illinois practitioners together with experts from other states. The discussion that day and the resulting report provided a road map of short-term solutions as well as long-range strategies. From this road map new efforts are growing, including the Center for Early Education Management and Finance, a child care "college" launched by the IFF in 2000.

Funded with $1.3 million from a longtime IFF supporter, the McCormick Tribune Foundation, the new center is an acknowledgement of half-finished work. The foundation had invested $20 million in accreditation, directors training and advocacy work within the child care field, but felt that financial issues and high staff turnover were still blocking progress. The Center will pour resources into the management teams at six child care centers a year, providing intensive training to help them improve management skills, coordinate the various government programs into an effective and efficient service, expand the fundraising and leadership role of their boards and undertake capital improvements from a base of knowledge.

It might be said that this new project and others recently undertaken by the IFF are steering it away from

its niche as a simple lender to nonprofits. Logue has thought deeply about the subject. First of all, the IFF never was a simple lender; loans were always a vehicle for building nonprofit muscle. Second, the idea of providing technical and managerial assistance was outlined in the original memos from the late 1980s and repeatedly endorsed by the board.

That board has evolved into a powerful resource with high aspirations. It includes many long-time members who recall the early days as a fledgling institution, but thanks to a 23-member structure and five-year terms, it is also rejuvenated each year with as many as five new members. Recent years have brought a string of high-powered corporate and entrepreneurial talents to the board, and they in turn have kept the standards high. "The vision statement developed in 1998 says that we should be the preeminent financial and development services provider in Illinois," Logue says, referring to the product of a 1998 board retreat led by chairperson Alison Falls of Bank of America. "That's a strong word, preeminent. We interpret it to mean that we should help agencies be as effective as possible."

Investment in the nonprofit sector has the potential to dramatically improve the financial and social stability of our commu nities, our cities and our country.

"We believe," IFF strategic plan, 1994

Child enjoying a refreshment break at the Abraham Lincoln Centre's Lincoln Roseland Head Start, an IFF Borrower.

7 A Permanent institution

The mood is a bit tense in the IFF conference room where executive directors and project leaders from eight nonprofits have gathered for another session about who they are and what they are doing. Convened by the IFF and facilitated by the Minnesota-based National Center for Social Entrepreneurs, this 18-month group process, called the Chicago Project for Nonprofit Entrepreneurs, is designed to help participating agencies identify and develop new sources of earned income. But the meetings are about much more than money, and that's why there is an edge to today's discussion.

Selected from a large pool of applicants and each paying $10,000 to participate, the agencies range from a full-service organization with multiple fields of expertise to smaller agencies that serve a single target population. What they all share is an awareness that their world is fast-changing and that being prepared for the future means thinking hard about mission, funding, skills and markets—thinking, that is, like an entrepreneur.

So the meeting has taken a detour as participants talk about how their staffs have reacted to the "self audit" that measures *attitudes* about subjects like making money and taking risks. Staff members at one organization worried they were going to be fired. At another, someone complained that he had never been asked to think about

Board and staff representatives of eight nonprofits participating in the IFF's Chicago Project for Social Entrepreneurs, celebrate the program's launch.

markets before. "They are trying to shift mentalities and overhaul their organizations, and that can get uncomfortable," says the IFF's Jill Levine. "Doing it as a group makes it easier, because they can talk about it and learn from each other's experience."

Pressure on nonprofits

The world has changed since the 1991 Grønbjerg study showed Illinois nonprofits struggling with facility needs. Today's situation is worse. The shift in responsibilities from the federal to local governments has had a pressure-cooker effect on the nation's more than 1 million nonprofit organizations. They are being asked to do more than ever before while facing growing competition from business, government and other nonprofits. Stitching programs together with baling wire is no longer feasible, as several Chicago nonprofits learned in the 1990s when their management and financial structures collapsed. Survival requires professional management, ingenuity, a keen nose for trends and strong financial underpinnings.

"You might have to eliminate some programs that are expensive to run but aren't serving your mission, and you may have to learn how to grow quickly to serve a new market," says Trinita Logue. "Sometimes it is going to be very hard to make those decisions."

Not making them may be even more dangerous. A 1998 IFF study cosponsored by the Donors Forum of Chicago, *Illinois Nonprofits: Building Capacity for the Next Century*, found that of 441 Illinois nonprofits surveyed, more than half reported that their greatest concern was pressure to expand programs without the necessary financial resources. Most faced regular deficits and uncertain income streams. Cash flow problems were the norm, and less than one-fifth of organizations had a cash reserve equal to four months or more of operations. "There is nothing wrong with having a surplus at the end of the year and building up some reserves," says Logue, "but most nonprofits aren't yet thinking that way."

New Visions is another IFF loan designed to push that process along. A partnership with Shorebank, it goes beyond the Nonprofit Entrepreneurs project by helping agencies not only develop revenue-generating ideas but providing financing to get the ventures off the ground. Drawing on expertise from the participants themselves Shorebank, local businesses and business schools, the IFF hopes to make an initial round of business-development loans that will leverage $2 million in subsequent investments from Shorebank and other financial institutions.

"That's exactly the type of work that community development financial institutions should be doing,"

IFF staff members Cherryl Holt and Marnie O'Connell

notes Mark Pinsky of the National Community Capital Association. "They should be working around the margins where mainstream financing isn't available, finding niches where they can add value."

Another growth spurt

The IFF has been remarkably successful at finding such niches, Pinsky adds, and at developing a staff that can take pioneering ideas and make them work. That willingness to pursue opportunities, however, is putting the IFF into the very situation faced by some of its borrowers. Entering its second decade, the IFF faces another period of rapid growth that will surely test the organization and its people.

A few days into the year 2000, director of operations Debbie Zima was directing movers and telephone technicians in new space that nearly doubled the size of the IFF's offices across from the Sears Tower at 300 West Adams. Filling two sides of the building, the space provides room for 28 staff members and several positions waiting to be filled. Three offices are set aside for the development staff, which is diversifying the IFF's corporate, foundation and government contributions to support a $4.5 million annual operating budget. Three new desks are allocated to the Children's Capital Fund bringing the booming Real Estate Services division to seven, thanks to strong demand for its construction

management services. Three more are being filled by the new Center for Early Education Management and Finance.

The loan program remains the most immediate and imposing task, with its $10 million goal for 2000, but a challenge of equal magnitude was added in February 2000, when Chicago Mayor Richard M. Daley announced creation of the Children's Capital Fund. Like the Child Care Facility Development Program that began in 1991, the new project is a massive and unprecedented effort to build child care facilities, and as before, the IFF will be the central player. This fund's goal is to create licensed child care for an additional 5,000 children within the next two years. The Children's Capital Fund, directed by IFF veteran Joe Neri, will blend $11.6 million from the city with the $5 million already committed by Allstate to build or renovate 24 licensed child care facilities in underserved neighborhoods. The IFF will work with participating nonprofit agencies to round up $13.5 million in additional private capital and will manage design and construction. It goes without saying that the IFF's full range of expertise—in finance, construction, public policy and nonprofit management—will be brought to the task.

If the IFF once was something like a traditional financial institution, that is no longer an adequate description. Today the Illinois Facilities Fund is part banker, part

consulting firm, part grassroots war room, with the electric buzz of a venture capital firm added in. It is redefining itself, contributing to the evolution of the nonprofit world, even tinkering with the workings of government.

It all started with an idea that a pool of funds could make a difference for people in Illinois. More than a decade into the experiment, the idea is proving valid beyond the imagination of the founders. And so the Illinois Facilities Fund is ramping up again, doing what it is supposed to do: taking and managing risks so that Illinois nonprofits can do their work.

IFF Board members Charles Hill and Rhonda Hopps

A Ten Year Financial History of the IFF

1991

Assets	
Cash	$ 2,475,000
Grants Receivable	1,853,000
Loans Receivable	2,946,000
Other Assets	111,000
Total Assets	$ 7,385,000
Liabilities	
Deferred Revenue	$ 1,819,000
Loans Payable	120,000
Other Liabilities	53,000
Total Liabilities	$ 1,992,000
Net Assets	$ 5,393,000
Expenses	
Fire Alarm Program	$ 469,000
Other Expenses	309,000
Total Expenses	$ 778,000
Change in Net Assets	$ 170,000

This was the IFF's first audit after receiving tax-exempt status.

IFF loan funds are segregated on the balance sheet. Repaid principal is returned to the loan funds; interest is recorded as operating revenue.

The roots of the IFF reach back to the 1979 energy crisis, but IFF operations as a separate corporation began in 1988. In 1990, when tax exempt status was received, the assets and liabilities of the Chicago Community Trust loan programs were moved to the IFF. Cash from Trust grants and loans receivable show a strong balance sheet in the first year.

In 1991, the accounting format categorized future grant commitments as deferred liabilities. This number includes grant commitments from the Trust and the Illinois Department of Children and Family Services, which made a grant towards the initial administrative costs of the Child Care Program.

Loans payable reflects the IFF's first Program Related Investment, from the Harris Foundation, made in 1990 for $120,000.

The City of Chicago contracted with the IFF to bring child care centers into compliance with new fire safety regulations related to alarm systems. Funds were used for IFF staff and to cover the costs of contractors and fire alarm systems. More than half of operating expenses were related to the Fire Alarm program.

1992

Assets	
Cash	$ 3,511,623
Grants Receivable	1,411,879
Loans Receivable	3,731,020
Cash for Construction	15,509,798
Construction in Progress	232,006
Other Assets	550,944
Total Assets	$ 24,947,270
Liabilities	
Deferred Revenue	$ 3,783,095
Loans Payable	858,000
Bonds Payable	12,730,000
Other Liabilities	1,467,713
Total Liabilities	$ 18,838,808
Net Assets	$ 6,108,462
Expenses	
Professional Fees	$ 193,393
Other Expenses	590,718
Total Expenses	$ 784,111
Change in Net Assets	$715,462

The IFF received a Program-Related Investment from the MacArthur Foundation.

Both assets and liabilities jumped significantly when the IFF borrowed $12.7 million to build child care centers. Assets are high at year-end because funds were borrowed in November; draws began the following year. Additional funds were contributed and borrowed to support this program, which eventually brought $22 million into seven new child care centers in five cities. The program was a partnership with the State, which agreed to repay construction debt after new buildings were open. The IFF raised funds to cover the cost of interest during construction, creating an incentive to move quickly, so the IFF could obtain the savings.

An increase in size and sophistication is reflected in an increase in fees to legal and other consultants.

Five staff operated the IFF; two were dedicated solely to the Child Care Program. Revenues were $876,000 in 1992, of which $402,000 came from interest income.

1993

Assets	
Cash	$ 5,179,320
Grants Receivable	789,432
Loans Receivable	3,990,978
Cash for Construction	9,873,222
Construction in Progress	4,099,340
Capital Lease Receivable	2,709,010
Other Assets	605,045
Total Assets	$ 27,246,347
Liabilities	
Deferred Revenue	$ 2,719,676
Loans Payable	2,225,667
Bonds Payable	12,730,000
Other Liabilities	2,670,019
Total Liabilities	$ 20,345,362
Net Assets	$ 6,900,985
Expenses	
Interest Expense	$53,645
Other Expenses	1,080,515
Total Expenses	$ 1,134,160
Change in Net Assets	$ 792,523

High cash levels reflect new funds for lending, even though the loans outstanding didn't grow much this year. The MacArthur PRI from the previous year and additional IFF loan funds were committed to Erie Family Health Center, but the project was held up for almost two years due to serious building and fire code issues.

As part of the Child Care Program negotiations with the State, the IFF agreed to turn over title of the buildings to the child care centers after the debt on the buildings was repaid. IFF executive and finance committee members decided to record the buildings as capital leases so they could be depreciated on the IFF balance sheet as the debt on the buildings was repaid by the State, rather than as traditional real estate accounting calls for, which would be a longer period. In this way, the buildings will have no value on the IFF's balance sheet when they are turned over to the child care centers.

The appearance of the capital lease item reflects the completion and opening of child care centers. Capital leases recorded as of December 31, 1993 were for the East St. Louis and Rockford buildings.

Cash for construction is decreasing, Construction in Progress is increasing, and Capital Leases is increasing as construction is completed.

In addition to the debt for construction of child care centers, Loans Payable reflects that the IFF began borrowing from foundations, including MacArthur and McCormick. Continental Bank made a loan of $1 million which was the first non-foundation investment.

1994

Assets	
Cash	$ 2,091,386
Grants Receivable	517,416
Loans Receivable	5,281,283
Cash for Construction	6,841,262
Construction in Progress	1,892,524
Capital Lease Receivable	10,608,419
Other Assets	475,822
Total Assets	$ 27,708,112
Liabilities	
Deferred Revenue	$ 1,874,489
Loans Payable	2,058,333
Bonds Payable	12,730,000
Other Liabilities	3,687,836
Total Liabilities	$ 20,350,658
Net Assets	$ 7,357,454
Expenses	
Interest Expense	$683,334
Other Expenses	1,039,009
Total Expenses	$ 1,722,343
Change in Net Assets	$ 456,469

The IFF reaches a milestone—$5 million in loans. This includes 46 loans to 37 nonprofits. The Polk Bros. Foundation made a capital grant to the loan program.

Four buildings were completed and opened in 1994 (Decatur, Markham, West Humboldt Park and Uptown). This is the last year of construction accounts. Construction is completed.

Interest expense becomes a significant cost of doing business for the first time, going from $53,000 in 1993 to $683,000 in 1994. This represents construction period interest and interest payments on foundation debt as well as interest on the $1 million loan from Continental Bank.

1995

Assets	
Cash	$ 3,271,271
Grants Receivable	364,463
Loans Receivable	7,398,432
Bond Funds held by Trustee	2,096,634
Capital Lease Receivable	11,423,626
Other Assets	507,455
Total Assets	$ 25,061,881
Liabilities	
Loans Payable	$ 2,771,000
Bonds Payable	11,825,000
Other Liabilities	1,506,959
Total Liabilities	$ 16,102,959
Net Assets	$ 8,958,922
Expenses	$ 2,530,421
Change in Net Assets	$ 1,601,468

After completion of the Child Care Program, the bond issue documents required all related funds to be held in a trust. These funds consist of construction contingency funds which were held for subsequent corrections and funds required to guarantee full and timely payments (provided by IFF equity and a loan from the Illinois Development Finance Authority, the issuer).

This amount includes $1.5 million of "assets released from restriction," a new category on nonprofit financial statements as a result of changes in Generally Accepted Accounting Principles. Grants that were previously recorded as deferred revenue are now recognized when committed. Net Assets swell to show grants made in previous periods for operations and special projects, essentially a "catch-up." The Deferred Revenue category in Liabilities is eliminated but the Change in Net Assets grows to reflect these grants.

The IFF is beginning to broaden its work with nonprofits from lending and real estate development to public policy, education and research. This total also reflects significant interest expense. Revenue from interest income was $742,180 this year.

1996

Assets	
Cash	$ 3,093,619
Grants Receivable	985,668
Loans Receivable	9,512,462
Bond Funds held by Trustee	3,078,930
Capital Lease Receivable	10,494,277
Other Assets	720,878
Total Assets	$ 27,885,834
Liabilities	
Loans Payable	$ 4,805,543
Bonds Payable	10,855,000
Other Liabilities	2,387,391
Total Liabilities	$ 18,047,934
Net Assets	$ 9,837,900
Expenses	$ 2,178,161
Change in Net Assets	$ 878,978

The IFF received a grant of $900,000 from a new federal program, the Community Development Financial Institutions Program of the US Department of the Treasury, which was received at year end.

The Loan portfolio now exceeds $9 million, with 60 loans.

In November 1995, the IFF completed negotiations on a Bank Consortium program through which six Chicago banks agreed to make available up to $10 million for the loan program. The first Bank Consortium Note Sale to the banks took place in March 1996.

This was the first and only year of an operating deficit—unbudgeted investments were made in Resource Development staff to address the need for more diversified and unrestricted resources from foundations, corporations and individuals. As the IFF's lending program is financed more by debt, net interest earnings decrease proportionately, requiring contributed funds for operations and special projects.

1997

Assets	
Cash	$ 3,907,406
Grants Receivable	179,393
Loans Receivable	12,798,279
Bond Funds held by Trustee	2,416,719
Capital Lease Receivable	9,480,869
Other Assets	819,776
Total Assets	$ 29,602,442
Liabilities	
Loans Payable	$ 6,479,601
Bonds Payable	9,810,000
Other Liabilities	1,485,627
Total Liabilities	$ 17,775,228
Net Assets	$ 11,827,214
Expenses	
Interest Expense	$ 1,084,455
Other Expenses	1,324,238
Total Expenses	$ 2,408,693
Change in Net Assets	$ 1,989,314

Cash and loans receivable both increase, reflecting the IFF's ability to identify funds to meet demand for lending. Repaid principal provides $1.8 million of loan capital.

Significant debt is now a standard part of the IFF's balance sheet, as the Bank Consortium program grows.

The IFF staff reaches 17, as a new division, Real Estate Services, is launched. This division is a consulting and project management business designed to respond to high demand for these services and to use the expertise developed by the IFF during the Child Care Facility Development program. Interest expense is $1.085 million of total expenses, little changed from 1996.

A Chicago Public Schools grant of $2 million for loans to charter schools was an opportunity to build Net Assets. During this first year of charter schools in Chicago, $1.2 million was drawn and committed to 11 loans.

1998

Assets	
Cash	$ 7,680,284
Grants Receivable	3,471,893
Loans Receivable	14,357,126
Bond Funds held by Trustee	2,518,182
Capital Lease Receivable	8,377,617
Other Assets	868,656
Total Assets	$ 37,273,758
Liabilities	
Loans Payable	$ 11,964,149
Bonds Payable	8,690,000
Other Liabilities	1,490,893
Total Liabilities	$ 22,145,042
Net Assets	$ 15,128,716
Expenses	
Interest Expense	$ 1,178,618
Other Expenses	1,646,754
Total Expenses	$ 2,825,372
Change in Net Assets	$ 3,301,502

This high level of cash results from a $2.5 million loan from Northern Trust and $2.5 million in Bank Consortium Note Sales.

CDFI grant of $2.5 million was recognized because the award letter was received, even though cash was not received until the following year.

This amount reflects the dramatic change in the commercial banking environment, which encourages banks to invest in low income communities. $2.5 million is a loan from Northern Trust Bank and $5.2 million is the total of the Bank Consortium debt at year end. Other new investors are; Manufacturers Bank, Polk Bros. Foundation, and the Community Memorial Foundation.

Interest expense is $1.1 million and staff growth for programs other than lending continues.

1999

Assets	
Cash	$ 10,452,873
Grants Receivable	695,784
Loans Receivable	17,959,988
Bond Funds held by Trustee	2,136,809
Capital Lease Receivable	7,176,470
Other Assets	1,056,532
Total Assets	$ 39,478,456
Liabilities	
Loans Payable	$ 14,445,739
Bonds Payable	7,485,000
Other Liabilities	1,465,858
Total Liabilities	$ 23,396,597
Net Assets	$ 16,081,859
Expenses	$ 3,402,339
Change in Net Assets	$ 953,143

Cash jumps due to the CDFI receivable moving to Cash and new commitments from Heron, Calvert, and the MacArthur Foundation to fund a 27% growth in loans receivable over 1998.

A grant of $1 million from the Grand Victoria Foundation was the first loan equity restricted to a geographic area. This foundation makes grants in Elgin and the Fox River Valley. Within 14 months the IFF exceeded $1 million in loan approvals in this region.

As with the large grant from the Chicago Public Schools, this grant enables the IFF to maintain a conservative balance between debt and equity for lending.

2000

Projected

Assets	
Cash	$ 6,399,700
Debt Reserve	1,238,000
Board-Restricted Endowment	500,000
Grants Receivable	1,513,900
Loans Receivable	26,977,800
Bond Funds held By Trustee	2,104,100
Capital Lease Receivable	5,894,500
Other Assets	1,481,600
Total Assets	$ 46,109,600
Liabilities	
Loans Payable	$ 19,553,800
Bonds Payable	6,190,000
Other Liabilities	1,317,400
Total Liabilities	$ 27,061,200
Net Assets	$ 19,048,400
Expenses	$ 4,918,900
Change in Net Assets	$ 2,966,541

This is a new reserve which is based on a percentage of all non-amortizing debt. It was established due to the growing number of large investors.

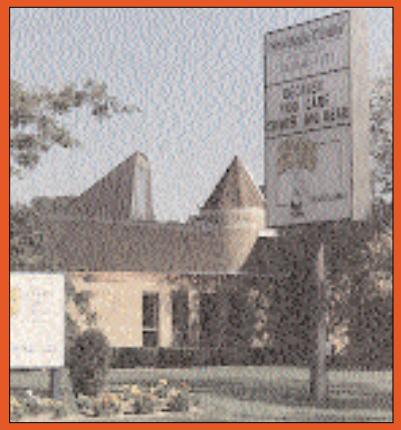
The Finance Committee of the Board also established a Board-restricted Endowment with accumulated operating surplus and returned equity from the 1992 bond issue.

$27 million in loans; about $9 million more than 1999.

Growth of expenses reflects new staff in every area of the IFF and a doubling of office space. The Director of Public Policy is now a full-time position, reflecting the high priority placed on the IFF's leadership role in assisting the nonprofit sector. The Center for Early Education Management and Finance was launched in January as a 5 year program to work intensively with six child care center managers and board members to increase revenue, increase salaries and benefits, and reduce turnover.

Not reflected in the 2000 budget is the Children's Capital Fund, a partnership with the City of Chicago. It is anticipated that this permanent program will have a staff of three by June.

Virgil Carr, President of The United Way.



Big Bear, an early borrower in Dolton, Illinois.

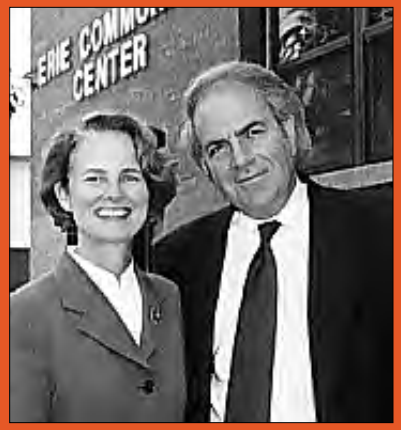
1980

Energy crisis
Five foundations contribute $620,000 to capitalize the Joint Foundation Energy Conservation Fund to help nonprofits reduce energy costs.

1983

Money for buildings
Chicago Community Trust grants $1 million to provide capital expansion loans to agencies serving children.

Jim Brice, former Board Chair.



IFF President Trinita Logue and Bruce Newman, former Executive Director of the Chicago Community Trust.

1986

Revolving loan fund
Research begins on broadening the Joint Foundation's scope and revolving the funds to create a perpetual pool of real estate loans.

1987

Concept memo
Memo by Trinita Logue to Bruce Newman and others outlines a fund that would make facilities loans and offer technical assistance to human service agencies.

Board member Jeanette Bitter and Jim Zacharias (deceased)

Former staff member Liz Olfe Feldman and former Board member Judge Joseph Schneider.

1988

Filing the papers
Chicago Community Trust files incorporation papers for the Illinois Facilities Fund.

1989

Research base Chapin Hall
Center for Children at the University of Chicago completes research papers on residential care services for children in Illinois, identifying "a system in crisis."

The IFF staff in the early years.

Child Care Facility Development Program Bonds 1992 Series A closing.

1990

IFF is born
Illinois Facilities Fund begins operations with $1.7 million in initial support from the Chicago Community Trust.

1992

Raising child-care funds
IFF raises $12.73 million to build child care centers through tax-exempt bonds issued by the Illinois Development Finance Authority.

Mary White Vasys of Bank of America.

Board member David Rubin (deceased) and former staff member Carol Rubin.

1993

Borrowing money
IFF closes on a $1 million loan from Continental Bank, the first time it has borrowed commercial funds to expand its general loan program.

1994

Blueprints and hard hats
IFF gains experience as construction manager. Six new child care centers are in operation and one more is under construction.

Bill Goodyear of Continental Bank, Trinita Logue and Cordell Reed.

IFF former staff members Jefferson Porter and Gina Caruso

1995

Bank consortium
IFF negotiates a $10 million agreement with six banks to bring needed capital into the loan program.

1996

Real estate services
IFF formalizes its technical assistance program to help nonprofits with facilities work so they can stick to their core missions.

IFF staff member Kristine Westerberg.

IFF staff member Jennifer Williams.

1997

First federal infusion
U.S. Treasury awards $900,000 to IFF through its Community Development Financial Institutions Program.

1998

Documenting the need
Major research effort with Donors Forum of Chicago finds Illinois nonprofits are being squeezed financially and many lack resources for upgrading their facilities.

IFF staff members Jill Levine and Gabriella DiFilippo.

Wanda Newell of The McCormick Tribune Foundation.

1999

100 borrowers and counting
IFF's portfolio reaches 100 active borrowers as marketing efforts expand the organization's reach. Fundraising intensifies to meet expected loan growth.

2000

Allstate on board
The IFF fills a gap for child care centers by creating The Center for Early Education Management and Fianance, a five year organizational development program.

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Octagon Trading

Daniel Azark
Senior Vice President
Hyatt Development

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