OldFriends**New**Friends

Report on Activities January 2006–September 2009

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OldFriends**New**Friends

Dear colleagues,

Now more than ever, relationships matter and friends are important. This book celebrates old friends and new friends, looking to the future together.

Its publication comes at a juncture in the global economic crisis when we are hopeful that dramatic government intervention into private sector activities will bring stability to the world economy as well as to the world in which IFF operates—real estate financing in low-income communities.

Speaking of economic well-being, IFF's balance sheet remains strong, thanks to the policies and stewardship of our Board of Directors. Equally important are our vision, talent, leadership, courage, and relationships with others—each of these contributes to our depth and strength as much as our financial results. This report celebrates these attributes and achievements.

In recent years these characteristics have supported successful growth into four states: Missouri, Wisconsin, Iowa and Indiana. Our strategy to rapidly build the lending business has paid off for so many nonprofit corporations and the communities they serve. We could hardly be more proud of our regional expansion and the new relationships we have built while investing in new staff, adding offices, and responding to the need for new or different products. Most notable among these is the promotion of Kirby Burkholder from Director of Real Estate Services to Director of Missouri Operations. Now calling St. Louis home, Kirby has become an integral part of the nonprofit community throughout the state. He was joined by two additional staff—Michelle Gleason and Kate Reese. Heather Heaviland left the Chicago office to join Lanie Wasserman in the Milwaukee office, as we build our staff in response to the needs of the nonprofit sector in Wisconsin.

The five-state operation puts us in a stronger strategic position and brings economies of scale that are critical to success, enabling us to do more for all our borrowers and clients. The broader base of elected officials vastly increases the return on investment from our policy work on behalf of the community development finance industry and the nonprofit sector.

Years of focus and discipline led to extraordinary industry recognition for the expansion when we were awarded the 2008 Wachovia NEXT Award, jointly funded by the Wachovia Foundation and the John D. and Catherine T. MacArthur Foundation. Other major new investments have also supported our expansion: The Walton Family Foundation, Kresge Foundation, Bank of America, Calvert Foundation, First Bank, Northern Trust, Shorebank, Trinity Health, Wells Fargo, and the U.S. Treasury Department's CDFI Fund Program.

These and other investments, as well as growing demand, made 2008 the best year ever in loan approvals and disbursements; and in 2009 we are experiencing a 40 percent increase in demand compared to one year ago. The knowledge we are needed more than ever creates its own excitement, though many unknowns remain.

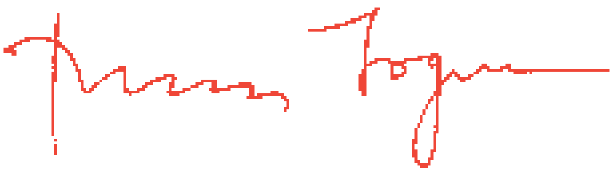
One thing we know well is that the Obama Administration, seeking solutions to the needs of communities, will invest in community development finance as one of an array of strategies—because it works. The entire country is asking the government to do things it has never done before, and to do them quickly. All the dollars in the world won't help if they aren't on the street working. This is where community development finance comes in, and President Obama knows this: he has doubled the budget request for the CDFI Program in the U.S. Department of the Treasury for next year in addition to providing a "stimulus" round of grant funding to our industry across the country.

IFF will take the responsibility that is ours, knowing that our work can contribute directly to the economic recovery. Already, to respond to the credit crunch, we have increased our loan maximum and reserves, and we are pressed constantly to stretch in our lending. These actions reflect the role we were designed to take during a time when access to debt is limited just as so many organizations need it to survive. IFF can step up—this is why our funders and investors have stayed with us over the years or joined with us as we have grown. In fact, many of our investors have recognized our role in the risk continuum and encouraged us to meet needs they are unable to meet during this period of low real estate value coupled with escalating human services needs. Other investors have had to step back during this time of stress, and we know they will return to work with us again when they can.

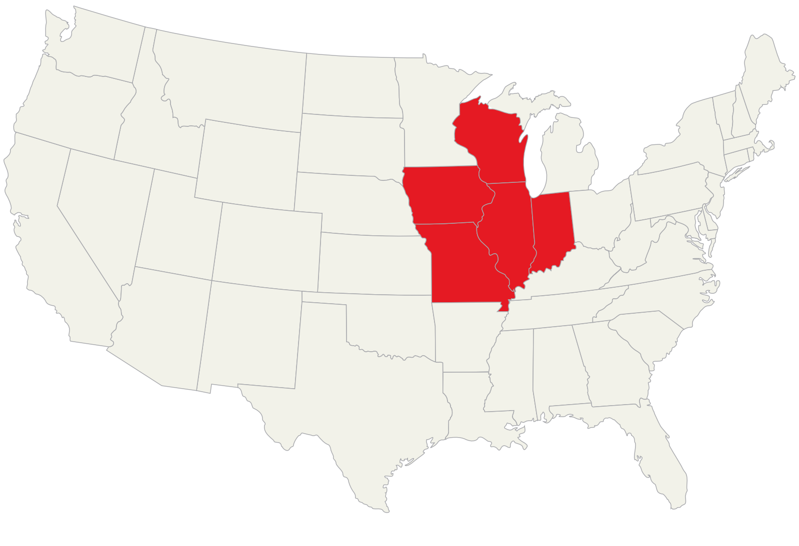
At IFF these candid conversations are possible because we value long-term relationships, including staff and members of the Board of Directors. We have six staff members who have been with IFF for more than ten years. This year we said farewell to one—Gabriella DiFilippo, who joined IFF in 1998 and built the real estate consulting business, with the help of many visionary board members and advisors. Recently we also said farewell to board members Bill Fitzgerald, Rhonda Hopps, Lester Blair, Maurice Grant, Jason Tyler, Ken Gorman, and Patrick Arbor. We will never forget their contributions to the strength of IFF. The death of former board member Mercedes Laing saddened us as it did the entire community, and we pledge not to forget her passion for the importance of community development.

New personalities have brought new skills and leadership, including Kevin Ridley, Luke Collins, Meredith O'Connor, Trey Tune, Michael Shindler, Michael Fisher, Carl Jenkins, Mohini Chopra, and Sandra Moore—our first board member from outside Illinois. And the executive staff has been enriched by the additions of Lucy Tuck, José Cerda, Dana Peterson, and David Reynolds.

Special professional and personal thanks to continuing members Marty Sinnott, David Crawford, Robin Coffey, Tom Kim, and Raul Raymundo, whose terms of service included participating in their second IFF five-year strategic plan, Extending Our Reach, which was completed one year ago. These committed board members agreed to remain involved to see this plan through to full implementation. The leadership and contributions of these and so many others both define and lead the accomplishments of IFF on behalf of the nonprofit sector in five Midwestern states.



Trinita Logue
President and CEO



Old Friends

For two decades, IFF has built a permanent resource for nonprofit corporations–to finance real estate, support better real estate decisions, and build balance sheets.

What difference has it made?

In 2008 we went back to some of our "old friends" to find out.

"IFF is a wonderful partner and we could not have done it without them."

Marlene Hodges, Chief Financial Officer
Asian Human Services

Catalyst for Expansion

Asian Human Services, Chicago IL

In the 1970s, immigrants from Southeast Asia flooded Chicago's Uptown neighborhood, many of them refugees from the fighting in Vietnam and "boat people" who arrived with little more than the shirts on their backs. Asian Human Services was founded to help them make the transition to American life. Today it offers services in 28 languages, ranging from job training to mental health, and runs a charter school serving immigrant and refugee children. The school, appropriately named Passages, ranked as the top elementary charter school in the city in recent state tests.

In 2002 AHS secured a 15-year, $450,000 IFF loan that, along with a bank loan, enabled it to acquire and renovate the building that houses Passages.

The purchase allowed AHS, as a nonprofit, to escape property taxes embedded in the lease payments, and also to protect against future rent increases, while securing its own dedicated school facility.

Both agency assets and operating surpluses have more than doubled since the closing, and revenues are up as well. Working with IFF inspired AHS to improve its planning and financial systems. That "helped catapult the agency's future program growth," says CFO Marlene Hodges, by enabling AHS to diversify its programs and its revenue base. "Having a basket of services makes AHS more stable and strong."

www.ahschicago.org

	2001	2002	2004	2006
Assets	$738,199	$1,381,743	$2,747,025	$2,528,284
Liabilities	$170,552	$680,589	$1,561,312	$456,491
Net Assets	$567,647	$701,154	$1,185,713	$2,071,793
Revenue	$3,208,539	$3,510,311	$5,748,358	$5,739,694
Expenses	$3,096,385	$3,376,802	$5,353,720	$5,316,344
Surplus (Deficit)	$112,154	$133,509	$394,638	$423,350

Assets nearly doubled in the year of the loan, and then doubled again within four years as the agency expanded services and added sites.

Net assets tripled within four years after the loan.

Revenue increased by 60% in the four years after the loan.

A Place in the Community

Centro Comunitario Juan Diego, Chicago IL

When the huge U.S. Steel South Works closed in 1992, 40% of local residents, mostly Latinos and African-Americans, lost their jobs. Poverty, crime, and failing schools had the neighborhood on the ropes. Then eight determined Latina women took matters into their own hands. They started a food pantry on one member's front porch, and Centro Comunitario Juan Diego was born.
Part community organizing and part social service, Centro Comunitario works "to promote leadership in the community in order to promote positive social change, while serving those in need."

With a great spirit but modest resources in its early years, Centro Comunitario bounced around from place to place. Then, in 2000, it got a 15-year, $99,000 IFF loan to acquire and renovate its first facility (supplemented a few years later by $8,500 to repair the roof). Since the loan, the organization has grown, as reflected by increases in assets, liabilities, and revenues. The new, more visible space, on busy South Commercial Avenue, has enabled it to develop its programs and attract more people; that in turn has made it easier to secure government and foundation grants.

"The foundations take us more seriously now that we have a building and are capable of paying off a loan and maintaining it," says Assistant Director Rosa Perea. "It's not a huge place, but it's our space. When we used to want to have meetings or celebrations we always had to go out into the community to ask if we could borrow space. Now, if we want to have a Cinco de Mayo celebration, we have our space and we can do it the way we want. We can have meetings, forums and trainings for the community. That makes a world of difference to us and people we serve."
www.ccjuandiego.org

	1999	2000	2002	2004	2006
Assets	$47,940	$92,752	$247,221	$224,822	$251,870
Liabilities	$3,432	$78,149	$109,113	$100,025	$92,941
Net Assets	$44,508	$14,603	$138,108	$124,797	$158,929
Revenue	$263,496	$243,460	$497,281	$374,272	$402,880
Expenses	$246,735	$273,365	$498,765	$418,474	$384,079
Surplus (Deficit)	$16,761	($29,905)	($1,484)	($44,202)	$18,801

Assets nearly doubled in the year of the loan, and then grew by 2.5 times two years later.

Revenue doubled a year after the loan.

A deficit in 2004 was caused by government funding cuts to a literacy program. However, the agency's improved financial strength, including a 700% increase in net assets, helped the agency weather the decreased revenue, and rebound the next year with a surplus.

“We have our space…and that makes a world of difference to us and the people we serve.”

Rosa Perea, Assistant Director
Centro Comunitario Juan Diego

"The low IFF interest rate gave us the security we needed to move forward. With every dollar we've saved, that's a dollar redirected to patient care."

Judith Haasis, Executive Director
CommunityHealth

A Welcoming Environment

CommunityHealth, Chicago IL

Just because something is free doesn't mean it has no value. Since its founding in 1993 by Serafino Garella, M.D. and his colleagues, CommunityHealth has attracted hundreds of volunteer health care providers who offer free medical care for people without insurance on Chicago's West Side.
But with limited resources, the clinic operated in makeshift space, with shower curtains separating exam rooms, and, occasionally, no heat.

Using IFF financing and a bank loan augmented by funds raised through a capital campaign, in 1999 CommunityHealth was able to buy and transform a building in the West Town neighborhood into a state-of-the-art health center, with 12 exam rooms and a licensed pharmacy. Revenue and net assets doubled, which led to further increases in donated services and medicines, including donated construction labor to add a dental suite. The facility has become the medical home for more than 8,000 low-income uninsured patients a year, who receive primary care and 23 specialty services from over 350 volunteer physicians annually.

"Money saved through IFF's low rate and lack of fees, plus critical financing at the right time, enabled CommunityHealth to take a giant step forward and ultimately become the largest free clinic in Illinois and one of the leading free clinics in the United States," says Executive Director Judith Haasis. "The new facility put CommunityHealth on the map as a major resource for the uninsured, and attracted support from the private sector that continues to provide more than 90 percent of the health center's operating budget. CommunityHealth is a showcase for what a respectful, welcoming environment can be for a highly vulnerable population."

IFF loan: $500,000. Bank loan: $389,046. Agency equity: $406,500. Value of donated services: Incalculable. Stabilization of a critical source of medical care for low-income Chicagoans: Invaluable. Security of families getting the care they need: Priceless.
www.communityhealth.org

	1998	1999	2002	2005
Assets	$621,000	$2,185,649	$2,305,097	$2,694,197
Liabilities	$0	$923,151	$887,987	$580,711
Net Assets	$621,000	$1,262,498	$1,417,110	$2,113,486
Revenue	$691,000	$1,270,070	$2,970,323	$3,902,438
Expenses	$420,000	$626,161	$2,962,817	$3,477,230
Surplus (Deficit)	$271,000	$643,909	$7,506	$425,208

The volunteer-driven agency had no liabilities prior to the loan.

Net assets doubled in the year of the loan, and then nearly doubled again within six years.

Revenue nearly doubled in the year of the loan and then more than tripled in six years.

Stability in Uncertain Times

Counseling Center of Lakeview, Chicago IL

In the early 1970s, deinstitutionalization released thousands of individuals from mental institutions into Chicago neighborhoods, including Lakeview. Local residents responded by organizing a mental health council, secured funding for counseling and alcoholism programs, and began offering services in a building a few blocks south of Wrigley Field.

By the 1990s, the clientele had expanded to include homeless youth, older residents, people with disabilities, and others. Meanwhile the surrounding neighborhood was gentrifying. With the center's lease expiring, the building owner decided to sell.

In 2000 a 15-year, $500,000 IFF loan, along with a bank loan and agency equity, made possible the purchase of the original building and two adjacent properties. That allowed the center to increase revenues by renting out part of the space, and to control expenses (given the neighborhood, likely rent increases would have been substantial, and the agency was able to escape the property taxes embedded in the rent). Controlling its overhead costs enabled it to cope with an anticipated shift from grant funding to fee for service. In the years since the acquisition, agency assets and revenues have both increased, and a prior history of operating deficits has been replaced by operating surpluses in most years.

Besides the stability demonstrated by the financial statements, the Center's leaders cherish the stability of being able to hold their own in a rapidly changing neighborhood. Gaining control of the property, they say, was crucial to long-term sustainability.

www.cclakeview.org

	1999	2000	2002	2004	2006
Assets	$458,000	$648,085	$2,722,081	$2,878,397	$2,608,575
Liabilities	$324,000	$524,171	$2,323,239	$2,158,171	$2,007,089
Net Assets	$134,000	$123,914	$398,842	$720,226	$601,486
Revenue	$3,043,947	$3,127,219	$3,547,789	$4,040,343	$3,920,846
Expenses	$3,069,003	$2,983,894	$3,509,168	$3,828,149	$3,917,271
Surplus (Deficit)	($25,056)	$143,325	$38,621	$212,194	$3,575

In 1999, the agency experienced its third deficit in a row. After the loan, the agency produced consistent surpluses.

Assets were four times larger within two years of the loan.

Net assets grew by nearly 400% in the six years after the loan.

"Given the high level of development and appreciation in the neighborhood, gaining control of the property was crucial to our long-term sustainability and mission service."

Norman Groetzinger, Executive Director
Counseling Center of Lakeview

“IFF gave us a chance when local banks didn’t want to take the risk. With five years of excellent payment history, we were able to refinance locally. Due to licensing regulations, we would have been closed years ago, if it had not been for IFF’s help.”

Runell Graff, Executive Director, PUKA

Space to Grow

PUKA Preschool, Carbondale IL

Running a preschool in a rented basement with leaking pipes and fire code violations is not exactly a recipe for sustainability, and PUKA leaders knew it.

In 2002, after three decades of providing child care to residents of Southern Illinois, the Carbondale center decided to acquire its own building. The leaders found the ideal space in a licensed for-profit day care center that had just closed, and secured a 15-year, $500,000 IFF loan to buy the building.

As a result, they were able to expand the preschool to serve 107 children, up from 47 pre-acquisition.

The expansion built local visibility and attracted donors. With contributions up and more families paying fees, revenues increased faster than expenses as the new space enabled PUKA to save money by operating more efficiently, according to school leaders.

Says board member Tim Feather, "Without IFF rates and terms, which were significantly better than those offered by alternative institutions, we would never have been able to afford the project." Instead, they were able to expand to serve more families in their community, refinance their facility—and get away from those leaking pipes.

	2001	2002	2004	2006
Assets	$129,484	$662,031	$609,527	$627,567
Liabilities	$2,411	$512,886	$483,556	$431,851
Net Assets	$127,073	$149,145	$125,971	$195,716
Revenue	$197,142	$186,662	$495,838	$527,061
Expenses	$161,184	$164,590	$488,363	$494,774
Surplus (Deficit)	$35,958	$22,072	$7,475	$32,287

In the year of the loan, agency assets grew by a factor of five.

Net assets grew as the agency paid down debt, built equity, and expanded programs in the new facility.

So, what difference has IFF made over the past two decades?

Working with IFF, nonprofits generally

pay less than they did before

for **bigger, better quality space**,

which allows them to
expand programs, **serve** more people, **improve visibility**

which in turn leads to
increased revenue and
a solid and **growing net asset base**,

which makes it possible to
weather uncertain times.

And it all adds up. Since 1990 IFF has

made $263.6 million in loans,

which in turn
leveraged $582.6 million in total capital,

enabling nonprofits to
develop 9.6 million square feet of real estate

and
save $15.6 million for nonprofits,

enabling them to
serve 1.6 million people, 86% of them low-income,

and
create or maintain 35,617 jobs in the nonprofit sector.

That's a strong record to build on.

New Friends

The success of IFF's singular focus on real estate finance for nonprofits, coupled with its growing capacity, led to the launch of a long-discussed expansion. After considerable market research and relationship-building in 2006, IFF began making "new friends" by lending to nonprofits in the metro regions bordering Illinois—St. Louis, Milwaukee, Quad Cities, and Gary/Hammond—and then quickly moved statewide in Missouri, Wisconsin, Iowa, and Indiana.

The economic crisis has brought traditional affordable housing development finance to a standstill, but the housing needs of low-income families are growing, especially in Milwaukee and Indianapolis.

IFF can help.

St. Louis and Kansas City public schools, after decades of neglect, are getting attention from local civic and elected leaders as well as the state legislature. A key reform strategy is charter schools.

IFF can help.

In Des Moines and Indianapolis, problems with human service facilities are looming. About half of the nonprofits in a recent survey said that they don't have the space they need to carry out their mission. Over half expect to tackle the problem in the next five years—but nearly 40% lack a plan for doing so.

IFF can help.

With a proven model and set of products that have helped hundreds of Illinois organizations, IFF has in recent years begun reaching out to nonprofits in other states, studying local conditions and meeting with philanthropic and financial leaders in Milwaukee, St. Louis, Evansville, and other cities. IFF's work in Illinois drew considerable interest. "There's nobody else out there like them," said one nonprofit leader in St. Louis. Conversations quickly turned practical: Can you help us finance our building? IFF began making loans and taking its first steps to regional expansion.

After exceeding year-one loan projections in Missouri, IFF opened an office in January 2008 in St. Louis. Director of Real Estate Services, Kirby Burkholder, who had been with the IFF for seven years, relocated to become Director of Missouri Operations. A Milwaukee office, led by Lanie Wasserman, opened a year later. IFF's 2008 strategic plan set a goal of doubling the portfolio of loans across a five-state region over the next five years, with loans outside Illinois to account for 25 percent of the portfolio by 2010.

Investment partnerships with banks, insurance companies, religious investors and foundations increased to meet the needs in the larger footprint. The Kresge Foundation's first program-related investment went to IFF in 2008, providing $2.5 million to support the growth of the regional loan portfolio to nearly $240 million by 2012. Bank of America's investment in 2008 provided needed liquidity for the move outside Illinois. Shorebank, Calvert Foundation and State Farm increased their investments. The highest accolade of all—the CDFI industry award, the Wachovia NEXT Award for Opportunity Finance—was awarded to IFF for its regional business plan. Sponsored by the Opportunity Finance Network (OFN), the John D. and Catherine T. MacArthur Foundation and Wachovia Bank, the $5.5 million award was made at the OFN annual meeting in December 2008.

"Bold, timely, and responsive to significant unmet needs" is how Mark Pinsky, President of the OFN, characterized IFF's regional expansion plan. "Combined with its proven record of promoting policy change and groundbreaking public-private partnerships, IFF has clearly demonstrated a readiness to implement its vision for dramatic growth and lasting community impact."

Besides its core real estate loans, IFF has brought other tools to enhance its contribution in Midwest states. The research department, under Susan Cahn, published a study of the financial health of Missouri nonprofits in May 2008. The department also analyzed facilities needs in Des Moines and Indianapolis, and documented the unequal distribution of public schools meeting state standards in St. Louis. Such research not only helps guide IFF's work, it also provides critical information for state and local governments and nonprofits in planning and setting priorities.

IFF doesn't simply transport its Illinois ideas across state lines, says Executive Vice President Joe Neri. "We start with our understanding of how nonprofits work, what are good models of governance, leadership and management," says Neri. "Then we look at how nonprofits relate to their community, including local government and funders. Based on putting these pieces together, we ask ourselves if our products need to change.

"What we find is that the local situation everywhere demands that nonprofits be flexible—but that's true of Illinois nonprofits as well. In the end we realize that we always have to be less about our products, and more about solving nonprofits' problems."

The Missing Piece

McAuley Apartments | St. Catherine Residence, Milwaukee WI

Providing "safe, affordable and supportive housing to women with limited income" is the mission of St. Catherine Residence, a Milwaukee institution for more than a century. Their original building has 150 furnished rooms for women going through a life transition, whether that's returning to school in middle age, or struggling with mental illness, or an economic catastrophe. St. Catherine provides safe, temporary housing and hooks up the women with social service agencies to help get their lives back on track.

What was missing, St. Catherine leaders decided, was a more permanent place to stay once the women are ready to move on, so that they don't end up back on the street. That's especially a challenge at the lowest income levels: St. Catherine targets women earning no more than $10,000 to $15,000 per year.

IFF provided a 17-year, $900,000 first mortgage, part of a financing that included tax credits and funding from the Helen Bader Foundation. That enabled St. Catherine to build the McAuley Apartments adjacent to the original building, with 46 small units (400-900 square feet) at affordable rents, along with such amenities as a fitness center, laundry, and high-speed Internet. Renting at McAuley enables women to move toward independence while staying connected to the warm, supportive community St. Catherine offers its residents. The building opened in August 2008 and was fully leased by December.

"IFF turned out to be a great partner," says St. Catherine President Lynne Oehlke. "They had experience working with and financing nonprofits. They were willing to be flexible in arranging the financing structure. Probably most important was their sensitivity to the fact that nonprofits are driven by mission—when you work with a for-profit, the focus is just different, even if the clientele is the same."

www.stcatherineresidence.org

“They had experience working with and financing nonprofits, and they were willing to be flexible.”

Lynne Oehlke, President
St. Catherine Residence

“We found it beneficial to work with an organization that caters to the needs of nonprofits. And their rate was lower.”

Sandee Strader-McMillen, Acting Executive Director/Chief Financial Officer
ECHO

Clinic Flipping?

ECHO Community Health Center, Evansville IN

"Flipping" condos may have hurt the housing market, but "flipping" clinics has helped ECHO Community Health Center improve its services to children.

That's the term ECHO's board president Kim Reising uses to describe the moving around of clinics during its 2008 construction period. With the help of a 15-year, $290,000 IFF loan along with grant funding from the Welborn Baptist Foundation, ECHO acquired a space it had been leasing and renovated it to provide prenatal and pediatric services. That meant relocating two clinics to make way for construction, but it was worth it: "The space allows staff to separate sick and well children and to incorporate developmental and preventive care programs to give our youngest and neediest clients a chance at improved outcomes," explains Executive Director Rosemary Knight.

Located in Evansville and serving three southwest Indiana counties, ECHO provided care for just over 12,000 patients in 2008, most of them uninsured. ECHO Acting Executive Director/CFO Sandee Strader-McMillen says they found several advantages to working with IFF to finance the acquisition: "They were easy to work with. The financing was easy to arrange. We found it beneficial, as a nonprofit, to work with an organization that caters to the needs of nonprofits. And their rate was lower."

www.echochc.org

Always Making Lemonade

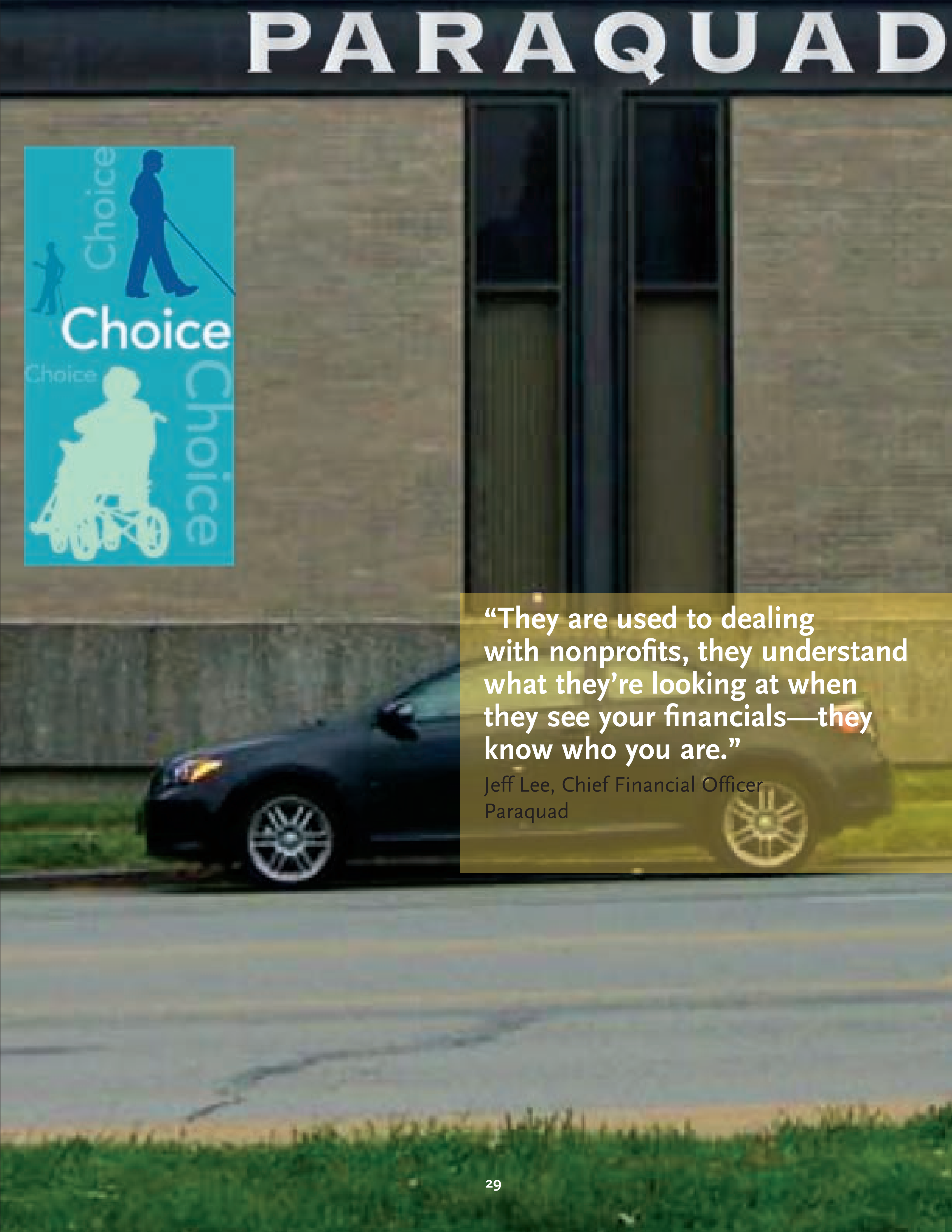
Paraquad, St. Louis MO

Relocation is stressful, especially for an organization dedicated to people with disabilities for whom location and accessibility are paramount. When St. Louis-based Paraquad began leasing its current space in May 2006, after several previous moves, the board decided enough was enough: it was time to buy.

A 20-year, $1 million IFF loan, subordinate to a mortgage offered by Pulaski Bank, enabled Paraquad to secure a permanent, centrally located home for its operations. That brought a host of benefits, says Chief Financial Officer Jeff Lee: "There's a comfort level in knowing that no one can kick us out again. It makes sense for us financially. If we get moved because of eminent domain, we'll be the property owner who gets the buyout, not the renter who gets three days notice. We can accommodate growth more easily. Plus, we've been able to put our buses and vans inside at night; when we parked them outside, they were vandalized."

That lemons-to-lemonade approach is typical of Paraquad, which for 39 years has been pursuing its mission "to empower people with disabilities to increase their independence through choice and opportunity." Paraquad transforms problems into opportunities. For broken wheelchairs, they created a repair service and the jobs that go with it. They turned sign language interpretation for their clients into a translation service for companies, hospitals, courts, and emergency rooms. Says IFF's Kirby Burkholder, "There's an entrepreneurial spirit to everything they do."

Of the building acquisition, Lee says "I'm not sure we could have done this without IFF." Especially important was the 20-year loan term, which enabled his board to plan for the future. "IFF made it easy," he says. "They are used to dealing with nonprofits, they understand what they're looking at when they see your financials—they know who you are."
www.paraquad.org



“They are used to dealing with nonprofits, they understand what they’re looking at when they see your financials—they know who you are.”

Jeff Lee, Chief Financial Officer
Paraquad

While expanding its services to nonprofits in nearby states, IFF has also been planning new strategies to address critical needs.

***Extending Our Reach*, IFF's five-year strategic plan completed in 2008, confirmed priorities, refined business plans, addressed the need for growth capital, and discussed new ideas.**

The plan established IFF's public policy work as critically important to its future expansion, a responsibility IFF shares with many others working to build a stronger nonprofit sector. The new position of Vice President of Public Policy and Communications is held by José Cerda III, a seasoned practitioner in government affairs and policy work.

"We heard from our customers that we have a responsibility to step up and play a more active role," says Cerda. "They told us that besides the ways we strengthen nonprofits through financing and real estate services, we also had the potential to influence the environment in which they operate. We realized that we could use our research and analysis capabilities to develop broader public policy recommendations that tackle the challenges they're confronting."

The strategic plan also reaffirmed the work of the Real Estate Services department: consulting, planning, developing and assembling financial packages that work. While continuing to focus on the Chicago metro region, real estate consulting will extend its reach into other states in special, well-defined initiatives.

One example is housing. IFF began its housing finance and development activities, focused on the Chicago suburbs and cities throughout Illinois, only two years before the economic crisis brought affordable housing finance to a standstill. A quick response adapted the development focus to a consulting model: assisting staff-strapped municipalities in Illinois by keeping projects moving and recruiting new partners with the cash reserves to participate and get projects opened during the crisis.

A fresh look at opportunities led IFF to focus on the federal Neighborhood Stabilization Program, enacted last fall to help communities return foreclosed properties to productive use. IFF organized a statewide consortium of human service providers seeking residential properties to apply for the funds, and was awarded $5.1 million, with other applications pending.

Participating in the program involves a complex government application, says IFF Housing Director Jacques Sandberg. "We relieve the nonprofit executives of that. We tell them, 'we'll take this through so you don't have to.' We know they have their hands full doing what they do best."

In other states the response to the housing crisis includes both consulting projects and meeting the need for long-term debt not available from banks in the current environment. While the economy is recovering, IFF will be establishing itself as a full and permanent partner to solve difficult problems in low-income communities throughout the five-state region.

Thanks to a three-year grant from the Walton Family Foundation, IFF will begin fully-staffed real estate consulting offices in both Milwaukee and St. Louis. Policy staff in these offices will address issues related to real estate needs of nonprofits and private schools that are working with public school districts to improve education through a variety of models.

Real estate consulting on a systems scale leads to financing innovation. IFF has implemented such efforts for charter schools and child care centers, and is in discussions with the Chicago Department of Public Health to plan and develop a network of specialty health clinics to serve low-income residents of Chicago, helping hospitals to reduce costs.

IFF has also begun incorporating sustainability into its own practices and into its real estate planning efforts. Here, as in other arenas, the impetus always starts with the client's needs. "We don't ask them, 'do you want to do a LEED-certified building?'" says Gabriella DiFilippo, who until recently managed Real Estate Services. "Instead we ask them about their interest in reducing energy costs, having more daylight in their facilities, reusing materials instead of throwing them away. Some of it is a no-brainer: they're going to paint anyway, why not use nontoxic paints?"

“IFF brought credibility, they knew people at the state, and they brought their knowledge about real estate and tax credits, so we didn’t have to go through that learning curve.”

Jim Durkan, President and CEO
Community Memorial Foundation

Sustainability for Seniors

Countryside Seniors Apartments, Countryside IL

Countryside, Illinois—the name itself embodies the twentieth century suburban dream. For the first half of the century, it was countryside—a sleepy farming village on the outskirts of Chicago. Then, during the post-World War II housing boom, subdivisions sprang up and young families moved in. The town was incorporated in 1960; by 1980, three quarters of all the residential stock was in place.

Today, Countryside is still a family place, but family members are aging. In the 2000 Census, the median age was 41.2, and 15.7 % of the population was over 65, well above both the Illinois and U.S. figures.

In recent years Community Memorial Foundation, committed to a broadly defined mission of improving the health of local residents, began looking at the needs of low-income seniors for affordable housing and affordable assisted living. They found some wonderful (and expensive) retirement communities, but not much below that level. Working with leaders from the Township of Lyons, they decided to create an affordable option to allow seniors to stay in their communities, and brought in IFF to help.

The township donated property adjacent to township offices, and the foundation provided predevelopment and permanent financing. IFF arranged the rest of the financing, including housing tax credits, county funds, and a $1 million IFF loan. Construction of the 70-unit building, targeted to seniors making between 30-80% of area median income, began in summer 2009. “For this community, it will be really wonderful,” says Jim Durkan, President and CEO of Community Memorial Foundation. “It will give residents of the area options that they don’t have now.”

The complex will incorporate a solar hot water system and other technologies to limit energy consumption, as well as an engineered bioswale to manage stormwater runoff. Such features—developed with support from the Grand Victoria Foundation—will put the township’s seniors in one of the greenest buildings for miles around.

‘Cornerstone of the Community, Wellspring of Hope’

Heartland Health Outreach and
Heartland International Health Center, Chicago IL

Framed on the wall of the Heartland Health International Center on Chicago’s far North Side is a letter celebrating the February 2008 opening, signed by the senator from Illinois. The writer predicts that the center will become “a cornerstone of the community and a wellspring of hope.” The signature is by now a familiar one: Barack Obama.

The building is one of two new facilities housing the health center; the other, a few miles away, opened in February 2009. Previously, the center, which serves low-income families, mostly immigrants and many uninsured, shared space with Heartland Health Outreach, dedicated to serving people who are homeless and severely disadvantaged. The homeless center got federal funding to expand its services and add dental care, but that meant displacing the family services. Should the facilities split up, or relocate together to a new, bigger space? And in either case, where should they go?

Using a grant from the Michael Reese Health Trust for health services planning, IFF research determined that homeless patients could mostly be found near the existing facility, while families come from neighborhoods to the north and west. So it made sense to expand the homeless health center in place, and move the family sites closer to the patients. IFF helped determine what kind of space both health centers needed, presented the findings to the board, and created an appropriate financing package. A $560,000 IFF loan enabled the homeless center to renovate and add a dental suite; and a $350,000 IFF second mortgage helped finance acquisition and renovation of one of the family sites. “They helped us calculate what our debt capacity was, and it turned out to be much higher than I would ever have expected,” says HHO Executive Director Heidi Nelson.

Beyond the loan, says Nelson, the planning assistance was extraordinarily helpful. “Sometimes when there are so many options, it creates an environment for indecision. To have someone whose responsibility was to walk us through that, was very very helpful.”

www.heartlandalliance.org

"I've become a huge cheerleader. I tell people all the time, 'You need IFF!'"

Heidi Nelson, Executive Director
Heartland Health Outreach

No other sector better demonstrates how IFF's integration of financing, real estate consulting, practical research, and timely funding can take an initiative to scale than does the growth of charter schools.

In the early years of the charter school movement in Chicago, IFF became a partner on the less-than-glamorous side: where will the school go and how will it be financed? Coupled with its evaluation skills rooted in an underwriting culture and its leadership in advocating selection strategies to serve neighborhoods with the fewest performing schools first, IFF built trust based on commitment and performance. Through its Charter School Capital Program, IFF has helped charter school operators in Illinois to identify, acquire, and rehab facilities to meet their needs.

The regional expansion opened up many new relationships, including one with The Walton Family Foundation, whose interest in school reform extends beyond charter schools to parental choice models. The Foundation's $5 million program-related investment enabled IFF to make below-market loans with the pricing flexibility to help new schools grow into their space over time, opening with one grade and adding another class each year, a less-than-efficient use of school buildings that requires tailored financing.

As the charters have grown, their need for financing has increased beyond what the market could traditionally support. IFF has pioneered a strategy that dramatically expands charter financing options, using two grants totaling $18 million from the U.S. Department of Education Credit Enhancement Program to facilitate tax-exempt bond issues. After the credit markets became unavailable in mid-2008 due to the economic recession, IFF received permission to use the grant to credit-enhance bank loans to charter schools. In 2007, with funding from the Joyce Foundation, IFF hosted "Financing the Future," the first national conference to brainstorm new ways to attract capital to charter schools, including sharing IFF's innovative use of its Credit Enhancement Grants.

IFF's 2004 report documenting the need for new, "performing" schools in Chicago was updated in 2009. *Here and Now 2: Change We Can Measure* makes the case for continuing investments in neighborhoods where Chicago families lack strong educational options. A 2009 report, *St. Louis: Place, Performance, Promise*, was modeled on the Chicago studies and documents the unequal distribution of schools meeting state standards, especially as that affects areas with the highest number of school-age children. This report, as with the others, will make it possible to set priorities—critical in a cash-strapped school district facing so many challenges. A Milwaukee study is being planned.

IFF also assists Chicago Public Schools in evaluating the qualifications of charter proposals for governance, leadership, and financing. To promote the development of high-quality charters in the region and nationally, IFF seeks policy changes at the federal, state, and local levels, including expanding funding and lifting limitations on the number of charters in each state.

On the real estate side, IFF has provided assistance ranging from planning and site selection to project and construction management for 23 school projects, primarily in Chicago. Thanks to a 2009 grant from The Walton Family Foundation, IFF will bring real estate consulting as well as policy activities to Milwaukee and St. Louis.

Getting the right space can make a huge difference for a new school, notes Jill Levine, IFF's Director of School Services. "Many educators would say their ability to have a space where they can control the culture of the school is critical to their success," says Levine. "Operationally the building can get in their way or be part of their path to accomplish their goals. It gets in the way if they have no control over the space, if they have to share space with another school that clashes with their culture, if the janitors don't respond to their requests, the building looks horrible—then the kids get the message they don't matter. We help them get into facilities where they can cohesively address their mission."

"The IFF philosophy got us a building we can afford and that will provide us with the program space we need."

Millie Krna, Executive Director
Brookside Day School

How Do You Do School?

Brookside Day School, Kansas City MO

With its lease set to expire, Brookside Day School decided it needed more space. The six-year-old charter, a former private school, serves 300 students in preschool through fifth grade and is expanding to accommodate 436 students. Brookside was already looking at buildings when they encountered IFF's Kirby Burkholder.

"He stopped us," recalls Executive Director Millie Krna. "He told us to think what we want first, and then find a building to meet our needs, not the other way around. He asked us, 'How do you do school now? What do you need to educate your children? What in your current facility is working? What needs to be addressed?' We decided that the most important thing was to have good teachers who work well with students, in an environment where everyone feels safe, enlightened, and wants to keep on learning."

Burkholder helped find spaces to meet that need, warning them off one building that was just too big. "If we hadn't had his insight," says Krna, "we'd be struggling with a building we couldn't afford to renovate and couldn't afford to operate, and that would have put us too much in debt. The IFF philosophy got us a building we can afford and that will provide us with the program space we need."

Besides planning and site selection, IFF provided a $1 million subordinate loan and helped secure a $2.2 million bank loan to complete the package. Brookside acquired a former office building and began extensive renovations in January 2009. The site allows for further expansion, so Brookside is also starting a capital campaign to build a long planned-for gym and meeting space. Meanwhile, says Krna, Brookside started school in August "in our own brand-new space."

http://24.123.101.14

High Expectations

Noble Network of Charter Schools, Chicago IL

Carved above the doorway to Golder College Prep on Chicago's near northwest side is the building's date—1890—and two American eagles flanking a Christian emblem. That tells part of the story: this charter school, like many others in Chicago, occupies an old Catholic school building. Another part of the story is apparent in the front lobby, where a video screen flashes images of student projects, a shared printer spits out faculty and staff paperwork, and a doorway opens onto an impressive, and spotless, workout room. "The fact that we have such beautiful buildings and equipment communicates that we respect our students and have high expectations for their behavior," says Principal Stephanie Stewart.

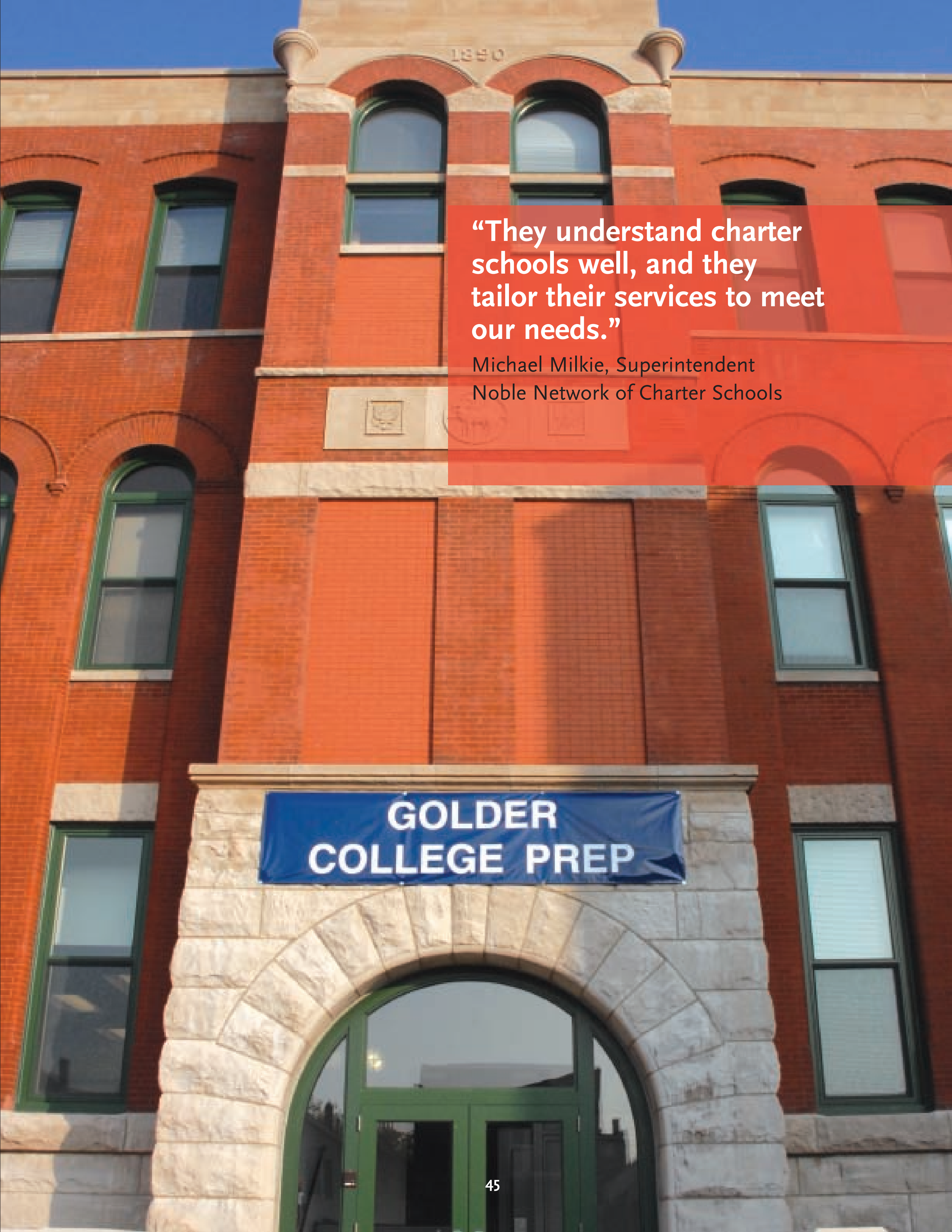
Golder is one of nine campuses of the Noble Network of Charter Schools. The network began a decade ago and a few blocks away at the Noble Street Charter School. Under Illinois law, the number of charters is limited but charter holders can operate more than one school. Since 2005, Noble has worked with IFF to open Golder and five other campuses, with three more currently under development. Together the schools will serve over 5,000 students and occupy over 300,000 square feet, in buildings scattered around the city.

IFF provided $8.4 million in direct loans and arranged $25 million in credit-enhanced tax-exempt bond financing through its U.S. Department of Education grant for Noble's expansion. When tight credit markets last Fall put such projects at risk, IFF negotiated to secure access to New Markets Tax Credit Financing, so that the planned expansion could go forward. "Expansion is important for charter schools," explains IFF's Director of School Services Jill Levine, "because parent demand for quality education in Chicago keeps growing." In addition, many charters begin one grade at a time, then add new capacity as each class of children moves up; stopping that process midstream would put the future of the school in jeopardy.

Noble Network Superintendent Michael Milkie says finding the right facilities is "one of our biggest challenges," and he praises IFF for its assistance with both real estate and financing. "They really understand the needs of nonprofits well, they understand charter schools well, and they tailor their services to best meet our needs."
www.noblenetwork.org

"They understand charter schools well, and they tailor their services to meet our needs."

Michael Milkie, Superintendent
Noble Network of Charter Schools



As a result of our expansion to Indiana, Iowa, Missouri and Wisconsin,

more nonprofits will

benefit from **financial resources**

at rates that are **affordable**

with products **tailored** for their needs

and real estate services that help them find **the best space**

to achieve **their mission**.

And we are taking the lessons we've learned into the public policy realm

to help **change the rules**

so that nonprofits can **do their best work**.

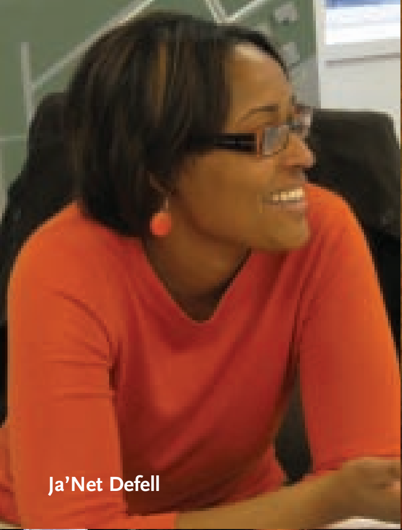
And therefore,

our **goals**, our **metrics**, our **values** will be accomplished,

new relationships and **new friends** will enrich IFF, and

stronger balance sheets and **stronger nonprofits** will lead to achievements

that we cannot now **imagine.**


Ja'Net Defell

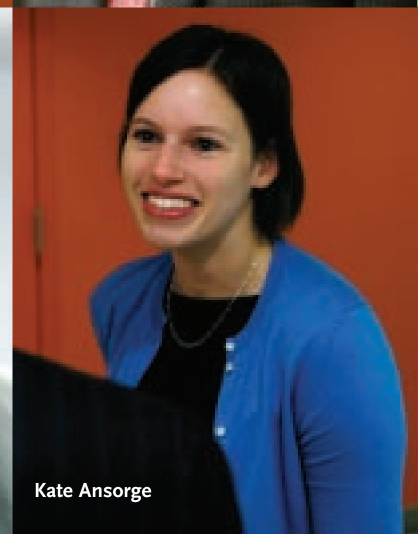

Dana K. Peterson


Susan Cahn

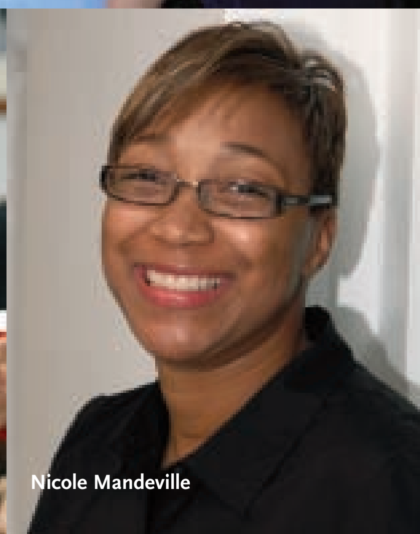

Luke Collins


Amy Stewart, Robin Towe, Emily Baron


Bill Fitzgerald


Kate Ansorge


Jill Levine
Tanya Vartivarian

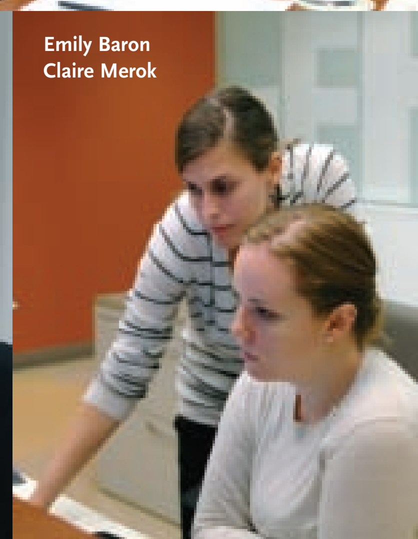

Nicole Mandeville


David Crawford
Michael Shindler


Michael Fisher

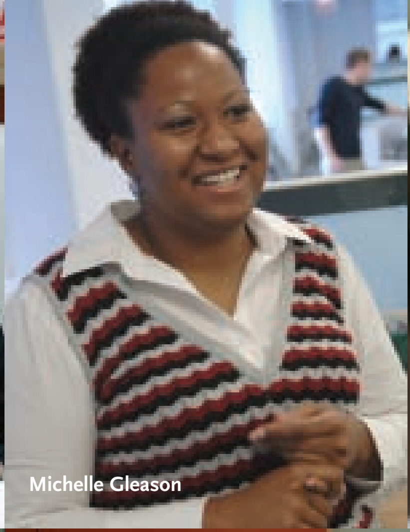

Lanie Wasserman


Jeff Kolb


Emily Baron
Claire Merok


Joanne Jacobson


John Kuhnen
José Cerda III


Michelle Gleason


Lucy Tuck


Sara Walton

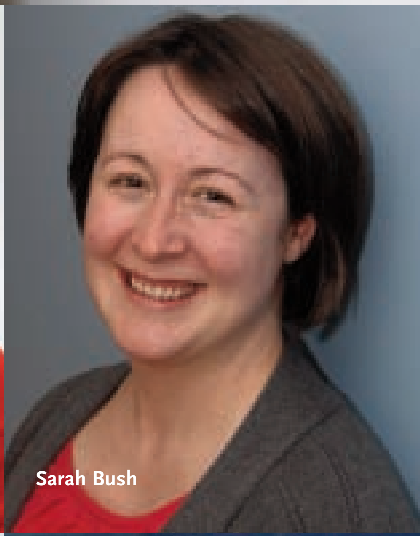
Liz Reyes


Trinita Logue

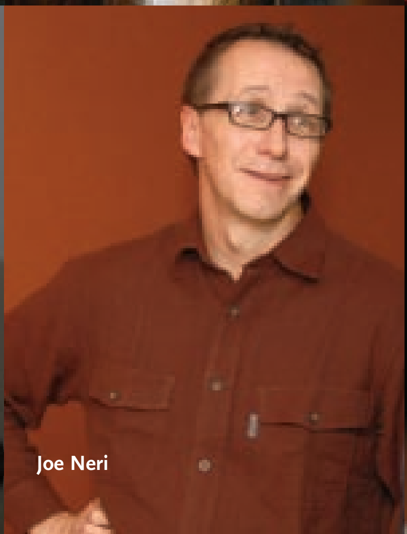

David Reynolds


Tanya Vartivarian


Rich Wallach


Sarah Bush


Jacques Sandberg

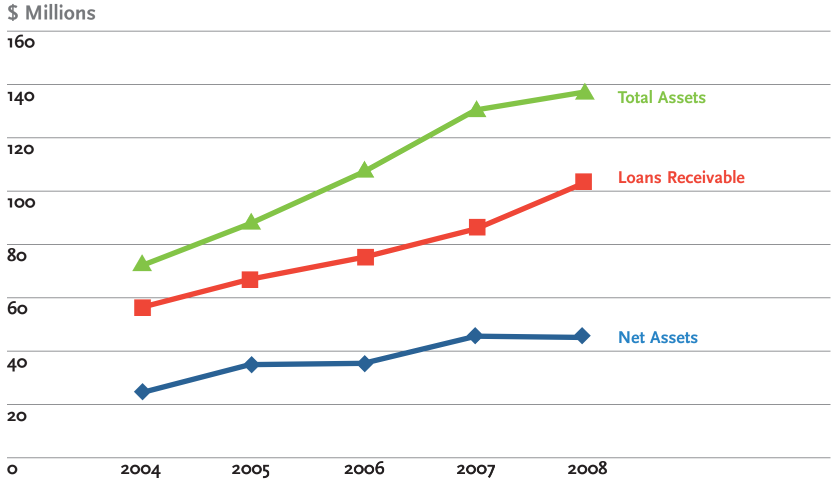

Joe Neri


Meredith O'Connor


Marty Sinnott

Statement of Financial Position

Assets	2008	2007	2006
Investments, cash, and cash equivalents	$11,070,533	$22,093,251	$16,087,815
Investments related to DOE Grant	18,927,878	18,610,417	8,194,483
Grants and other receivables	1,064,370	876,871	1,392,975
Loans receivable, net	102,818,437	85,494,351	76,580,114
Accrued interest receivable	478,072	444,132	326,375
Other assets	1,512,358	758,483	1,018,404
Total Assets	**135,871,648**	**128,277,505**	**103,600,166**
Liabilities and Net Assets			
Liabilities			
Accrued liabilities	2,131,699	1,936,193	1,798,860
Accrued interest payable	698,552	672,545	576,070
Loans payable	89,457,190	82,103,432	68,836,272
Total Liabilities	**92,287,441**	**84,712,170**	**71,211,202**
Net Assets			
Unrestricted net assets	12,721,541	11,599,412	10,996,016
Loan issuance	10,431,442	11,549,557	12,300,816
DOE Grant for Credit Enhancement	18,927,878	18,610,417	8,189,101
Grants for specific programs	1,503,346	1,805,949	903,031
Total Net Assets	**$43,584,207**	**$43,565,335**	**$32,388,964**
Total Liabilities and Net Assets	**$135,871,648**	**$128,277,505**	**$103,600,166**



Go to www.iff.org for full audited financial statements.

Statement of Activities

Changes in unrestricted net assets	2008	2007	2006
Support and Revenue			
Corporations, foundations, and individuals	$106,600	$105,900	$113,950
Interest on loans	5,318,151	4,643,174	4,071,171
Investment income	461,696	790,439	471,758
Consulting contract fees	1,082,408	1,187,907	987,119
Loan fees	116,210	126,793	70,462
Unrealized/Realized gains (losses)	(98,474)	(22,880)	(56,335)
Loan grants	1,000,000	–	585,000
Gain on discharge of indebtedness	90,544	–	–
Allowance for nonperforming loans	1,118,115	1,751,258	559,044
Net assets released from restrictions:			
Satisfaction of program restrictions	1,479,723	1,232,077	1,209,661
Total unrestricted support and revenue	10,674,973	9,814,668	8,011,830
Expenses			
Salaries and benefits	3,616,009	2,997,444	2,863,226
Professional fees	831,213	643,261	525,376
Occupancy and office	460,975	459,941	404,216
Other operating expenses	465,580	352,164	271,526
Allowance for nonperforming loans	1,118,115	1,751,258	559,044
Interest	2,901,952	2,588,311	2,108,028
Depreciation and amortization expense	159,000	418,893	304,970
Total Expenses	9,552,844	9,211,272	7,036,386
Changes in unrestricted net assets	1,122,129	603,396	975,444
Changes in temporarily restricted net assets			
Program and operating grants	993,108	11,064,625	1,568,000
Capital grants	–	2,000,000	–
Interest on investments	501,473	491,685	336,969
Allowance for nonperforming loans	(1,118,115)	(1,751,258)	(559,044)
Satisfaction of program restrictions	(1,479,723)	(1,232,077)	(1,209,661)
Changes in temporarily restricted net assets	(1,103,257)	10,572,975	136,264
Change in net assets	18,872	11,176,371	1,111,708
Net assets, beginning of year	43,565,335	32,388,964	31,277,034
Net assets, end of year	**$43,584,207**	**$43,565,335**	**$32,388,964**

Performance and Results

As of September 30, 2009

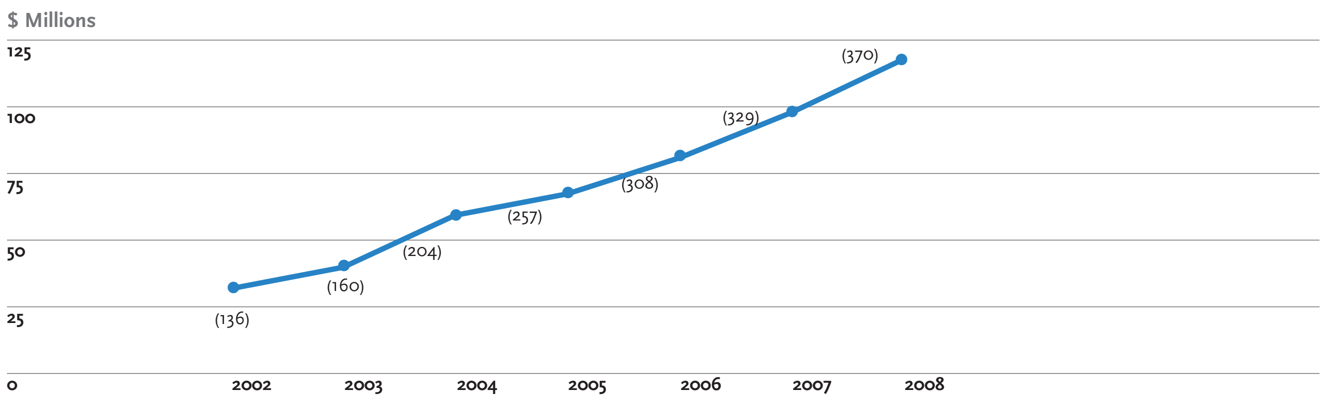
IFF Impact		
Impact [1]	**Loan Program**	**Real Estate Services**
Total Loans Closed	729	–
Total Loan Volume	$263.6 million	–
Total Project Cost	$582.6 million	$159.8 million
Cost Savings for Clients [2]	$15.6 million	$8.9 million
Renovated/Constructed Space (sq ft)	9.6 million	1.4 million

Added Capacity [3]		
Child Care (slots)	4,467	3,983
Charter Schools (classrooms)	604	216
Health Care (exam rooms)	517	73
Housing (units/beds)	1,041 units [4]	24 beds
Employment (FTE)	35,617	n/a

1 Loan Program cumulative since 1990, Real Estate Services cumulative since 1997 excluding Cost Savings which is cumulative since 2000
2 Transaction fees and first year interest for Loan Program; discount to market fees for Real Estate Services
3 Loan Program impact based on created units; Real Estate Services impact counts new and renovated units
4 Includes both affordable and supportive/special needs housing

Loan Portfolio Growth

As of December 31, 2008 (# of loans)



Investors and Funders

Investor Consortium
Bank of America
Busey Bank
Charter One Bank
Cole Taylor Bank
First Bank
First Bank and Trust
Harris Bank
Jacksonville Savings Bank
M & I Bank
MB Financial
Midwest Bank and Trust
Northern Trust
Park National Bank and Trust
Wintrust

Note Program— Financial Institutions
Allstate Bank
Allstate Insurance
Bank of America
First Bank
Harris Bank
Marquette Bank
Northern Trust
ShoreBank
State Farm Bank
Wells Fargo Bank

New Markets Tax Credits
Bank of America
Harris Bank
JP Morgan Chase
PNC

Foundations and Other Philanthropic Investors
Calvert Foundation
Catholic Health Initiatives
Community Memorial Foundation
Searle Funds at The Chicago Community Trust
Grand Victoria Foundation
Kresge Foundation
MacArthur Foundation
Opportunity Finance Network
Trinity Health
The Walton Family Foundation

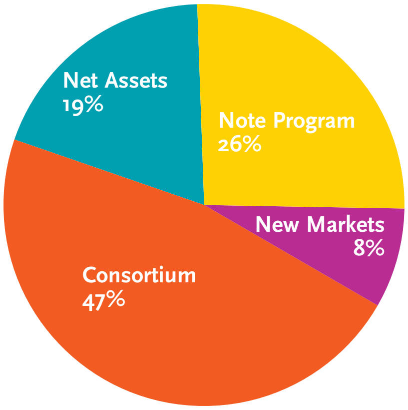
Grants for Special Projects and Operations
Annie E. Casey Foundation
Bank of America
The Lynde and Harry Bradley Foundation
The Chicago Community Trust
Cole Taylor Bank
Community Memorial Foundation
Crown Family Philanthropies
Enterprise Community Partners
Grand Victoria Foundation
Harris Bank
F.B. Heron Foundation
The Kresge Foundation
John D. and Catherine T. MacArthur Foundation
Midwest Bank and Trust
The Northern Trust Company
Opportunity Finance Network
Polk Bros. Foundation
TCF Bank Illinois
The Walton Family Foundation
Wells Fargo Foundation
Wintrust Bank

Government Grants
Chicago Public Schools
Illinois Dept. of Commerce & Economic Opportunity
U.S. Department of Education
U.S. Department of Housing and Urban Development – Neighborhood Stabilization Program
U.S. Department of Treasury CDFI Fund

Current Loan Program Funding

Total Capital	**$124 million**
Net Assets	$25 million
Investor Consortium	$58 million
New Markets Tax Credits	$10 million
Note Program	$31 million

Capital Sources



Special Thanks

Loan Task Force

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LTF Chairperson and IFF Board Member
Assistant Deputy Director
Neighborhood Housing
Services of Chicago

Steve Bragdon
Senior Vice President
Charter One Bank

Terence Burm
Vice President
JPMorgan Chase

Andrew Geer
Vice President and Executive Director
Heartland Housing

Dave McClure
Executive Director
Youth Service Bureau of Illinois Valley

Katya Shirley
Vice President—Program
Related Investments
Bank of America

Katherine Mazzocco
Vice President, Community Development
Harris Bank

Community Advisory Committee

Fred Bernstein
Chief Executive Officer
Community Health
and Emergency Services, Inc
Cairo, IL

Chris Bzdon
Executive Director
Child Care Resource and
Referral Network
Joliet, IL

Robert Dougherty
Executive Director
St. Leonard's Ministries
Chicago, IL

Dr. Vincent Dudley
Senior Pastor
New Life Christ Church Daycare
Lebanon, IL

Sherry Flanigan-Vazquez
Economic Development Director
Justine Petersen Corporation
St. Louis, MO

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Network for College Success,
The University of Chicago
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Chairman
Mitchell Bank
Milwaukee, WI

Trinita Logue
President and CEO
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Lucy Murphy
Executive Director
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Decatur/Macon County
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The Resurrection Project
Chicago, IL

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