



Strengthening nonprofits and the communities they serve.

Strategic Plan

2014 – 2018



Context and Objectives of this Document

- In January 2013, IFF Board, CEO, management staff, and other staff leaders led by McKinney Rogers and Barry Zigas and Associates embarked on a new five-year Strategic Plan.
- IFF re-evaluated its purpose, vision, and mission and analyzed its core businesses and support functions through:
 - Interviews with key partners, funders, stakeholder, customers, and peers
 - Survey of all IFF staff and Board members
 - Analysis by IFF executive team of current business and market landscape
 - Identification and evaluation of growth opportunities
- This document provides a strategic roadmap for IFF staff and Board members to implement the new vision over the five years 2014 through 2018. It is supported by detailed business and operating plans for each division.
- Staff also completed a detailed plan for 2013 to prepare internally for growth and expansion, and will develop subsequent annual execution plans prior to each of the following five years.



Context for the Plan

IFF celebrates its 25th anniversary as the nation, and particularly the Midwest, emerge from the great recession. As a result of this economic crisis, every aspect of IFF's external environment has changed. The structure of federal and state funding for health, community development, and the human services safety net has been dramatically altered. State and municipal government ability to lead, maintain or build capacity in the safety net has been severely constrained by reduced tax revenues, which has in turn weakened the business environment and balance sheets of many nonprofit corporations that provide services. Additionally, the foreclosure crisis has significantly altered the affordable housing sector.

IFF's tools are financing and real estate development, both framed by the flexibility of an unregulated lender and deep knowledge of the needs of clients. IFF delivers capital through a variety of structures, with the support of a strong network of funders and investors. With a focus on comprehensive community development in low income communities, IFF has strengthened the balance sheets of hundreds of nonprofit corporations, many of which are the economic engines in their own communities, providing services, jobs, and a community focal point. IFF brings hope to the vision of many communities – hope that their needs will be met and economic activity and community improvement can continue.

Throughout IFF's history, as there have been difficult times due to public policy changes in certain sectors, there has also been new investment in others. IFF continues to see growth in demand for charter schools, multi-family rental housing and housing for persons with disabilities moving out of institutions. IFF also expects considerable growth in community health center lending due to the enactment of the Affordable Care Act.

The continued movement of low-income individuals and families to the suburbs is having a profound effect on those communities, due to the lack of community development and human services infrastructure. The impact is also considerable in suburban schools and hospitals. This dispersion of poverty requires new thinking in the sectors IFF serves. It will also require new interventions and tools that support comprehensive development.



Context for the Plan

Many human services programs have been eliminated or restructured and some areas of need will not receive government support for the foreseeable future. This reality requires more from IFF. In order to continue to serve and help build stronger communities, IFF will renew the focus of its considerable talent and financial resources on transformational outcomes.

After the completion of its 2008 – 2012 Strategic Plan, IFF successfully completed the expansion of its footprint to four additional states: Indiana, Iowa, Missouri, and Wisconsin. IFF now has offices in Chicago, St. Louis, Milwaukee, and Indianapolis. This expansion demanded a financial institution that operates at a significant, regional scale, that attracts sizeable and complex investment from government, financial institutions, and philanthropy, and that meets the capital gap in all sectors, for nonprofits and their partners in communities, large and small, throughout the region.

IFF today is a more complex and significantly larger organization, with the knowledge and experience expected of a regional CDFI, and with proven deep local commitment. Flexible capital products are vitally important to these communities; knowledge and experience is equally critical. That knowledge, experience, and IFF's relationship base extend through education, child care, health care, human services, affordable housing, supportive housing, and now, food security – the components of strong, healthy communities. IFF is poised for further expansion.

This Strategic Plan addresses the imperative for existing strong CDFIs to expand to fill community capital gaps in specified geographic areas. IFF is one of the nation's largest CDFIs, has the highest CARS™ rating, and has the ability to attract and deliver capital to low income communities. As IFF assesses the needs and its strengths, it sees significant opportunity in the remainder of the Midwest. These opportunities include states with large metro areas: Michigan, Ohio, and Minnesota, as well as underserved states needing community capital: Kansas, Nebraska, and the Dakotas.



Review of Vision Statement

IFF reviewed its vision statement and established a new broader mandate for the next five years.

Current Vision Statement

IFF will be the provider of choice for the infrastructure needs of nonprofits serving low-income communities in the Midwest and a national leader in transforming the operating environment for the nonprofit sector through innovation and public policy.

New Vision Statement

IFF will provide comprehensive solutions with transformational outcomes in low-income and special needs communities throughout the Midwest by 2018.

This vision statement reflects a new approach – a proactive approach to community needs. IFF will focus on a broad set of outcomes in each community where it works, even with launching and implementing its expansion throughout the Midwest.



Plan Structure and Key Strategic Activities

In the context of this Strategic Plan, IFF arrived at a structure for evaluating current activities and planning new activities that is characterized by two words: broader and deeper.

Over the remainder of 2013, IFF will implement metro area analyses in Kansas, Michigan, Minnesota and Ohio.

- Data on the nonprofit sector and analysis of each state's funding of IFF's core sectors in the human services, health and education
- Field work – meetings with nonprofit CEOs, community leaders, potential funders, investors and civic leaders
- An analysis of competition and potential partners
- Final recommendations and an expansion plan including the demand research and a financial forecast will be presented to the Board of Directors in January 2014

A Broader

Replicate IFF's successful regional expansion to encompass the entire Midwest

Strategy 1 Expand IFF lending throughout the Midwest.

- Ensure that long-term low-cost financing is available in seven additional states by 2018.
- Continue commitment to Chicago metro area.
- Expansion will occur through a combination of IFF offices and staff presence, or through partnerships and alliances with other CDFIs.
- Create a \$1.5 to \$5 million loan product to finance larger vital community facility projects. Work with banks and CDFI colleagues to accomplish this goal.
- Double the loan portfolio from \$235 million at year end 2013 to \$506 million at year end 2018, while maintaining Net Assets requirements.



Plan Structure and Key Strategic Activities

B Deeper

Combine finance and real estate development expertise to proactively create comprehensive community solutions to transform disadvantaged communities

Strategy

2

Implement new Community Strategies division with a comprehensive community development approach and innovative financing vehicles that will transform communities and attract new investors.

Over the remainder of 2013, the new Community Strategies division will complete its platform and work plan and will be actively engaged in selecting its first projects. These projects will represent comprehensive community development strategies, and will call on the strengths of IFF in research, real estate planning and development and financing.

- Develop an evaluation tool to determine the viability of committing equity to projects.
- Continue the move into ownership of property on behalf of nonprofits and certain special populations.
- Create a charter school facility development and asset ownership fund to support the stability of charter schools in high need communities.
- In 2014, Community Strategies will be fully integrated into IFF as a business unit.



Additional Supporting Strategic Initiatives Complete the Strategic Plan

C Leverage Knowledge and Influence

Formalize and position Research and Public Policy to support transformational solutions

Strategy 3

Complete and implement a business plan for the Research division that generates revenue and supports Broader and Deeper strategies.

Strategy 4

Establish Public Policy priorities that support growth of the CDFI industry and Broader and Deeper strategies.



New Funds Required Each Year and Sources for 2014 – 2018

	2014	2015	2016	2017	2018	Total
New Funds and Source of Funds (in millions of dollars)	79.8	58.3	89.2	72.7	70.9	370.9
<u>Net Assets</u>						
New Net Assets						
Capital Grants	2.0	2.0	2.0	2.0	2.0	10.0
Operating Surplus	0.2	0.8	1.0	1.5	1.6	5.2
<u>Debt</u>						
New debt	26.0	24.2	29.4	37.6	35.8	153.0
Investor Consortium	12.0	15.0	25.0	25.0	25.0	102.0
Healthy Food Access Consortium	8.0	10.0	-	-	-	18.0
Federal Home Loan Bank	6.8	7.1	7.8	8.1	8.1	37.9
New Markets Tax Credits	25.0	-	25.0	-	-	50.0
Adjusted Net Asset Ratio	32%	30%	28%	26%	25%	



Additional Supporting Strategic Initiatives Complete the Strategic Plan

D Enable the New Vision and Strategic Plan

Develop and maintain resources and support structures

Strategy 5

Establish new Financial Forecast models to support flexible, independent planning for new initiatives such as community strategies, real estate ownership fund, and larger loan product.

Strategy 6

Execute a resource development plan to expand fund raising sources, structures, and opportunities. Seek new partnerships with funders and investors based on innovation in product design and investment vehicles.



Additional Supporting Strategic Initiatives Complete the Strategic Plan

D Enable the New Vision and Strategic Plan

Maintain environment of operational excellence, resources and support structures

Strategy

7

IFF culture is critical to its success and will be preserved even as regional expansion continues. Human Resources capacity and functionality to reflect growth of staff and to focus on talent development will be strengthened.

Strategy

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Internal collaboration across business units and divisions is imperative. The design and implementation of a knowledge sharing program to share expertise consistently across expanded footprint both internally and externally will be completed in 2013, launched and measured through staff feedback.

Strategy

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IFF will expand its investment in Information Technology and related systems to support all business units and improve communication and visibility throughout the new region.

IFF is poised to expand geographically and to meet a wider range of needs in low income communities than ever before. Its growing housing division and its new Community Strategies division have both enabled IFF to design new tools and work with new partners. The in-depth analysis and planning that continues throughout 2013 will position IFF for launching its new expansion in early 2014.



IFF Board Members

Joe Antolin

Consultant, Antolin & Associates

Ramon Cepeda

Senior Vice President, Northern Trust

Mohini Chopra, *Board Chair*

Financial Strategy Consultant

Luke Collins

Managing Director, Guggenheim Partners

David Crawford

Principal, The D2 Realty Companies

Kristine Garrett, *Board Treasurer*

Managing Director, Head of Private Wealth, The Private Bank

Carl Jenkins

Vice President, Director Community Investments, BMO Harris Bank

Steve Kent

President, River Branch Capital LLC

Amir Kirkwood

Partner and Head of Capital Practice, Next Street Financial, LLC

Sandra Moore

President, Urban Strategies

Meredith O'Connor

Managing Director, Jones Lang LaSalle

John Sarris

Senior Vice President, Commercial Banking, MB Financial Bank N.A.

Rodney Tyson

Managing Director, Robert W. Baird & Co.

Diane Williams

President and CEO, Safer Foundation



IFF Contact Information

1 North LaSalle Street
Suite 700
Chicago, IL 60602
312-629-0060
www.iff.org

Joe Neri
Chief Executive Officer
jneri@iff.org

Please see IFF's Five Year Financial Forecast for projected performance of this plan.