

## Five-Year Financial Forecast 2018-2022

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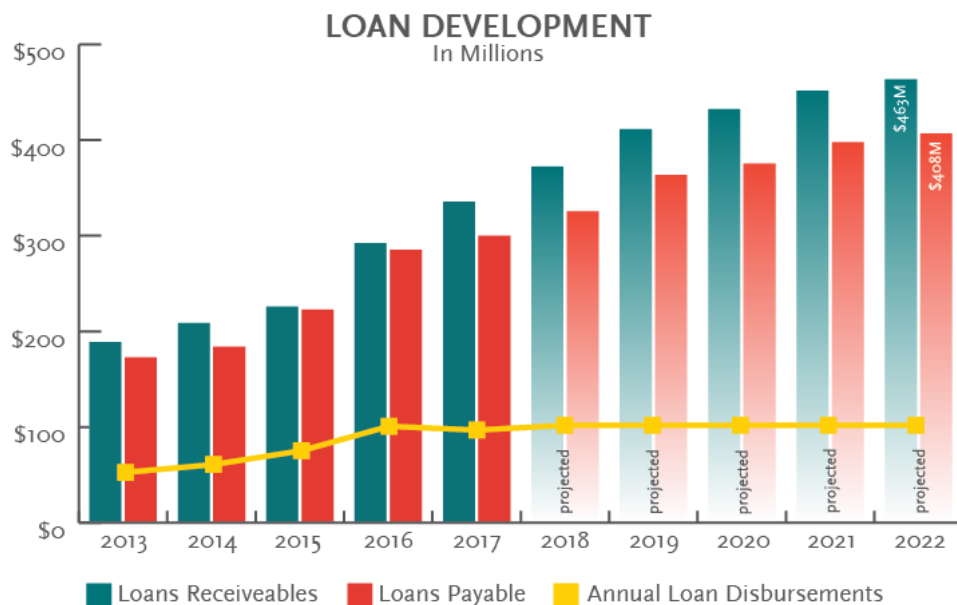
## I. INTRODUCTION

The Five-Year Financial Forecast establishes overall parameters set by the Board under which management can operate. It also:

- Ensures alignment between the Board and management on the execution of the [Strategic Plan](#);
- Sets capital raising targets for both consortium pledges and debt capital to fund IFF's loan program; and
- Provides a roadmap to meeting growth and impact objectives while remaining in strong financial position and in compliance with Board and investor covenants.

Over the next 5 years, even as we focus on revving up our social impact engine, our loan disbursements will continue at recent historic highs of \$100 million annually. To achieve this, IFF will generate average annual surpluses of \$2 million and raise \$195 million in additional capital, including growing our Investor Consortium note sales to \$50 million per year.

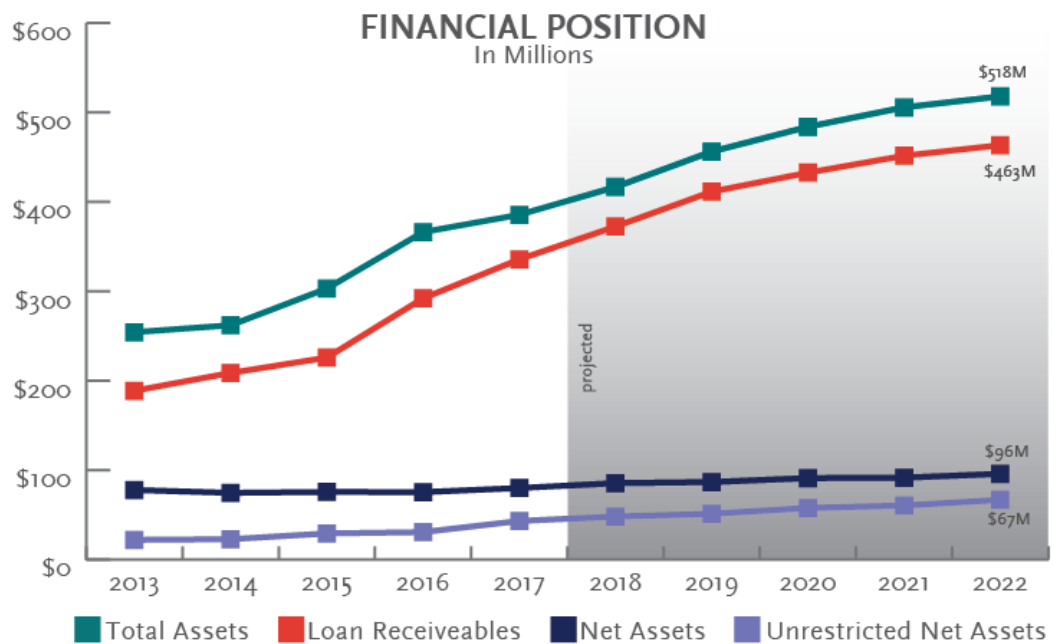
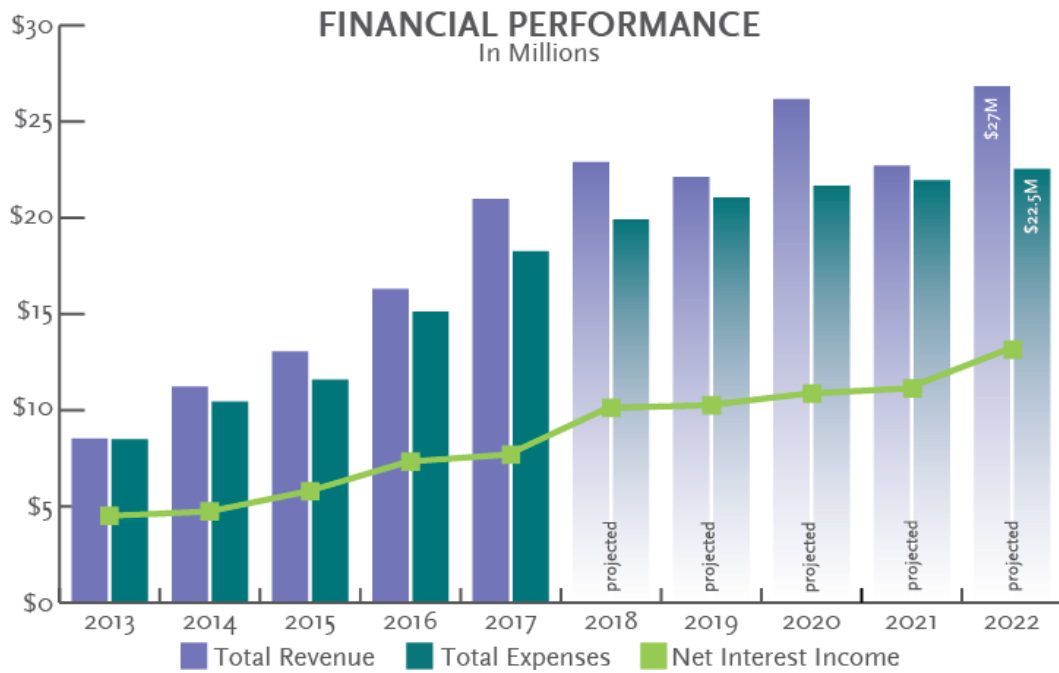
## II. KEY FINANCIAL PROJECTIONS





**Strengthening  
nonprofits and  
the communities  
they serve.**

*Sharing a mission of change*  
SINCE 1988 CELEBRATING 30 YEARS



### **III. KEY ASSUMPTIONS**

Key assumptions that inform the 2017-2022 financial forecast include:

#### **Macro**

- Modestly rising interest rate environment;
- Continuation of CDFI Fund grants in 2017-2022 (could be Financial Assistance, Healthy Food Financing Initiative, and/or Capital Magnet grants);
- Steady level of general operating grants for Core Business Solutions; Vital Services fully funded by philanthropy;
- Creation of both Executive Director – Chicago role and support for Market Advisory Committees in Chicago, Detroit and St. Louis/KC; and
- Overall staffing level growing from 94 today to 115 by 2022.

#### **Core Business Solutions**

- Annual loan disbursements of \$100MM/year;
- Investment in underwriting and credit support for originations;
- Continued strength in asset quality, with net charge-offs at 0.50% for 2017-2022;
- Continued success in receiving NMTC allocations - \$50MM each in 2017, 2019 and 2021; growth in NMTC advisory revenues; and
- Following years of strong growth in RES staffing levels, re-direct focus to deepen reach into the communities we serve and diversify sectors.

#### **Balance Sheet and Finance**

- \$50MM per year in Investor Note Issuances over the 2018-2022 horizon – significantly more than we’ve done in the past;
- Approximately \$120MM of unsecured, recourse debt raised over the five years; and
- \$25MM of Equity Equivalent (EQ2) debt over the five years.

#### **Social Impact Accelerator**

##### **Development**

- Assumes shift in focus towards a fee-based developer role;
- Continued LIHTC development projects supporting Home First; and
- Anticipated development projects in full service markets from a pipeline of potential projects, including ECE centers in Detroit and a 4% LIHTC project in North Lawndale.

##### **Research**

- One major ECCE study per year;
- 1-2 major School Studies per year; and
- Several smaller updates per year.

**Core Operations**

- Focus and support for data management infrastructure;
- Continued investment in IT (\$500K capital expenditure slated for 2018) to enhance and/or replace our General Ledger system, loan accounting platform, Project Management software and CRM platform; and
- Additional positions in Finance, including a Director of Finance.

**IV. BASE CASE & IFF STANDALONE**

See next page.

	Budgeted FY2017	Projected FY2018	Projected FY2019	Projected FY2020	Projected FY2021	Projected FY2022
General Assumptions						
Total New Loans Disbursed	95,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000
% New Loans Sold Off Balance Sheet		0.0%	0.0%	10.0%	10.0%	10.0%
Incremental Debt						
Investor Consortium Notes	8,705,979	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000
Incremental Debt	10,000,000	28,603,571	34,111,116	4,557,486	42,943,177	3,721,350
Bond Guarantee Debt	6,603,157	-	-	-	-	-
EQ2 Investments	2,000,000	3,500,000	5,000,000	5,000,000	5,000,000	7,000,000
Total New Debt Raised	27,309,136	82,103,571	89,111,116	59,557,486	97,943,177	60,721,350
Blended Cost of Capital on Incremental Debt	3.76%	4.06%	4.36%	4.66%	4.96%	5.26%
5-yr Treasury Rate	1.59%	1.99%	2.39%	2.79%	2.99%	3.19%
Estimated Portfolio Yield, Net of Chargeoffs	5.76%	5.95%	5.92%	6.07%	6.26%	6.48%
Estimated Cost of Capital	3.30%	3.23%	3.51%	3.48%	4.04%	3.85%
Estimated Interest Spread	2.47%	2.72%	2.41%	2.59%	2.23%	2.63%
Chargeoffs - %	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
Awards						
Capital Grants (Including CDFI Fund)	9,450,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
New Markets Tax Credit Awards	50,000,000	-	50,000,000	-	50,000,000	-
End of Year Staff	103	109	113	115	115	115
Statement of Activities						
Net Interest Margin	7,781,907	10,230,418	10,374,319	11,984,222	11,246,352	13,284,415
Consulting Fee Income	2,522,424	2,130,277	2,648,924	2,697,674	2,648,924	2,678,174
Developer Fees	1,652,330	1,897,952	2,860,959	2,815,020	1,835,834	1,835,834
NMTC Fee Income (Syndication)	3,200,000	2,000,000	-	2,000,000	-	2,000,000
NMTC Fee Income (Mngmt )	912,833	1,364,610	1,489,735	1,533,610	1,665,777	1,572,105
Net Assets Released	2,684,101	2,278,591	2,278,591	2,278,591	2,278,591	2,278,591
All other	1,192,872	1,953,990	1,422,675	1,822,347	1,980,975	2,140,370
Total Revenue	19,946,466	21,855,838	21,075,203	25,131,464	21,656,453	25,789,489
Salaries and Benefits	11,579,243	13,151,123	14,224,904	14,834,651	15,279,691	15,734,410
Professional Fees	1,741,700	1,514,902	1,484,095	1,527,340	1,571,856	1,617,681
Occupancy Expense	1,697,317	1,803,222	1,840,855	1,627,559	1,409,688	1,438,113
Travel	662,575	714,330	733,846	753,940	774,628	795,928
All Other	1,528,784	1,686,290	1,723,239	1,867,661	1,863,395	1,910,478
Total Expense	17,209,619	18,869,866	20,006,939	20,611,151	20,899,257	21,496,610
Change in unrestricted net assets - operating	2,736,847	2,985,972	1,068,264	4,520,312	757,196	4,292,878
Increase (decrease) in net assets	4,583,377	5,459,728	1,236,137	4,398,701	461,692	4,353,594
Statement of Position						
Cash Balance	15,000,000	15,000,000	15,000,000	10,000,000	14,000,000	15,000,000
Gross Loan Balances	335,679,835	372,385,160	411,379,444	432,585,524	451,509,442	463,375,339
Allowance for Loan Losses	(12,142,803)	(12,126,690)	(12,430,606)	(12,936,404)	(13,541,161)	(13,751,279)
Restricted Cash	19,747,329	19,747,329	19,747,329	19,747,329	19,747,329	19,747,329
Other Assets	27,264,874	21,648,573	22,479,311	34,495,680	33,919,825	33,497,275
Total Assets*	385,549,236	416,654,372	456,175,477	483,892,129	505,635,436	517,868,664
Consortium Loans Payable	116,045,247	152,049,147	188,301,911	222,410,689	253,131,354	281,640,875
Incremental Debt Loans Payable	138,297,201	125,948,799	133,206,869	110,202,423	101,947,042	83,381,979
Bond Guarantee Program Loans Payable	23,092,361	22,896,912	22,101,878	21,287,048	20,450,104	19,590,463
EQ2 Loans Payable	22,544,000	24,619,000	19,975,000	21,675,000	22,450,000	22,200,000
Total Loans Payable	299,978,809	325,513,858	363,585,658	375,575,161	397,978,500	406,813,316
Other Liabilities	5,433,432	5,543,792	5,756,959	5,774,472	5,855,702	5,873,241
Total Liabilities*	305,412,241	331,057,649	369,342,617	381,349,633	403,834,201	412,686,557
Total Net Assets	80,136,995	85,596,723	86,832,860	91,231,561	91,693,254	96,046,848
Net Assets Ratio	21%	21%	19%	19%	19%	19%
Adjusted Net Assets Ratio (IFF Covenant)	32%	35%	35%	38%	41%	46%