

A group of diverse children, including boys and girls of various ethnicities, are smiling and looking towards the camera. They are dressed in casual clothing. The background is slightly blurred, focusing attention on the children.

The Low Income Investment Fund (LIIF) builds healthy communities by bridging the gap between private capital markets and low income neighborhoods. As a national community development financial institution, LIIF is a steward for capital invested in affordable housing, child care, job training programs, education, and other community initiatives. Through a family of funds—Affordable Buildings for Children’s Development (ABCD) Fund, Revolving Loan Fund (RLF), Fund for Children and Communities, San Francisco Child Care Facilities Fund, New York Child Care Seed Fund, Making Space for Children, and Low Income Housing Fund—LIIF encourages comprehensive strategies that address the diverse needs of people and communities.

“MAKING A DIFFERENCE IN THE LIVES OF THE POOR IS CENTRAL TO OUR WORK,
LINKING OUR PAST ACCOMPLISHMENTS TO OUR FUTURE DIRECTION.”



LETTER FROM THE CHAIR

A new name ushers in a new beginning, but also gives us the chance to affirm our past. This year, the Low Income Housing Fund became the Low Income Investment Fund (LIIF). In changing our name, we should take a moment to reflect on our past and renew our commitment to the overarching mission of poverty alleviation. Making a difference in the lives of the poor is central to our work, linking our past accomplishments to our future direction.

Affordable housing remains the bedrock of our efforts. However, LIIF's emerging work in child care, education, and job training adds new tools that advance our mission even further. As the Low Income Housing Fund becomes the Low Income Investment Fund, our new beginning paves the way for a renewed commitment to what we've always been about—improving the life chances of the poor, one family at a time.

LIIF reached new heights in fiscal year 2002, including record-breaking lending volume, supporting more child care slots than in any year of our history, and launching a new charter school capital program. The hard work of LIIF's staff, Board of Directors, Advisory Committees, borrowers, generous supporters, and, most importantly, the communities in which we invest has made this a remarkable year.

A handwritten signature in black ink that reads "Nicolas P. Retsinas". The signature is written in a cursive style.

NICOLAS RETSINAS BOARD CHAIR

“TO BETTER SUPPORT OUR DIVERSE EFFORTS, THE NEW LIIF ENVISIONS A FAMILY OF FUNDS THAT PROVIDES CAPITAL FOR A RANGE OF COMMUNITY NEEDS.”



LETTER FROM THE PRESIDENT

One of our most cherished values is diversity—diversity in our staff, Board, and in our program agenda. And one of our most cherished beliefs is that diversity is a primary source of excellence. Over the last decade, this belief has led us to diversify our programs well beyond our founding interest in low income housing.

In 2002, the Low Income Housing Fund marked its commitment to program diversity by changing its name to the Low Income Investment Fund (LIIF). This renaming reflects our growing activity not only in the area of housing, but also in child care, education, and workforce development projects.

To better support our diverse efforts, the new LIIF envisions a family of funds that provides capital for a range of community needs. These funds include Affordable Buildings for Children’s Development (ABCD) Fund, Revolving Loan Fund, Fund for Children and Communities, San Francisco Child Care Facilities Fund, New York Child Care Seed Fund, Making Space for Children, and Low Income Housing Fund. This diverse capital structure supports our expanded program focus and lays the foundation for the future work of the Low Income Investment Fund.

I would like to thank everyone—our community partners, supporters, staff, borrowers, and Board—who have made the continued evolution of LIIF possible. I am proud of LIIF’s accomplishments over the past year and look forward to continued growth and change for our organization.

A handwritten signature in black ink, which appears to read "Nancy O. Andrews". The signature is fluid and cursive, written over a white background.

NANCY O. ANDREWS PRESIDENT



Housing / *Las Brisas Apartments*

Dilapidated. Run-down. Unsafe. Currently, these words are used to describe the Las Brisas neighborhood in the City of Signal Hill, 18 miles south of downtown Los Angeles. When the Los Angeles Community Design Center (LACDC) and the City of Signal Hill decided to rehabilitate the neighborhood to make it a safe and enjoyable place to live, they came to LIIF for a loan to help make the neighborhood transformation possible. LIIF packaged a \$3 million acquisition loan with participation from Clearinghouse CDFI and McAuley Institute to support the LACDC's eventual creation of a 96-unit multifamily apartment complex targeting low and very low income residents of Signal Hill. The apartments will be a part of the comprehensive neighborhood revitalization effort, which will include rehabilitated buildings, a community center, a child care facility, a computer learning center, and a city park. As a result, the children and families of Signal Hill will have a clean, safe, affordable, and stable living environment, and the community of Signal Hill will again have a place to thrive.



Child Care / *Heritage Homes Child and Family Development Center*

The children of San Francisco's Visitacion Valley deserve the quality child care that is so instrumental to their educational development throughout life. However, there is a tremendous unmet need for child care programs in the area, where over 25 percent of the children are projected to have special needs and 75 percent of the children are from CALWORKS, working poor, and low income families. With a \$675,000 loan from the Section 108 Childcare Center Development Loan Program, administered by LIIF, and three grants from the San Francisco Child Care Facilities Fund totaling \$141,200, the Visitacion Valley Community Center was able to construct the new Heritage Homes Child and Family Development Center. The center, which opened in July of 2002, provides 37 new child care spaces for low and very low income children in Visitacion Valley. This new center goes a long way toward meeting the area's demand for quality child care, giving these children a chance at a fair beginning.

**Education / *Camino Nuevo Charter Academy***

What was a dream two-and-a-half years ago has become a reality. Parents and students in low-performing Los Angeles public schools were tired of children receiving substandard educations because their schools could not afford to provide basic academic necessities. Children were weary of being bused up to an hour away from home due to overcrowding in their own neighborhood schools. Today, there is Camino Nuevo Charter Academy. The Academy was created with the assistance of a \$500,000 construction and mini-permanent loan from LIIF and a similar \$400,000 loan from the Local Initiatives Support Corporation. Those loans closed in early 2000 and were recently repaid in full by Pueblo Nuevo Development. The 260-student charter school is fully functional and running smoothly, providing K-5th graders the crucial opportunity to receive a quality education and start their academic careers in a safe learning environment.



Job Training / Porter Avenue Project “Ready, Willing and Able” Program

Like LIIF, the Doe Fund believes that employment is a crucial factor in eliminating poverty. With \$1.9 million from LIIF’s RLF and a commitment from the General Board of Pension and Health Benefits of the United Methodist Church for approximately \$22 million, LIIF packaged a \$24 million loan to the Doe Fund for the Porter Avenue Housing Development Corporation. LIIF will help launch a new homeless shelter and workforce development program in Brooklyn. One hundred residents of the 400-person Porter Avenue Project homeless shelter will participate in the “Ready, Willing and Able” program (RWA), a full-time residential work program that provides participants with job training, housing, meals, and transitional support. With assistance from RWA, these residents will learn how to participate in the workforce and will be able to create new beginnings for themselves.

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LIIF SUPPORTS LOW INCOME FAMILIES

Low income families are easily caught in a cycle of poverty. Without a stable home, a good education, quality child care, and sufficient job training, a low income family is faced with the difficult task of surviving, let alone escaping the constraints of poverty. The Low Income Investment Fund aims to change this. By providing capital and assistance to organizations creating affordable housing, child care services, educational opportunities, and job training services, LIIF works to create new beginnings for families. “As LIIF grows and matures, we are expanding our focus to tackle more of poverty’s contributing factors,” says LIIF’s President, Nancy Andrews. “We believe that for a family to truly reach self-sufficiency, all four pieces of the puzzle—a good job, affordable housing, quality education, and child care—must be in place.”

Over the past 18 years, the Low Income Investment Fund has provided \$313 million in capital and technical assistance to low income communities in 35 states. This assistance has in turn leveraged investments in low income communities of over \$2.1 billion, a leverage ratio of seven to one. These investments have supported:

- Almost 40,700 units of affordable housing
- Nearly 7,200 slots of child care
- 800 spaces for low income children in charter schools
- Almost 1.2 million square feet of community space

As a result of the steady work of LIIF’s many community-based partners, more families can live in decent housing, own their own homes, find jobs that pay a living wage, receive a quality education, and benefit from excellent child care. At LIIF, we know this means that more families can leave poverty behind, creating new beginnings for parents and their children.

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LIIF is truly serving the nation's neediest communities. Nearly all of LIIF's financing has been focused on very low and low income families. In fiscal year 2002, approximately 87 percent of the 3,400 units of housing supported by LIIF's financing served low income communities and special needs populations. LIIF-financed affordable housing and homeownership units in fiscal year 2002 alone will save poor families over \$510 million in total income.

LIIF'S LENDING

LIIF makes direct loans and packages loans for other financial and philanthropic institutions to support community development organizations across the nation. Our loans cover the full range of financing needs, including predevelopment, acquisition, acquisition lines of credit, construction, mini-permanent, and interim or bridge loans.

LIIF is committed to moving the most challenging projects forward, being willing to undertake significant risk to ensure that worthwhile projects receive the capital they need. In fiscal year 2002, we created a new \$2 million High Impact Predevelopment Loan Pool with support from the Community Development Financial Institutions (CDFI) Fund of the United States Department of the Treasury. With this new loan pool, we are able to support projects in their earliest stages.

LIIF has been steadily growing its lending activity over the past 18 years, with our lending in fiscal year 2002 increasing by 50 percent over our 2001 lending volume. We approved over \$31 million and closed \$15.5 million in direct loans from our Revolving Loan Fund (RLF). Additionally, we approved another \$28.9 million and closed another \$8.2 million in packaged loans. This represents 63 approved loans from our RLF and 11 packaged loans.

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LIIF'S TECHNICAL ASSISTANCE

LIIF frequently makes loans to new nonprofit organizations, first-time borrowers, and other organizations that are new to the complexities of real estate, financial, and business transactions. To support these clients, LIIF provides crucial technical assistance and guidance to those community development organizations in need of strong financial and business support. LIIF's lending staff members help these organizations learn the ins and outs of commercial transactions, providing one-on-one assistance to early-stage borrowers to help them become responsible, savvy borrowers.

LIIF'S CHILD CARE PROGRAM

Research continues to prove that a child's early education experience significantly affects his or her cognitive abilities later in life. Without quality child care, children are left at a severe disadvantage. As such, it is vitally important that children receive excellent care from their earliest days.

LIIF's child care program supports quality care for children throughout the United States. In fiscal year 2002, LIIF financed over 2,000 child care slots and provided more than \$5.3 million in loans and grants to child care providers. LIIF's expanding child care program consists of four initiatives:

- The **SAN FRANCISCO CHILD CARE FACILITIES FUND (CCFF)** has been successfully enhancing the child care infrastructure in the San Francisco Bay Area by providing needed funds and technical assistance to family child care providers and child care centers throughout the region. Started in 1998, the CCFF has become a national model for child care financing.

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- **MAKING SPACE FOR CHILDREN**, a new initiative in Marin County, California, focuses on the need for newly created facility space in Marin County. LIIF staff members are working with governmental and child care organizations in Marin to solidify this program. As part of this effort, LIIF has helped to broker financing for 216 new child care spaces and has provided training and one-on-one assistance to child care providers.
- The \$300,000 **BAY AREA PREDEVELOPMENT POOL (BAPP)**, also new this year, increases the supply of quality licensed child care provided to welfare-to-work and low income families by nonprofit child care centers in the San Francisco Bay Area. Through BAPP, LIIF offered grants of up to \$25,000 to licensed nonprofit child care centers serving low income families in nine counties in the Bay Area.
- Fiscal year 2002 also marked the introduction of the **NEW YORK CHILD CARE SEED FUND**. Although LIIF has been making child care loans in New York for several years, the Seed Fund marks the beginning of a formal New York-based initiative to tackle the lack of sufficient child care in the New York metropolitan area. Using the successful CCFF model as a foundation, Seed Fund staff completed a business plan and created partnerships with agencies throughout the New York metropolitan area in order to launch the program in full force in fiscal year 2003.

LIIF has long understood that to truly help providers operate successful child care facilities it needs to provide attentive technical assistance as well as financing. This assistance takes the form of one-on-one advising as well as training programs and workshops. In fiscal year 2002, CCFF provided workshops, many in conjunction with the City College of San Francisco, that reached over 600 child care centers and family child care providers.

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LIIF'S EDUCATION PROGRAM

LIIF has been working with charter schools for four years and has organized financing totaling \$3.64 million to help 800 students receive a better education in a new and innovative charter school setting.

Realizing the potential for LIIF to take a more active role in financing charter schools, in fiscal year 2002, LIIF enhanced its program for charter school lending. LIIF worked in collaboration with a number of organizations involved in charter school development to design a capital program tailored to the needs of charter schools in low income areas. The program is open to all charter schools located in overcrowded and low-performing school districts, with emphasis on schools in low income communities.

LIIF is committed to providing low-cost capital to high-quality, high-achieving charter schools and to establishing a sustainable lending program to serve the financing needs of charter schools in California. To this end, LIIF received one of five competitive grants from the United States Department of Education for a total of \$3 million through the Charter Schools Facilities Financing Demonstration Program. LIIF will use this grant to help establish a capital fund that will provide California charter schools with predevelopment, acquisition, construction, mini-permanent, and long-term mortgage financing.

“We are excited to have the opportunity to tackle poverty at its very roots: in the education of our children,” says LIIF’s Executive Vice President, Thomas Miller. “Quality education is central to eradicating poverty. As LIIF expands its charter school program, we look forward to seeing more and more children receive quality, innovative educations.”

Special Acknowledgements

Ethel Ackley	The Development Fund	Susan Hyman	Sr. Lillian Murphy	Michele Rutherford
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Notes Program

The Calvert Social Investment Foundation

The Community Development Financial
 Institutions Fund
 Financial West Group
 Paul Gundelfinger
 Sarah Hruska

Joshua H. M. Langenthal
 David Melly
 Meaveen O'Connor
 Charlotte Rieger
 Saint Pious V Church
 Arthur Schmitt
 Dolores Taller

Loans Dedicated to the RLF

Ackley Revocable Trust
 Adrian Dominicans
 Associated Sulpicians
 Astoria Federal Savings
 Bank Hapoalim

Bank of America
 Bank of the West
 Elizabeth Bannerman
 Broadway United Church of Christ
 California Federal Savings
 Calvert Social Investment Foundation
 Catholic Healthcare West
 Maryann Cobb

The Community Development Financial
 Institutions Fund
 CR Alternative Trust
 Norman and Diedre Cram
 Dai Ichi Kangyo
 Daughters of Charity
 Quinn Delaney
 Diocese of Long Island

Dominican Sisters of Mission San Jose
 Dominican Sisters of Springfield, Illinois
 Erich and Hannah Sachs Foundation
 Nancy Falk
 Fannie Mae Foundation
 Faulkner Trust

The F.B. Heron Foundation
 First Republic Bank
 The Ford Foundation
 Fuji Bank and Trust Company
 Gadfly Trust
 Global Ministries, UMC
 Mary Beth Gong
 HSBC Bank USA

Victor and Lorraine Honig
 JP Morgan Chase Bank
 Kivel/Luckey Trusts
 Cathy Kornblith
 KP Alternative Trust
 Janet Kranzberg
 The MacArthur Foundation

Manufacturers Bank
 The Mechanics Bank
 Mellon First Business Bank
 The MetLife Insurance Company
 Miriam and Peter Haas Fund
 NCB Development Corp.

Ninevah Trust
 Northern Trust Bank of California
 James and Cathy O'Neil
 Pacific Union Bank
 Pacific Western National Bank
 The Parnassus Fund
 Parnassus Income Trust

David and Dorothy Perkins
 K. Trust Perls
 Kevin Pitcairn
 Republic Bank
 Barbara Rhine
 Ridgewood Savings Bank
 Susan and David Russell

Safra National Bank
 Susan Siegal
 Silicon Valley Bank
 Sisters Holy Cross

Sisters of Charity, Iowa
 Sisters of Charity, New York
 Sisters of Charity, Ohio
 Sisters of Charity, Texas
 Sisters of Mercy of Burlingame
 Sisters of Presentation of the BVM
 Sisters of Sorrowful Mother

Sisters of St. Joseph in California
 Sisters of the Incarnate Word
 Solidago Foundation
 Sterling National Bank
 Roselyne Swig
 Tokai Bank
 United Methodist Church

U.S. Trust Company
 U.S. Trust Funding Exchange
 Tanis Walters
 Washington Mutual Community Dev.
 Mark Weisman
 Woodlands Investment Management
 Account

Capital Grants to CCFE

The City and County of San Francisco
 Miriam and Peter Haas Fund
 Evelyn and Walter Haas, Jr. Fund
 Providian Financial
 San Francisco Community Foundation

Capital Grants to RLF

The City and County of San Francisco
 The Community Development Financial
 Institutions Fund
 Homeland Foundation
 The MetLife Foundation
 United States Department of Education

Loan Participants

Bank of the West
 Century Housing Corp.
 Clearinghouse CDFI
 The Enterprise Foundation
 General Board of Pensions and Health
 Benefits of the United Methodist Church
 Golden Gate Bank

The Local Initiatives Support Corp.
 McAuley Institute
 Mercy Loan Fund
 The New York City Department of
 Housing Preservation and Development
 The Nonprofit Finance Fund
 Rural Community Assistance Corp.

Financing Arranged by LIIF

General Board of Pensions and Health
 Benefits of the United Methodist Church
 Marin Community Foundation
 Mayor's Office of Community Development,
 The City and County of San Francisco

In-Kind Services

IBT, Inc.
 Marin County Health and Human Services
 Morrison & Foerster
 Thelen Reid & Priest, LLP
 Wilson, Sonsini, Goodrich & Rosati

Statement of Financial Position

Assets	2002	2001
Current assets		
Cash and cash equivalents	10,213,848	17,099,090
Restricted cash	816,142	2,530,198
Investments	35,351,203	28,015,588
Accounts receivable – net	40,234	98,847
Contributions receivable	2,129,980	1,229,447
Accrued interest receivable	529,928	427,494
Prepaid expenses and deposits	66,446	65,841
Current portion of notes receivable – net	8,252,355	4,984,437
Total current assets	57,400,136	54,450,942
Restricted cash	1,160,598	611,660
Contributions receivable, less current portion	333,333	0
Notes receivable, less current portion	18,717,804	17,249,458
Property and equipment – net	251,450	261,765
Other assets	189,985	86,520
Total assets	\$78,053,306	\$72,660,345
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	454,119	318,450
Accrued interest payable	202,263	169,179
Unearned revenue	31,986	83,493
Current portion of notes payable	8,577,333	5,427,000
Total current liabilities	9,265,701	5,998,122
Notes payable, less current portion	43,676,500	44,615,167
Subordinate debt	2,850,000	2,300,000
Funds held in trust	1,569,419	2,165,585
Recoverable grant	200,000	200,000
Total liabilities	\$57,561,620	\$55,278,874
Net Assets		
Unrestricted	10,660,471	6,897,438
Temporarily restricted – operations	1,597,478	1,705,895
Temporarily restricted – RLF capital	6,713,388	6,925,028
Temporarily restricted – CCFF capital	1,520,349	1,853,110
Total net assets	20,491,686	17,381,471
Total liabilities and net assets	\$78,053,306	\$72,660,345

Statement of Activities

Unrestricted Operations	2002	2001
Support and revenue		
Fees		
Loan origination	343,015	417,141
Loan packaging and servicing	66,377	59,799
Technical assistance and consulting	206,755	171,560
Contributions	278,955	188,500
Interest and investment income – net	4,011,428	3,699,839
Contributed services	191,865	691,987
Other	14,320	4,450
Net assets released from restrictions	4,705,216	3,475,476
Total support and revenue	\$9,817,931	\$8,708,752
Net unrealized gains on investments	235,093	349,406
Net realized losses on investments	(179,860)	(30,590)
Total support, revenue and gains/losses on investments	\$9,873,164	\$9,027,568
Expenses		
Program services		
Direct Lending	2,797,623	2,976,506
Loan packaging and servicing	154,128	127,788
Child Care Facilities Fund	3,235,827	2,659,945
Technical assistance and consulting	306,677	282,460
Total program expenses	6,494,255	6,046,699
Supporting services		
Management and general	2,232,164	1,775,336
Fundraising	333,712	338,996
Total supporting activities	2,565,876	2,114,332
Total expenses	\$9,060,131	\$8,161,031
Change in net assets	\$813,033	\$866,537
Contributions for capital purposes	\$2,950,000	\$1,000,000
Temporarily Restricted		
Operations		
Contributions	1,455,960	1,566,540
Interest income	1,502	4,660
Net assets released from restriction	(1,565,879)	(1,325,840)
Change in temporarily restricted net assets – operations	(\$108,417)	\$245,360
RLF capital		
Contributions	350,000	162,500
Interest income	3,615	6,469
Net assets released from restriction	(565,255)	0
Change in temporarily restricted net assets – RLF capital	(\$211,640)	\$168,969
CCFF capital		
Contributions	2,241,321	1,923,423
Interest income	0	0
Net assets released from restriction	(2,574,082)	(2,149,636)
Change in temporarily restricted net assets – CCFF capital	(\$332,761)	(\$226,213)
Net assets at the beginning of the year	\$17,381,471	\$15,326,818
Net assets at the end of the year	\$20,491,686	\$17,381,471

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