

Faces of
Success



The Low Income Investment Fund (LIIF) is dedicated to creating pathways of opportunity for low income people and communities. Since 1984, LIIF has provided \$540 million in capital and technical assistance with the aim of promoting economic advancement and self-sufficiency for the very poor. As a result, over **275,000** faces are brightened with the success of self-improvement and growth.

275,000

140,000
LIIF has provided 140,000 people with safe and secure homes;
70,000 70,000 families with access to high-quality child care;
65,000 65,000 children with quality educational opportunities;



and we're still counting.

At the heart of each
success
is a story.



We celebrate these stories and the people in them.

JOINT LETTER FROM THE CHAIRMAN AND PRESIDENT

DEAR FRIENDS: The face of success takes many forms—a first-time homeowner, a parent comforted in the knowledge that his child is cared for in a quality environment or a student tossing her graduation cap high in the air. These are the kinds of successes that make LIIF most proud.

In 2005 LIIF closed its best year ever, having invested nearly \$100 million in capital in low income communities. More importantly though, the faces behind these dollars remind us of the purpose of our work and encourage us to search always for innovative ways to invest in human potential.

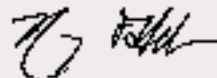
The pages of this annual report provide glimpses of a few faces of success — faces of people who were able to realize their potential. LIIF is proud to have played a part in helping them realize their dreams for a home, a child care center or a quality education. LIIF's commitment is to serve the most vulnerable populations. The impact of this work is more than bricks and mortar — it is measured in the smiles on children's faces, the family buying their first home or a college student who did not think higher education was possible. Capital for affordable housing means creating a home for people like Rose Williams (pg. 9) who organized over 150 tenants and transformed them from renters to homeowners. LIIF's education program builds more than schools — it builds hope for students like Delbert McFarlane (pg. 17) who never considered going to college until he attended Animo Inglewood Charter High School. And LIIF's child care program does more than provide a child care space to low income families — it gives parents like Lin Chang (pg. 13) the opportunity to work because she is able to afford child care.

LIIF will continue to supply the capital needed to impact even more lives in the coming years. By 2014 we will serve one million low income people by creating pathways of opportunity for them to reach economic self-sufficiency. And we look forward to hearing each of their stories, taking part in each of their successes and seeing the face of a new generation that is better positioned to meet life's challenges.

Sincerely,



NICOLAS P. RETSINAS
CHAIRMAN OF THE BOARD



NANCY O. ANDREWS
PRESIDENT AND CEO



A face of
success
glows with pride
of achievement.



LIIF develops strategies that support the
diverse needs of communities.

The Low Income Investment Fund (LIIF) is a nonprofit community development financial institution (CDFI) dedicated to serving low income people and communities throughout the United States. At the core of LIIF's work is a commitment to alleviating poverty and helping families attain economic self-sufficiency. To achieve this goal, LIIF provides capital and technical assistance to help increase the supply of affordable housing, child care, education and other community-building projects.

LIIF believes that its three areas of strategic focus — housing, child care and education — are key leverage points in addressing the problem of poverty. They are chosen purposefully because LIIF's primary tool — capital — offers a critical resource for them. LIIF provides a bridge between private capital markets and low income neighborhoods, and encourages comprehensive, integrated strategies that address the diverse needs of people and communities.

LIIF operates in three core markets: Northern California, Southern California and the New York Metropolitan Area. Within these three markets can be found 20 percent of the nation's poverty population combined with a high cost of living. Thus, they are geographic areas where the need for LIIF's programs is among the highest in the nation.

LIIF uses capital (both loans and grants) coupled with technical assistance to advance its program objectives. Utilizing the flexibility and creativity of its staff, LIIF provides unique financial packages to meet the needs of its borrowers. LIIF often works in partnership with banks, pension funds, insurance companies and other community development organizations to provide the sizable and flexible loans that its borrowers need. LIIF maximizes its impact through leveraging — for every dollar loaned by LIIF, nearly seven dollars of additional investment is made in support of low income communities.

The proof of LIIF's value to community organizations can be seen in the growth in demand for LIIF's resources. For example, in 2000, LIIF closed a total of \$15.9 million in financing; by the end of fiscal year 2005, LIIF's best year to date, this figure had grown to over \$95.5 million in grants and loans.

Today, LIIF brings over \$250 million of capital to the table for community investments. Because LIIF's capital revolves, it is constantly being redeployed to new organizations and projects. But our investments extend beyond mere dollars. They reach deep into low income communities and the lives of those who live in them. The true impact of our work lies not in the number of units financed or the amount of capital provided, but in the histories and stories of the people it touches.



Success
is the welcome face
of shelter.



Affordable Housing

A critical platform for family stability

Affordable housing is linked to employment, wage gains, children’s educational attainment and improved health. Reasonably priced housing allows families to participate in the labor force and to remain there more productively; it also enables them to make additional investments in their children’s health and education.

Without access to affordable housing, other social programs — such as employment training for adults and education for children — are less effective. In essence, housing subsidies are a threshold investment for society.

LIIF’s housing lending is characterized by a high degree of flexibility and responsiveness to the needs of its borrowers. LIIF offers a variety of loan products to affordable housing developers ranging from early-stage predevelopment loans to long-term permanent financing. LIIF provides this capital to support a diverse spectrum of affordable housing developments, including:

Homeownership Opportunities. LIIF believes that homeownership is one of our nation’s most successful strategies for creating strong neighborhoods and building family wealth. LIIF finances single-family homes as well as tenant-owned cooperatives, such as New York City’s Housing Development Fund Corporations (HDFCs), which offer one of the more attainable approaches to homeownership for low income families.

Housing for Individuals with Special Needs. LIIF provides financing to affordable housing developers for housing projects designed specifically for special-needs populations including the homeless, mentally ill, victims of domestic violence, foster youth, those with HIV/AIDS, people with disabilities and others.

Mixed-Use Developments. Utilizing LIIF’s experience in financing community facilities, we often provide capital for affordable housing projects that also include child care facilities or retail/commercial space.

LIIF provided a \$180,000 loan for the development of the 80-unit Fallbrook View Apartment complex and a \$215,500 loan for the Head Start center located on the site in the rural town of Fallbrook, CA. All of the units are affordable to low income tenants and 60 units are occupied by farmworkers.



LIIF's \$62.4 million in affordable housing loans in 2005 financed 2,600 homes ranging from transitional housing to homeownership opportunities. One of the 7,500 people living in these homes is **Rose Williams**, who knows the pride of owning her own home. >

> LIIF closed two loans totaling \$1.4 million to Garden Court to allow its residents, including **Rose Williams**, to purchase and renovate the 157-unit building in which they lived. Later, LIIF provided additional capital to preserve the affordability of the units. As such, residents' monthly payments are approximately one-third of the market rate.



7,500

people provided
with a home





Rose

Rose Williams
Garden Court
Harlem, New York



150
renters transformed
into homeowners.

Rose Williams was married in 1944 in her family's living room at 209 W. 119th Street in Harlem. Almost 60 years later, she organized more than 150 families into the Garden Court Housing Development Fund Corporation (HDFC) and led its efforts to buy the 157-unit building in which she was wed. **"It was our dream to own this building,"** she says. For many of Garden Court's residents, the large brick building straddling W. 119th and 118th streets is the only home they have ever known. Many of the residents grew up in the building, and today, watch their children play in the same courtyard in which they played as kids. Buying the building and securing a future with stable and affordable homes, however, was not an easy battle. Over the course of several years in the 1990s, Mrs. Williams, a woman with no real estate or financing experience, attended real estate classes, lobbied local community groups, met with lawyers, and convinced more than 150 families to join her in a quest to own the place they called home. The families who live at Garden Court are low income; some of them grew up on welfare and today, continue to struggle to make ends meet. With grit and determination, however, the residents of Garden Court, together with Rose Williams, realized their dream. And, in the end, it all was worth it. "It was a pleasure," Ms. Williams says without a trace of irony in her voice. "We all just wanted to own a piece of something ... **there is a pride you carry with yourself when you own something.**"

Success is
the engaged
face of a child.



Child Care

A first step toward opportunity

Children from poor families who participate in well-run child care programs have more positive achievement scores, educational attainment and employment, and lower rates of crime and dependency on welfare than those who do not participate in a child care program.

However, there remains a severe shortage of child care spaces for low income children. Two of the most significant barriers to the creation of quality child care facilities are the lack of accessible, affordable capital and insufficient development assistance. LIIF's child care programs address these gaps by providing capital, facilities development training and other assistance that support child care centers and homes. Specifically, LIIF provides flexible grants and loans for the creation, expansion, improvement and preservation of high-quality family and center-based child care. In addition, LIIF offers training and individualized technical assistance with the business aspects of child care and all stages of the facilities-development process. LIIF's child care programs are:

The **Affordable Buildings for Children's Development (ABCD) Initiative** provides support to the child care sector in four areas: capital delivery, technical assistance and capacity development, advocacy, and facilities development.

The **Child Care Facilities Fund (CCFF)** is an award-winning public/private collaboration that uses flexible capital and individual and group trainings to expand and improve child care facilities in San Francisco. In 2005, CCFF expanded its range to also serve child care providers in Alameda County, California.

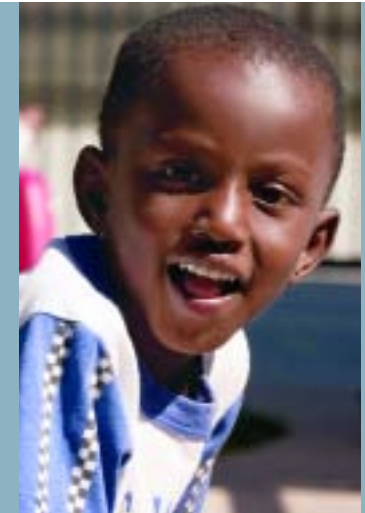
The **New York Child Care Seed Fund** uses a four-part system that takes a child care provider from early-stage technical assistance and training to the point at which he or she can secure financing for the development of a child care project.

LIIF committed a \$621,000 loan to Alouette, Inc., for the purchase of the 50-slot Alouette Multi-Lingual Preschool and Day Care Center in San Diego, CA. Alouette offers a unique, multi-lingual and multi-cultural approach to preschool education by providing instruction in English, Spanish and French.



LIIF's \$6.4 million in child care grants and loans created quality child care environments for over 17,000 children in 2005. As a result, parents such as **Lin Chang** can more easily balance both work and care for their children.>

> LIIF closed a \$305,000 loan to Kai Ming Inc. to assist in the operation of a new Head Start center for 44 preschoolers, including **Lin Chang's** son. LIIF's funding will enable the renovation of Kai Ming's facility in the Sunset district of San Francisco, CA. All of the 44 preschoolers served come from low and very low income families. These families make no payments to the provider for the services.



17,000 children provided with care



Lin

Lin Chang
Kai Ming Head Start Center
San Francisco, California



Lin Chang laughed as her young son, William, sprang out of the car and ran inside the Kai Ming Head Start Center in San Francisco to meet his friends and teachers. “He just loves it here,” she said “and I do too.” Lin and her extended family cared for William when he was younger because she and her husband were concerned about the quality of care their son would receive at a center that catered primarily to low income parents. “It was a challenge — I needed to work, which meant that William was bounced around from my care to my sisters to my nieces and so on.” So it is no wonder her family considers Kai Ming and its staff a blessing. **“It makes such a difference in our lives to know that we can go to work and take comfort in the knowledge that Will is being well cared for.** Kai Ming is a second home to many of the children who attend,” she said, and added, “many nights Will begs to stay for a few minutes longer.” And, who can blame him? Kai Ming offers children a setting where they feel safe, comfortable and engaged. Children leave Kai Ming better prepared to enter a school environment and succeed there — **“I have no doubt that William will have a head start as a result of his attending Kai Ming,”** said Lin.

Each Kai Ming family
saves

\$1,000
per month.

Success is
the enlightened
face of a student.



Education

An investment in developing minds

A quality education is one of the primary ways families are lifted out of poverty and is a key component in enhancing opportunities for economic mobility and asset growth for low income households.

Unfortunately, the poor performance of much of our public-education system, particularly in low income communities, is leaving a generation of youth at risk. Nationwide, despite years of investments, more than 30 percent of all public high school students will not graduate on time, and over 70 percent of all public school students do not leave high school “college ready.”

LIIF’s education program aims to improve educational outcomes for low income youth by supporting the creation of quality school facilities in underserved communities. By providing capital, technical assistance and support for systems-change in education, LIIF works with its partners to create stable, sustainable learning environments that create opportunities for low income youth.

LIIF currently focuses its educational efforts on charter schools. Charter schools offer a promising alternative to traditional public schools, particularly for the low income families LIIF serves. While charter schools are public schools, they do not receive a dedicated stream of capital funding or have access to the typical methods used to finance public school facilities. Thus, these schools can benefit from LIIF’s technical assistance and expertise in real estate financing. LIIF also has a strong history of working with first-time borrowers, organizations with unconventional revenue streams, and organizations requiring substantial technical assistance — the profile of many charter schools.

LIIF provided a \$150,000 loan to Lighthouse Community Charter School through an innovative cash flow loan program to increase enrollment from 185 to 285 students in grades K–8 in Oakland, CA. In the recent school year, over 80 percent of students were low income and 75 percent were English Language Learners.



In 2005, LIIF successfully delivered capital totaling \$24.2 million to 28 schools. But, more importantly, behind these figures are 24,000 students who are in a safe environment where they can learn, grow and develop — students like Delbert McFarlane.>

> LIIF provided a \$6.3 million loan to Green Dot Educational Project for the expansion of Delbert McFarlane's school, Animo Inglewood Charter High School, which opened in fall 2002. Green Dot has opened five high-performing public charter high schools in Los Angeles, serving neighborhoods in which the traditional public schools are overcrowded and underperforming. Green Dot schools provide all students with a college-preparatory education, in a safe, personalized, small-school environment.



24,000
students educated



Delbert

Delbert McFarlane
Animo Inglewood Charter High School
Inglewood, California



Animo Inglewood
scored **10** out of **10**
on a national
achievement ranking.

The word *animo* is Spanish in origin and means “vigor, mind, spirit, valor and the courage to overcome odds.” And, indeed, Delbert McFarlane, a student at Animo Inglewood Charter High School, has shown the courage to overcome what seemed to be insurmountable odds. Delbert was involved in gang activities before he entered Animo. “You are forced to do things you know are wrong when you are constantly just trying to survive,” he said. But the teachers and staff at Animo showed him a way to survive beyond the streets. “I was surprised to see how much they cared,” Delbert observed. They empowered him both inside and outside the classroom. “When I first came to Animo, we didn’t have any sports teams or clubs and were told that if we wanted to have them, we would have to do it ourselves.” So, the students did. The 9th grade class pulled together to find the funding, resources, coaches and materials needed for varsity sports teams, student council and student clubs. Now, Delbert plays on the varsity football team. “Animo let us have an opinion, and once we had that, **all we had to do was take the initiative to make things better at our school.**” Animo gave Delbert a chance to start over, to leave behind what he knew and embrace new opportunities. “I didn’t think about college before coming here, but now I want to go. I even want to be a lawyer.” Delbert does not downplay the role Animo played in his transformation, **“Animo saved my life. I probably wouldn’t be here today if I hadn’t enrolled.”**



200,000

success stories yet to come

200,000 people

Over the next three years, LIF will serve over **200,000** people and invest **\$300** million in low income communities across the country.

Our success will depend on the continued strength of our dedicated staff, Board of Directors and our many other partners, whom we gratefully acknowledge on the following pages.

\$300 million

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Sisters of St. Joseph
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*Term began July 1, 2005

Statement of Financial Position

Assets	2005	2004
Current assets		
Cash and cash equivalents	\$10,918,621	\$10,183,767
Restricted cash	8,364,961	4,893,784
Investments	33,349,658	35,253,051
Accounts receivable – net	3,920,398	632,355
Current portion of contributions receivable	1,432,000	870,000
Accrued interest receivable	675,956	577,516
Prepaid expenses and deposits	366,787	196,812
Current portion of notes receivable – net	31,246,155	23,630,518
Total current assets	\$90,274,536	\$76,237,803
Contributions receivable, less current portion	600,000	0
Notes receivable, less current portion	35,087,318	25,922,538
Property and equipment – net	492,172	443,383
Total assets	\$126,454,026	\$102,603,724
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$686,925	\$941,364
Accrued interest payable	231,078	265,765
Funds held in trust	6,751,667	1,551,908
Current portion of notes payable	21,692,649	14,639,996
Total current liabilities	\$29,362,319	\$17,699,033
Notes payable, less current portion	64,194,983	56,565,315
Subordinate debt	4,350,000	2,550,000
Recoverable grant	250,000	250,000
Total liabilities	\$98,157,302	\$77,064,348
Net assets		
Unrestricted	15,038,655	13,798,455
Temporarily restricted – operations	3,574,613	2,419,525
Temporarily restricted – RLF capital	5,674,552	5,061,419
Temporarily restricted – CCF capital	1,282,624	1,462,920
Temporarily restricted – Education capital	2,726,280	2,797,057
Total net assets	\$28,296,724	\$25,539,376
Total liabilities and net assets	\$126,454,026	\$102,603,724

Statement of Activities

Unrestricted Operations	2005	2004
Support and revenue		
Fees		
Loan origination	\$612,800	\$681,264
Loan packaging and servicing	389,711	473,202
Technical assistance and consulting	2,029,894	1,505,213
Contributions	196,750	150,848
Interest and investment income – net	5,250,334	4,411,771
Contributed services	40,280	68,134
Other	7,473	3,464
Net assets released from restrictions	3,538,378	3,588,218
Total support and revenue	\$12,065,620	\$10,882,114
Net unrealized gains/(losses) on investments	296,074	(1,003,959)
Net realized gains/(losses) on investments	(12,694)	185,120
Total support, revenue and gains on investments	\$12,349,000	\$10,063,275
Expenses		
Program services		
Direct lending	4,368,895	3,890,266
Loan packaging and servicing	522,337	444,012
Child Care Facilities Fund	2,979,999	2,664,941
Technical assistance and consulting	115,655	130,008
Total program expenses	7,986,886	7,129,227
Supporting services		
Management and general	2,659,321	2,406,751
Fundraising	462,593	310,474
Total supporting services	3,121,914	2,717,225
Total expenses	\$11,108,800	\$9,846,452
Change in net assets	\$1,240,200	\$216,823

Temporarily Restricted	2005	2004
Operations		
Contributions	\$3,521,712	\$2,510,319
Interest income	0	0
Net assets released from restriction	(2,366,624)	(1,985,293)
Change in temporarily restricted net assets – operations	\$1,155,088	\$525,026
RLF capital		
Contributions	1,320,000	120,000
Interest income	15,256	1,861
Net assets released from restriction	(722,123)	(669,082)
Change in temporarily restricted net assets – RLF capital	\$613,133	(\$547,221)
CCFF capital		
Contributions	150,000	246,850
Interest income	0	0
Net assets released from restriction	(330,296)	(691,863)
Change in temporarily restricted net assets – CCF capital	(\$180,296)	(\$445,013)
Education		
Contributions	0	0
Interest income	48,558	23,505
Net assets released from restriction	(119,335)	(241,980)
Change in temporarily restricted net assets – Education	(\$70,777)	(\$218,475)
Net assets (unrestricted and temporarily restricted operations) at the beginning of the year	\$25,539,376	\$26,008,236
Net assets (unrestricted and temporarily restricted operations) at the beginning of the year	\$28,296,724	\$25,539,376





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