



5
Wealth-Creation
Strategies



AT - A - GLANCE

Mission:

The F.B. Heron Foundation was created in 1992 with the mission of helping people and communities to help themselves.

Website:

www.heronfdn.org

Total Assets as of 12/31/03:

\$258.4 million

Mission-Related Investments as of 12/31/03:

Total PRIs: \$15.5 million

Other MRIs: \$27.0 million

Total MRIs: \$42.5 million

Grantmaking in 2003:

Number of grants paid: 281

Total grants paid: \$8.6 million

Grants for General Support: 81%

Grants by Program Area in 2003:

Home Ownership: 25%

Enterprise Development: 15%

Child Care: 7%

Comprehensive

Community Development: 31%

Access to Capital: 22%

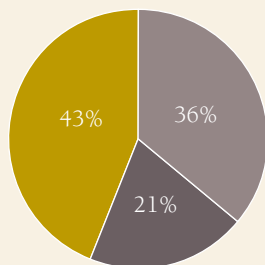
First-time Grant Range:

\$25,000 - \$50,000

Annual Grant Range:

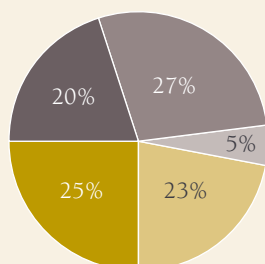
\$25,000 - \$125,000

2003 Net Charitable Distribution by Population Served



Combined Charitable Distribution	Grants	Net PRIs
Urban	31%	5%
Rural	20%	1%
Both Urban & Rural	22%	21%
Total	73%	27%

2003 Net Charitable Distribution by Program Area



Combined Charitable Distribution	Grants	Net PRIs
Home Ownership	18%	2%
Enterprise Development	11%	16%
Child Care	5%	0%
Comp. Comm. Dev.	23%	0%
Access to Capital	16%	9%
Total	73%	27%

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FROM THE PRESIDENT

This year's annual report, presented in two sections, seeks to explain further the FB. Heron Foundation's approach to using its assets in advancing its mission of helping people and communities to help themselves. It builds upon previous communications that addressed Heron's concept of the Foundation as a private community investment trust and Heron's approach to examining the impact of the Foundation's funding and investing. Each document continues to be available on the Foundation's website (www.heronfdn.org) and upon request.

This year's essay in the companion booklet, "New Frontiers in Mission-Related Investing," is written by Luther M. Ragin, Jr., Vice President, Investments, and offers an investment perspective on implementing the Board's commitment to deploying the Foundation's endowment to support the

mission. It also includes details of specific investments that illustrate the connection between mission and investing across asset classes and return expectations.

The 2003 summary of Heron's work, in this booklet, further demonstrates our efforts to integrate our mission-related work into a blended portfolio. For each of the Foundation's five program areas, you will find a mix of grants, below-market investments (PRIs), and market-rate investments.

The Foundation has been able to explore these "new frontiers" with the leadership and encouragement of the Board. They set a high bar—making sure that the Foundation's work remains clearly focused on impact for low-income people and communities, and that the mission-related investing is accomplished with the highest fiduciary standards and discipline.

As always, I must acknowledge the Foundation's partners—the grantees and investees—who work tirelessly to build wealth and assets for low-income people and communities. Though the market may have stabilized, the communities in which they work continue to feel the effects of the economic downturn. To state the obvious, we at the FB. Heron Foundation depend upon the outstanding work of these organizations to advance Heron's mission.

Sharon B. King

Sharon B. King
President



Saint Joseph's Carpenter Society (SJCS), Camden, NJ:

SJCS receives general support from Heron to advance their mission to create home-ownership opportunities for low- and moderate-income families. The photos above show before-and-after views of the realization of their goal—creating healthy neighborhoods, one neighborhood at a time, through their home-ownership programs.

PROGRAM GUIDELINES

MISSION

The F.B. Heron Foundation was created in 1992 with the mission of helping people and communities to help themselves.

AREAS OF PROGRAM INTEREST

To advance its mission, the Foundation supports organizations that help *low-income people to create wealth and take control of their lives*. The Foundation makes grants to and investments in programs in urban and rural communities in the U.S. engaged in the following wealth-creation strategies:

- ▶ advancing home ownership;
- ▶ supporting enterprise development;
- ▶ reducing the barriers to full participation in the economy by providing quality child care;
- ▶ employing comprehensive community development approaches with a strong focus on the wealth-creation strategies; and
- ▶ increasing access to capital.

Details on these five program areas are provided in the section titled “Wealth-Creation Strategies.” In addition to its grantmaking, the Foundation makes other kinds of investments to support these program areas, and seeks to accelerate the level of its assets invested to support the mission. A fuller description of the Foundation’s mission-related investing program can be found below in the section “Types of Support Provided by the Foundation.”

ASSESSING IMPACT

The Foundation regards an organization’s ability to assess its impact on the lives of low-income people and communities to be of paramount interest, and to be a reflection of that organization’s sound management and accountability. To be considered for support, applicants must have a clear commitment to and track record of using data to improve programs and impact. In addition, the Foundation supports peer networks, trade associations, and technical assistance providers that help practitioners working in the Foundation’s core areas to improve approaches and methods for assessing impact.

WEALTH-CREATION STRATEGIES



Home Ownership

A family’s home provides a stable place in which to form a healthy environment. A home also often represents a family’s

primary asset, and serves as a base upon which to build additional assets. Furthermore, communities with a high percentage of owner-occupied homes are generally safer, economically stronger, and characterized by a more engaged citizenry.

The Foundation will consider support for organizations working to increase home ownership in low- and moderate-income urban and rural communities. The Foundation is interested in organizations that develop and/or finance new or rehabilitated owner-occupied homes, including self-help housing; that assist

people with low-interest mortgages; or that provide pre- and post-mortgage counseling to first-time home buyers. As in all program areas, the Foundation will give priority to organizations that can demonstrate results, including the number of low-income families that acquire and retain their homes, and show an increase in home-ownership rates within low-income communities.



Enterprise Development

Small business ownership can be an important means of building wealth and economic security within a family, as well as

providing employment opportunities and other benefits for low- and moderate-income communities. The Foundation prefers to support enterprise development programs that benefit many community members, or that are part of a comprehensive community development strategy.

The Foundation supports organizations that: provide technical assistance and financing for small businesses, help to build networks and markets for entrepreneurs in distressed rural and urban communities, strengthen worker-owned enterprises and cooperatives, or foster commercial real estate development. *Please note that the Foundation does not support microenterprise development as a stand-alone strategy.*



Child Care

Access to quality, affordable child care is a vital concern for low-income, working parents, and reduces the barriers

keeping families from full participation in the economy. Child care is an intangible asset that helps people be productive at their jobs, secure in the knowledge that their children are in a safe, caring environment that fosters learning. It is also a critical part of a community's infrastructure as it supports the ability of people to work and businesses to prosper.

The Foundation will consider support for citywide, state or regional efforts that increase the availability of affordable, preschool child care in underserved areas *and* that help preschool programs to meet or exceed quality standards as set by the National Association for the Education of Young Children, the National Association for Family Child Care, or Head Start.



Comprehensive Community Development

Fundamental and lasting transformation of low-income communities requires integrated,

comprehensive approaches rather than single-faceted solutions. Holistic community development programs build healthy neighborhoods and help residents create wealth and preserve their assets.

Recognizing that families and communities need support in a variety of interrelated areas, the Foundation funds comprehensive community development organizations built around a strong core of the wealth-creation strategies on which the Foundation focuses—i.e., access to capital, enterprise

development, home ownership, and quality and affordable child care. The Foundation gives priority to programs that are tracking the impact of their comprehensive approaches on increasing wealth in low-income families and communities.

In addition, the Foundation supports technical assistance providers and practitioner networks or associations that assist community development organizations engaged in relevant wealth-creation strategies to build management and program capacity and to better track results and improve impact.



Access to Capital

Sustained access to capital is critical for individuals, families, and communities to build assets, create

wealth, and achieve prosperity.

Through its access to capital strategy, the Foundation supports and invests in community development financial institutions (CDFIs) that serve low-income communities. CDFIs seeking the Foundation's support must have as their core work financing home ownership, business enterprise or commercial real estate development that creates jobs, or quality and affordable child care. The Foundation also funds practitioner associations that promulgate best practices, especially those helping CDFIs to track the social impact of their investments.

The Foundation will also consider supporting efforts to broaden the adaptation of private market financing mechanisms, or to promote community reinvestment to accelerate community development. In addition, the Foundation funds

opportunities to help low-income people to build savings, and efforts to combat practices or conditions that deplete assets (e.g., threaten home ownership) of low-income families.

TYPES OF ORGANIZATIONS SUPPORTED WITH GRANTS AND INVESTMENTS

Believing that the leaders who are an integral part of a community are in the best position to identify, understand and address its needs, challenges, and strengths, the Foundation prefers to support *direct-service, community-based organizations and enterprises*. Organizations should have a track record that documents the effects and impact of the wealth-creation strategies described above.

The Foundation recognizes that the particular challenges faced by *people with disabilities* can inhibit the pursuit of asset accumulation and wealth creation. People with disabilities are much less likely, for example, to own a home or business. The Foundation will give priority to organizations that actively incorporate people with disabilities as beneficiaries of the wealth-creation strategies on which the Foundation is focused.

The Foundation also funds entities that provide *financial or technical assistance* to organizations implementing wealth-creation strategies with preference given to those that help community-based organizations to design and implement systems that track results and improve impact. The Foundation will also consider support for a modest number of research and policy efforts that complement the direct-service efforts funded by the Foundation.

The Foundation will give priority to organizations that:

- ▶ advance the mission of helping people and communities to help themselves, helping people to improve their lives through strategies consistent with the Foundation's core wealth-creation strategies;
- ▶ are committed to accountability, including improving and demonstrating the tangible and lasting impact of its efforts;
- ▶ regularly set objectives that advance its mission and demonstrate progress in achieving them;
- ▶ have program and management resources in place to advance the objectives;
- ▶ have staff and board leadership that reflect the communities served, and regularly assess performance results with the organization's governance board, using this process to advance organizational development;
- ▶ demonstrate fiscal integrity, including the performance of annual independent audits, and show substantial levels of funding from other private funders or investors; and
- ▶ demonstrate leadership in its field or in its market area.

TYPES OF SUPPORT PROVIDED BY THE FOUNDATION

Grants

We consistently hear from the groups with whom the Foundation works that *general support* is highly valuable in helping an organization to conduct its business, set and modify objectives and strategies, and plan and innovate. If a strong core of an organization's work is consistent with the Foundation's funding strategies, and if the organization assesses its impact, is well-managed, and meets the other criteria specified above, the Foundation prefers to make general support grants.

When circumstances warrant, the Foundation will also consider supporting specific programs or projects; organizational capacity building, especially efforts to assess impact or strengthen administrative and fiscal management practices; and other emerging opportunities within the Foundation's wealth-creation framework.

Support for an organization new to the Foundation typically begins with a one-year grant. If renewal funding is approved, two-year grants are provided in most cases, although the second year of support is always conditioned upon the Foundation's receipt and approval of progress reports and future plans.

Please note that the Foundation does *not* make grants to endowments, capital construction campaigns, or individuals.

Mission-Related Investing

In addition to grants, the Foundation seeks to accelerate the level of its assets invested in efforts with strong social and financial returns. Mission-related investments may take the following forms:

- ▶ **Program-related investments**, typically low-interest senior or subordinated loans to nonprofit or for-profit organizations whose work closely corresponds with the Foundation's programmatic interests;
- ▶ **Market-rate insured deposits** in community development credit unions or community development banks;
- ▶ **Other mission-related investments** including, but not limited to, private equity and fixed-income securities offering a "double bottom line"—market rates of return with substantial social benefits to low-income families and communities.

When reviewing a potential mission-related investment, Foundation staff or consultants conduct a comprehensive review of the prospective investee's program achievements, governance, management and program competencies, financial health, and future plans in order to judge its ability to meet the terms of the investment. As is the case with any investor, the Foundation will balance the risks of a given investment against its potential financial and social returns.

Please note that program-related investments (PRIs) are only made where the proceeds will be used to support an organization's direct charitable activities. PRIs will not be made, for example, to support endowments. In most cases, PRIs are made to organizations that also receive grant support from the Foundation.

APPLICATION PROCEDURE AND REVIEW PROCESS

The Foundation strives to treat its grantees, investees, and applicants—our “customers”—with courtesy and respect. To ensure that our communications are clear and timely, specific timelines for responses are provided below.

We prefer that all first-time applicants submit a one- or two-page letter of inquiry rather than calling. Current grantees or investees should contact their program officer prior to submitting a proposal for renewed support.

Please do not send videotapes.

It will be helpful if your letter of inquiry includes the following information:

- ▶ **Basic organizational information**—a brief statement of your organization’s mission, leadership, contact information, and a copy of your tax determination letter;
- ▶ **Program information**—a brief description of the population and the community served, major program emphases and accomplishments, summary data that demonstrate program impact, and future objectives;
- ▶ **Funding information**—the total dollar amount, duration, and type of support (i.e. grant and/or investment) requested; your total organization budget; and other *major* funding sources, including amounts of approved grants from private (philanthropic and corporate) sources.

There are no formal application deadlines. Staff will review your letter of inquiry and notify you within one week of receipt whether your request is declined or is undergoing review by a program officer, whose name and direct phone number will be supplied to you. If your letter is under review, staff will contact you within four weeks of assignment to a program officer to let you know whether the Foundation is requesting a full proposal.

Once the full proposal is received, staff may research your request through telephone inquiries, meetings, and a site visit. Staff may also wish to speak with your colleagues, board members, or outside experts. If a formal grant recommendation goes forward to the Foundation’s leadership, applicants should ordinarily expect a decision no later than four months from the date that the Foundation received the full proposal.

In all cases, staff will be in communication with you throughout the review process, and you should feel free to contact Foundation staff with any questions or comments that you may have. The Foundation’s board of directors prefers that all inquiries be directed to staff, as noted below. An applicant who is acquainted with a board member should note the association in the inquiry letter, and staff will bring the application to the attention of the board.

All letters of inquiry should be directed to:

Mary Jo Mullan
Vice President, Programs
The F.B. Heron Foundation
100 Broadway, 17th Floor
New York, NY 10005

by fax: 212-404-1805
www.heronfdn.org

The process for **mission-related investment applications** is similar in many respects. An initial request for a mission-related investment may be in the form of a letter of inquiry with a term sheet or private offering memorandum. Please submit the request to:

Luther M. Ragin, Jr.
Vice President, Investments
The F.B. Heron Foundation
100 Broadway, 17th Floor
New York, NY 10005

by fax: 212-404-1805 or
by e-mail: lragin@heronfdn.org

Staff will normally inform you within four weeks of receipt of the inquiry whether further review will be undertaken, and what additional information will be required.

We thank you for your interest in The F.B. Heron Foundation.

THE F.B. HERON FOUNDATION

Assets as of 12/31/03:	\$258 million
First-time Grant Range:	\$25,000–\$50,000
Annual Grant Range:	\$25,000–\$125,000
PRI Range:	\$250,000–\$1,000,000
Insured Deposits:	\$100,000 per depository institution (may be higher if depository is a member of the Certificate of Deposit Account Registry Service network)
Uninsured Deposits:	Up to \$250,000 per depository institution
Market-Rate Mission-Related Investments:	Up to \$2.5 million per investment



GRANTS

- ▶ **AAFE Community Development Fund, Inc.**
www.aafe.org
 New York, NY \$45,000
 General support to provide home-ownership opportunities for low-income people. *Second payment of a two-year \$90,000 grant approved in 2002.*
- ▶ **Access Living of Metropolitan Chicago**
www.accessliving.org
 Chicago, IL \$50,000
 To support an initiative to increase home-ownership opportunities for people with disabilities. *Second payment of a two-year \$100,000 grant approved in 2002.*
- ▶ **Association for Neighborhood & Housing Development, Inc.**
www.anhd.org
 New York, NY \$10,000
 For the Homeowner Stabilization Initiative, to reduce predatory lending by linking mortgage counseling groups with community outreach and organizing. *Second payment of a two-year \$45,000 grant approved in 2002.*
- **Boston Foundation, Inc./Home Funders**
www.tbf.org
 Boston, MA \$25,000
 To support the evaluation of the Home Funders, LLC, to stimulate the production of affordable homes for low-income families.
- ▶ **Bridge Street Development Corporation**
www.bsdcorp.org
 Brooklyn, NY \$50,000
 General support for home-ownership development in Brooklyn's Bedford Stuyvesant community. *Second payment of a two-year \$100,000 grant approved in 2002.*
- **Burlington Community Land Trust, Inc.**
www.bclt.net
 Burlington, VT \$30,000
 General support to assist low-income people to become homeowners. *First payment of a two-year \$60,000 grant approved in 2003.*
- **Cabrillo Economic Development Corporation**
www.cabrilloedc.org
 Saticoy, CA \$75,000
 General support to develop affordable homes and increase home ownership for low- and moderate-income people. *First and second payments of a two-year \$125,000 grant approved in 2003.*
- **Charleston Habitat for Humanity**
www.charlestonhabitat.org
 Charleston, SC \$25,000
 General support for construction of mutual self-help homes built with and for low-income families.
- **Cleveland Housing Network, Inc.**
www.chnnet.com
 Cleveland, OH \$100,000
 General support to increase home ownership and self-sufficiency among low-income families citywide. *First and second payments of a two-year \$175,000 grant approved in 2003.*
- **Community Development Corporation of Brownsville, Inc.**
www.cdcb.org
 Brownsville, TX \$25,000
 General support for the development of home-ownership opportunities in the lower Rio Grande Valley of Texas.
- **Co-op Initiatives, Inc.**
www.coopinit.org
 Hartford, CT \$50,000
 General support to assist people with disabilities to become homeowners.
- **DuPage Homeownership Center, Inc.**
www.dhoc.org
 Wheaton, IL \$20,000
 General support to provide counseling and financial assistance to low-income residents to enable them to become or remain homeowners.
- **Enterprise Foundation**
www.enterprisefoundation.org
 Columbia, MD \$50,000
 To support efforts to increase home-ownership opportunities on Native American Reservations in the West. *First payment of a two-year \$100,000 grant approved in 2003.*
- **Federation of Appalachian Housing Enterprises, Inc.**
www.fahe.org
 Berea, KY \$90,000
 General support for technical assistance and construction financing to nonprofit housing builders in central Appalachia and mortgage lending to low-income Appalachian families. *First and second payments of a two-year \$165,000 grant approved in 2003.*
- **Greater Minnesota Housing Fund**
www.gmhf.com
 Saint Paul, MN \$50,000
 General support to advance home-ownership opportunities in low-income Minnesota communities. *First payment of a two-year \$100,000 grant approved in 2003.*
- **Homewise, Inc.**
www.homewise.org
 Santa Fe, NM \$35,000
 General support to promote home-ownership opportunities for low-income families in northern New Mexico.

**Self-Help Enterprises, Visalia, CA:**

Heron provides general support for this organization which helps farmworkers and other low-income families to realize the American dream of home ownership.



- **Housing Assistance Council**
www.ruralhome.org
 Washington, DC \$100,000
 General support for technical assistance and financing for home-ownership programs in rural communities nationwide. *First payment of a two-year \$200,000 grant approved in 2003.*
- **Inner City Christian Federation**
www.iccf.org
 Grand Rapids, MI \$50,000
 General support to increase home ownership and community stability in the central core of Grand Rapids, Michigan. *First payment of a two-year \$100,000 grant approved in 2003.*
- **Interfaith Housing of Western Maryland, Inc.**
www.interfaithhousing.org
 Frederick, MD \$50,000
 General support to develop self-help housing for low- and moderate-income individuals and families in rural Maryland. *First payment of a two-year \$100,000 grant approved in 2003.*
- **Knox Housing Partnership, Inc.**
www.khp.org
 Knoxville, TN \$40,000
 General support for home ownership and neighborhood-revitalization efforts. *First payment of a two-year \$70,000 grant approved in 2003.*
- **Latin United Community Housing Association**
www.lucha.org
 Chicago, IL \$25,000
 General support to provide counseling, training, loans, and home repairs to enable residents to become or remain homeowners.
- ▶ **Little Haiti Housing Association**
www.littlehaitihousing.org
 Miami, FL \$40,000
 General support to expand home-ownership opportunities in Miami's Little Haiti community. *Second payment of a two-year \$80,000 grant approved in 2002.*
- **Local Initiatives Support Corporation**
www.liscnet.org/mid_south/
 Greenville, MS \$40,000
 To support Mid South Delta LISC's work with local community development organizations to develop affordable home-ownership opportunities in the Delta. *First payment of a two-year \$80,000 grant approved in 2003.*
- **Manna, Inc.**
www.mannadc.org
 Washington, DC \$75,000
 General support to create home-ownership opportunities for low-income families in Washington, DC. *First payment of a two-year \$150,000 grant approved in 2003.*
- **McAllen Affordable Homes, Inc.**
www.mcallenaffordablehomes.com
 McAllen, TX \$35,000
 General support for the creation of home-ownership opportunities in the city of McAllen and Hidalgo County, Texas. *First payment of a two-year \$70,000 grant approved in 2003.*
- **McAuley Institute, Inc.**
www.mcauley.org
 Silver Spring, MD \$50,000
 General support to promote affordable home-ownership opportunities for low-income women and their families.
- **Mountain Housing Opportunities, Inc.**
www.mtnhousing.org
 Asheville, NC \$40,000
 General support for neighborhood-revitalization efforts, including home ownership, rehabilitation, and repairs in the city of Asheville and surrounding rural communities of western North Carolina.
- **National American Indian Housing Council**
www.naihc.net
 Washington, DC \$50,000
 General support to promote home ownership in Indian Country. *First payment of a two-year \$100,000 grant approved in 2003.*
- **Native American Community Development Corporation**
www.nacdc.org
 Denver, CO \$35,000
 General support for home ownership and financial literacy programs on Native American reservations.
- **Navajo Partnership for Housing, Inc.**
www.navajopartnershipforhousing.org
 St. Michaels, AZ \$50,000
 General support to expand affordable home-ownership opportunities on the Navajo Nation. *First payment of a two-year \$100,000 grant approved in 2003.*
- **NCALL Research Fund, Inc.**
www.ncall.org
 Dover, DE \$50,000
 General support to expand affordable home-ownership opportunities in rural Delaware. *First payment of a two-year \$100,000 grant approved in 2003.*
- **Neighborhood Housing Services of New Orleans, Inc.**
www.nhsnola.org
 New Orleans, LA \$25,000
 General support to provide training, financial support, and construction management to assist low-income residents to become or remain homeowners.
- **Neighborhood Housing Services of New York City, Inc.**
www.nhsnyc.org
 New York, NY \$125,000
 General support to assist low-income people to become homeowners. *First payment of a two-year \$250,000 grant approved in 2003.*
- **Neighborhood Housing Services, Inc. of Great Falls**
www.nhsgf.org
 Great Falls, MT \$35,000
 General support to provide home-ownership opportunities in the city of Great Falls and throughout Montana in conjunction with the Montana Homeownership Network.
- ▶ **New Orleans Neighborhood Development Collaborative, Inc.**
www.nondc.org
 New Orleans, LA \$25,000
 General support to strengthen local development groups and stabilize neighborhoods. *Second payment of a two-year \$50,000 grant approved in 2002.*
- **Peoples' Self-Help Housing Corporation**
www.pshhc.org
 San Luis Obispo, CA \$50,000
 General support to develop home ownership among low-income people. *First payment of a two-year \$100,000 grant approved in 2003.*
- **Proyecto Azteca**
 San Juan, TX \$35,000
 General support to develop self-help, home-ownership opportunities in the colonias of the Rio Grande Valley of Texas. *First payment of a two-year \$70,000 grant approved in 2003.*

■ 2003 Grant, PRI, or Investment

▶ Continuing Grant, PRI, or Investment



- ▶ **Rural Collaborative, Inc.**
www.sheltherthewest.org
Park City, UT \$65,000
General support for technical assistance and financing to community development organizations in the High Plains and rural Northwest. *Second payment of a two-year \$130,000 grant approved in 2002.*
- ▶ **Sacramento Neighborhood Housing Services, Inc.**
www.sacnhs.org
Sacramento, CA \$50,000
General support to develop home ownership for low-income people in Sacramento, California. *Second payment of a two-year \$100,000 grant approved in 2002.*
- **Saint Joseph's Carpenter Society**
www.sjcs Camden.org
Camden, NJ \$75,000
General support to assist low-income people to become homeowners. *First and second payments of a two-year \$135,000 grant approved in 2003.*
- ▶ **Self-Help Enterprises**
www.selfhelpenterprises.org
Visalia, CA \$40,000
General support for development of self-help home ownership for farmworker families in rural California. *Second payment of a two-year \$80,000 grant approved in 2002.*
- ▶ **United Methodist Relief Center**
www.umrc.org
Mt. Pleasant, SC \$30,000
General support for housing rehabilitation for low-income, rural homeowners in Charleston, Berkeley, and Dorchester counties and the construction of mutual self-help homes. *Second payment of a two-year \$60,000 grant approved in 2002.*
- **Universal Design Housing Network**
www.udhn.org
Kansas City, MO \$20,000
General support to promote universal design housing in low-income communities.

PROGRAM-RELATED INVESTMENTS

- ▶ **Coastal Enterprises, Inc.**
www.ceimaine.org
Wiscasset, ME
To expand the capacity of the Lease-Purchase Homeownership Program. *\$500,000 5-year senior loan approved in 1999.*
- **Connecticut Housing Investment Fund, Inc.**
www.chif.org
Hartford, CT
For home ownership lending. *\$250,000 3-year senior loan approved and disbursed in 2003.*
- ▶ **Federation of Appalachian Housing Enterprises, Inc.**
www.fahe.org
Berea, KY
For working capital for rural home-ownership development in central Appalachia. *\$350,000 4-year senior loan approved in 1999.*
- **Housing Assistance Council**
www.ruralhome.org
Washington, DC
To provide capital to the Rural Housing Loan Fund to finance predevelopment activities of non-profit, self-help, and other low-income home-ownership providers in rural areas. *\$750,000 6-year senior loan approved and disbursed in 2003.*
- ▶ **Manna, Inc.**
www.mannadc.org
Washington, DC
For working capital for home-ownership projects. *\$400,000 4-year senior loan approved in 1999.*
- ▶ **McAuley Institute, Inc.**
www.mcauley.org
Silver Spring, MD
To finance the development of home-ownership units. *\$400,000 9-year senior loan approved in 2000.*
- ▶ **Sustained Excellence Alliance Corporation**
Bethesda, MD
For funding predevelopment activities of ten nonprofit, affordable, home-ownership developers. *\$500,000 5-year senior loan approved in 2002, with an unfunded commitment at year end of \$250,000.*

FIXED-INCOME SECURITIES

- **California Rural Home Mortgage Finance Agency**
Single Family Mortgage Revenue Bonds (Taxable Subordinate Mortgage Program)
2003 Series A \$1,366,000
5.25% 12/01/2024 A2
 - ▶ **Habitat for Humanity International, Inc.**
Series 2001-1 \$202,363
 - ▶ **Habitat for Humanity International, Inc.**
Series 2002-2 \$231,174
 - **Habitat for Humanity International, Inc.**
Series 2003-1 \$250,000
 - **State of Washington**
General Obligation Bonds (State Housing Trust Fund)
Series 2004-Taxable \$750,000
2.00% 07/01/2005 AA+
 - ▶ **Texas Department of Housing and Community Affairs**
Taxable Junior Lien Single-Family Mortgage Revenue Bonds
Series 2002A \$1,582,305
7.01% 09/01/2026 A+
 - ▶ **Virginia Housing Development Authority**
Commonwealth Mortgage Bonds
2002 Series D \$467,902
6.50% 06/25/2032 AAA
- Targeted Mortgage-Backed Securities**
- **Fannie Mae Pool 696281**
\$1,503,998
5.50% 02/01/2033 AAA
 - **Freddie Mac Pool A13278**
\$1,028,015
5.50% AAA
 - ▶ **Freddie Mac Pool B30933**
\$130,883
7.50% 09/01/2030 AAA
 - ▶ **Freddie Mac Pool B30918**
\$87,350
7.50% 08/01/2030 AAA
 - ▶ **Freddie Mac Pool B30919**
\$200,851
8.00% 08/01/2030 AAA
 - **Freddie Mac Pool C76858**
\$1,456,437
6.00% 02/01/2033 AAA
 - ▶ **Freddie Mac Pool C48098**
\$257,587
7.00% 02/01/2031 AAA



GRANTS

- ▶ **Affiliated Tribes of Northwest Indians Economic Development Corp.**
www.atniedc.com
 Edmonds, WA \$40,000
 General support to provide access to capital and technical assistance for tribal enterprise development in six northwestern states. *Second payment of a two-year \$80,000 grant approved in 2002.*
- **alt.Consulting**
www.altconsulting.org
 Memphis, TN \$25,000
 General support for management assistance to business owners in the Delta to improve the efficiency and viability of their operations.
- ▶ **Appalachian By Design, Inc.**
www.abdinc.org
 Lewisburg, WV \$40,000
 To support training, coordination, and access to markets for its network of home-based knitwear producers. *Second payment of a two-year \$80,000 grant approved in 2002.*
- **Appalachian Center for Economic Networks, Inc.**
www.acenetworks.org
 Athens, OH \$80,000
 General support to expand opportunities for business ownership and employment through network- and sector-based strategies. *First payment of a two-year \$160,000 grant approved in 2003.*
- ▶ **Appalachian Sustainable Development**
www.appsusdev.org
 Abingdon, VA \$40,000
 General support to develop and promote ecologically sound enterprises in the food, agricultural, and forestry sectors. *Second payment of a two-year \$80,000 grant approved in 2002.*
- ▶ **Austin Community Development Corporation**
www.austincdc.org
 Austin, TX \$40,000
 General support for enterprise development, technical assistance, and lending in the neighborhoods of east and south Austin. *Second payment of a two-year \$80,000 grant approved in 2002.*
- **Bedford Stuyvesant Restoration Corporation**
www.restorationplaza.org
 Brooklyn, NY \$50,000
 To support the Restoration Capital Fund that provides technical and financial assistance to local small businesses.
- ▶ **Corporation for Enterprise Development**
www.cfed.org
 Washington, DC \$100,000
 General support to promote enterprise development and asset building in low-income communities through research and policy activities. *Second payment of a two-year \$200,000 grant approved in 2002.*
- **Enterprise Corporation of the Delta**
www.ecd.org
 Jackson, MS \$125,000
 General support to improve access to capital to finance the creation and expansion of commercial enterprises and home-ownership opportunities in the Delta regions of Arkansas, Louisiana, and Mississippi.
- ▶ **Four Times Foundation, Inc.**
www.fourtimes.org
 Red Lodge, MT \$75,000
 To support its fellowship program for small business entrepreneurs on Native American reservations. *Third payment of a two-year \$100,000 grant approved in 2001 and full payment of a one-year \$50,000 grant approved in 2003.*
- **Greenpoint Manufacturing and Design Center Local Development Corp.**
www.gmdconline.org
 Brooklyn, NY \$30,000
 General support to create and retain industrial sector jobs for low-income residents by operating a business incubator and providing technical assistance.
- **Kent State University Foundation, Inc./Ohio Employee Ownership Center**
www.kent.edu/oeoc
 Kent, OH \$45,000
 General support of the Ohio Employee Ownership Center to provide outreach, information, and technical assistance to employees and business owners on employee ownership. *First payment of a two-year \$90,000 grant approved in 2003.*
- **Loyola University**
www.loyno.edu/economics.institute/
 New Orleans, LA \$25,000
 General support to the Economics Institute to initiate and promote ecologically sound economic development for small-scale farmers in the food and agricultural sectors. *First payment of a two-year \$50,000 grant approved in 2003.*
- **Mission Economic Development Association**
www.medasf.org
 San Francisco, CA \$35,000
 General support to promote enterprise development and home-ownership opportunities in San Francisco's Mission District. *First and second payments of a two-year \$60,000 grant approved in 2003.*
- ▶ **Montana Community Development Corporation**
www.mtcdc.org
 Missoula, MT \$40,000
 General support for technical assistance and financing to new and expanding businesses in western Montana. *Second payment of a two-year \$90,000 grant approved in 2002.*
- **Neighborhood Development Center, Inc.**
www.windndc.org
 Saint Paul, MN \$40,000
 General support for training, working capital, and incubator facilities to entrepreneurs and commercial real estate development in the inner cities of Saint Paul and Minneapolis. *First payment of a two-year \$80,000 grant approved in 2003.*
- **New Mexico Community Development Loan Fund**
www.nmcdlf.org
 Albuquerque, NM \$50,000
 General support to provide access to capital and technical assistance in low-income communities for the development of affordable housing and small businesses. *First payment of a two-year \$100,000 grant approved in 2003.*
- **The Oregon Native American Business and Entrepreneurial Network**
www.onaben.org
 Tigard, OR \$35,000
 To provide technical assistance and training in small-business development among Native Americans in collaboration with northwestern tribes. *First and second payments of a two-year \$55,000 grant approved in 2003.*
- ▶ **Paraprofessional Healthcare Institute, Inc.**
www.paraprofessional.org
 Bronx, NY \$100,000
 General support to expand and strengthen worker-owned enterprises in the home health care industry. *Second payment of a two-year \$200,000 grant approved in 2002.*

■ 2003 Grant, PRI, or Investment
 ▶ Continuing Grant, PRI, or Investment



PROGRAM-RELATED INVESTMENTS

- ▶ **Rural Action, Inc.**
www.ruralaction.org
 Trimble, OH \$25,000
 To support economic development programs in Appalachian Ohio through agricultural and forest-based enterprises.
- ▶ **Shorebank Enterprise Group Cleveland**
www.shorebankcleveland.com
 Cleveland, OH \$75,000
 To provide financing, commercial space, workforce development, and technical assistance to small businesses on Cleveland's upper east side. *Second payment of a two-year \$150,000 grant approved in 2002.*
- ▶ **Shorebank Enterprise Group Pacific**
www.sbpac.com
 Ilwaco, WA \$75,000
 General support to provide financing and technical assistance for small-business development in low-income, coastal regions of the Pacific Northwest. *Second payment of a two-year \$150,000 grant approved in 2002.*
- ▶ **Southern Financial Partners**
www.southernfinancialpartners.org
 Arkadelphia, AR \$50,000
 General support to provide technical assistance and financing to small businesses and community development organizations in the Delta regions of Arkansas and Mississippi. *Second payment of a two-year \$100,000 grant approved in 2002.*
- ▶ **Sustainable Jobs Development Corporation**
www.sjfund.com
 Durham, NC \$25,000
 To develop tools that community development venture capital (CDVC) funds can use to assure that all long-term employees of their portfolio companies share the gains of a company sale or other exit event. *Second payment of an eighteen month \$75,000 grant approved in 2002.*
- ▶ **Women's Action to Gain Economic Security**
www.wagescooperatives.org
 Oakland, CA \$35,000
 General support for the development of cooperatively owned businesses in the Bay Area. *First payment of a two-year \$70,000 grant approved in 2003.*

- ▶ **Adena Ventures, LP**
www.adenaventures.com
 Athens, OH
 To promote business development in central Appalachia. \$350,000 10-year limited partnership interest in a development venture capital fund approved in 2000. *\$70,000 disbursed in 2003, with an unfunded commitment at year end of \$227,500.*
- ▶ **Austin Community Development Corporation**
www.austincdc.org
 Austin, TX
 To provide capital for small business and nonprofit facility lending in low-income neighborhoods of east and south Austin. *\$250,000 6-year line of credit approved in 2002 and disbursed in 2003.*
- ▶ **Cascadia Revolving Fund**
www.cascadiafund.org
 Seattle, WA
 For the Rural Development Investment Fund, which provides access to capital and technical assistance to entrepreneurs in low-income, rural areas of the Pacific Northwest. *\$250,000 5-year senior loan with a conversion option approved in 1998.*
- ▶ **East Bay Asian Local Development Corporation**
www.ebaldc.com
 Oakland, CA
 To finance the development of commercial real estate projects to create and preserve jobs for low-income people in Oakland. *\$300,000 7-year senior loan approved in 2000. \$100,000 6-year senior loan approved in 2000.*

- ▶ **Enterprise Corporation of the Delta**
www.ecd.org
 Jackson, MS
 To capitalize commercial financing activities aimed at increasing and expanding high quality jobs and increasing opportunities for business ownership in the Delta regions of AK, LA and MS. *\$250,000 5-year senior loan approved in 1998.*
- ▶ **Greenpoint Manufacturing and Design Center Local Development Corp.**
www.gmdconline.org
 Brooklyn, NY
 For real estate acquisition and development for small businesses in low-income neighborhoods in Brooklyn. *\$500,000 5-year senior loan approved in 2000.*
- ▶ **Greystone Foundation, Inc.**
www.greystone.org
 Yonkers, NY
 To establish a debt service reserve for the construction of a new bakery employing homeless men and women. *\$250,000 5-year senior loan approved in 2000.*
- ▶ **Jacobs Center for Nonprofit Innovation**
www.jacobscenter.org
 San Diego, CA
 For the development of Phase I of Market Creek Plaza as part of the revitalization of the Diamond Neighborhoods in San Diego. *\$500,000 7-year guaranteed senior loan approved in 2002 and disbursed in 2003.*



Jacobs Center for Nonprofit Innovation, San Diego, CA:
 Heron's program-related investment (PRI) helped in the development of Market Creek Plaza, a commercial and cultural hub in the Diamond community of San Diego.



■ **Native American Bancorporation**
www.nabna.com
 Denver, CO
 To capitalize an Indian-owned development bank serving reservation communities and tribal enterprises. \$300,000 10-year preferred stock approved in 2003 for disbursement in 2004.

▶ **New Community Corporation**
www.newcommunity.org
 Newark, NJ
 For a modular housing factory and a business assistance center. \$500,000 5-year senior loan approved in 1999.

▶ **New Mexico Community Development Loan Fund**
www.nmcdlf.org
 Albuquerque, NM
 To make capital available for enterprise development, home ownership, community facilities, or other projects benefitting low-income communities. \$300,000 5-year senior loan approved in 2001.

▶ **Penn Venture Partners, LP**
www.pennventures.com
 Harrisburg, PA
 To promote business development in northern and central Pennsylvania. \$250,000 10-year limited partnership interest in a community development venture capital fund approved in 2002. \$67,708 disbursed in 2003, with an unfunded commitment at year end of \$166,667.

▶ **The Reinvestment Fund, Inc.**
www.trfund.com
 Philadelphia, PA
 To make capital available for enterprise development. \$500,000 7-year senior loan approved in 2002.

■ **Self-Help Ventures Fund**
www.self-help.org
 Durham, NC
 To provide commercial and community facility loans to small businesses and nonprofits in low-wealth communities of North Carolina. \$1,000,000 8-year senior loan approved and disbursed in 2003.

▶ **The Southern Appalachian Fund, LP**
 London, KY
 To promote business development in southern Appalachia. \$400,000 10-year limited partnership interest in a community development venture capital fund approved in 2002 and disbursed in 2003.

FIXED-INCOME SECURITIES

▶ **Alabama Incentives Financing Authority**
 Taxable Special Obligation Bonds
 Series 1999-B \$1,650,000
 7.75% 10/01/2019 AAA

▶ **Arkansas Development Finance Authority**
 Taxable Economic Development Revenue Bonds
 (ADFA and ADED Guaranty Programs – 2002 Series B) \$161,418
 3.90% 10/01/2008 AAA

▶ **Kirkwood Community College (Merged Area X), State of Iowa**
 Taxable Industrial New Jobs Training Certificates
 Series 2002-1A \$224,991
 4.60% 06/01/2010 AA-

▶ **Kirkwood Community College (Merged Area X), State of Iowa**
 Taxable Industrial New Jobs Training Certificates
 Series 2002-1B \$230,370
 4.40% 06/01/2011 AA-

MARKET-RATE PRIVATE EQUITY

▶ **Bay Area Equity Fund I, L.P.**
 San Francisco, CA
 Commitment to private equity fund to make investments primarily in mid-to-late stage growth companies located, or willing to locate, in or near one of 46 designated low- and moderate-income neighborhoods in the nine-county Bay Area of Northern California. \$1,000,000 investment approved in 2002, with an unfunded commitment at year end of \$950,000.

▶ **ICV Partners, L.P.**
www.icvcapital.com
 New York, NY
 Commitment to private equity fund established principally to invest in small- and middle-market companies that serve, operate in, hire from, or seek to expand into America's inner cities. \$2,500,000 investment approved in 2000, with an unfunded commitment at year end of \$843,537.

■ **Yucaipa Corporate Initiatives Fund I, L.P.**
 Los Angeles, CA
 Commitment to private equity fund established to invest in corporate partnerships that relocate to or expand their operations in underserved rural and urban communities throughout the United States. \$2,500,000 investment approved in 2003, with an unfunded commitment at year end of \$2,193,018.



Loyola University, New Orleans, LA:
 Heron supports Loyola's Economics Institute in its work to promote wealth creation for limited-resource farmers and small business owners as well as ecologically sound food production and distribution as in this farmer's market.



GRANTS

- **Acre Family Day Care Corporation**
www.acrefamily.org
Lowell, MA \$50,000
General support to expand the number of accredited family child care providers serving low-income children in Lowell, Massachusetts.
- ▶ **Associated Early Care and Education, Inc.**
www.associatedearlycareandeducation.org
Boston, MA \$50,000
General support to expand the number of accredited programs serving low-income children in the metropolitan Boston area. *Second payment of a two-year \$100,000 grant approved in 2002.*
- **Child Care Resources**
www.childcareresources.org
Missoula, MT \$25,000
General support to increase the number of nationally accredited family child care and center-based programs in southwestern Montana.
- ▶ **Child Care, Inc.**
www.childcareinc.org
New York, NY \$35,000
General support for accreditation activities benefitting low-income children in family child care and center-based settings. *Second payment of a two-year \$70,000 grant approved in 2002.*
- **Down East Partnership for Children**
www.depc.org
Rocky Mount, NC \$40,000
General support to provide child care scholarships to low-income parents who work or attend school in Nash and Edgecombe counties and to assist local child care centers and family homes achieve the highest levels of accreditation. *First payment of a two-year \$80,000 grant approved in 2003.*
- **Heart of America Family Services**
www.hafs.org
Kansas City, KS \$125,000
To help community-based child care centers and family day care in Kansas City achieve quality care accreditation by the National Association for the Education of Young Children. *First payment of a two-year \$250,000 grant approved in 2003.*
- **Leviticus 25:23 Alternative Fund, Inc.**
www.leviticusfund.org
Yonkers, NY \$10,000
For its child care lending program and quality incentives.

- **Nova Southeastern University, Inc./Family Center of Tampa Bay**
www.nova.edu/cwis/familycenter/fctampa/index.html
Tampa, FL \$45,000
To support the Family Center of Tampa Bay in promoting national accreditation among child care centers and home-based child care in Tampa Bay, Florida. *First payment of a two-year \$75,000 grant approved in 2003.*
- **Partnership for Quality Child Care**
www.earlystars.com
Chicago, IL \$100,000
General support to increase the number of accredited child care centers serving low-income children and communities. *First payment of a two-year \$200,000 grant approved in 2003.*
- **The Sheltering Arms**
www.shelteringarmsforkids.com
Atlanta, GA \$100,000
General support for providing nationally accredited, high-quality child care to low-income families in the Atlanta metropolitan area. *First and second payments of a two-year \$175,000 grant approved in 2003.*
- **Suwannee Valley Community Coordinated Child Care, Inc.**
www.sv4cs.org
Lake City, FL \$35,000
General support for nationally accredited child care, Head Start programs, and technical assistance for accreditation in rural northern Florida. *First payment of a two-year \$70,000 grant approved in 2003.*

PROGRAM-RELATED INVESTMENTS

- **Community Loan Fund of New Jersey**
www.njclf.com
Trenton, NJ
For child care lending, facilities expansion and working capital. *\$500,000 10-year senior loan approved in 2003 for disbursement in 2004.*
- ▶ **Low Income Investment Fund**
www.liifund.org
Oakland, CA
To finance development of center-based and family child care. *\$500,000 9-year senior loan approved in 2000.*



The Sheltering Arms, Atlanta, GA: Sheltering Arms provides NAEYC accredited child care to working families from diverse socio-economic, ethnic/racial backgrounds across the city of Atlanta.



Down East Partnership for Children (DEPC), Rocky Mount, NC: Access to quality, affordable child care helps parents to be productive and secure at their jobs. Heron's grant to DEPC supports their work to make accredited child care available to more families.



GRANTS

- **Abyssinian Development Corporation**
www.adcorp.org
 New York, NY \$75,000
 General support for comprehensive services in home ownership, economic development, and economic literacy training.
- **The Aspen Institute, Inc.**
www.aspeninstitute.org
 Washington, DC \$50,000
 To support the Aspen Roundtable on Comprehensive Community Initiatives.
- ▶ **Calvert Social Investment Foundation, Inc.**
www.calvertgroup.com/foundation
 Bethesda, MD \$150,000
 To support the National Rural Funders Collaborative Project that seeks to expand the level and effectiveness of resources available to low-income rural areas and improve the practice of rural grantmaking. *Second payment of a two-year \$300,000 grant approved in 2002.*
- **Chicago Lawyers' Committee for Civil Rights Under Law, Inc.**
www.clccrul.org
 Chicago, IL \$40,000
 To support the Community Economic Development Law Project, that provides and coordinates *pro bono* legal assistance for community groups seeking to strengthen Chicago's neighborhoods through affordable housing and economic development. *First and second payments of a two-year \$75,000 grant approved in 2003.*
- **Chicanos Por La Causa, Inc.**
www.cplc.org
 Phoenix, AZ \$75,000
 General support for community-building and revitalization efforts in Arizona, including small business lending, home-ownership development, and credit union services. *First payment of a two-year \$150,000 grant approved in 2003.*
- **Citizen Policy and Education Fund of New Jersey**
www.njcitizenaction.org
 Hackensack, NJ \$50,000
 General support for organizing efforts and programs to increase home ownership, access to capital, and financial literacy in low- and moderate-income neighborhoods in New Jersey. *First payment of a two-year \$100,000 grant approved in 2003.*
- **City Vision Ministries**
www.cityvisionministries.org
 Kansas City, KS \$25,000
 General support for home-ownership efforts and commercial real estate development in low-income Kansas City, Kansas neighborhoods.
- **Coastal Enterprises, Inc.**
www.ceimaine.org
 Wiscasset, ME \$100,000
 General support for affordable home ownership, enterprise development, and access to capital. *First payment of a two-year \$200,000 grant approved in 2003.*
- **Community Development Advocates of Detroit**
www.cdadonline.org
 Detroit, MI \$45,000
 General support for capacity building efforts, including work with community development practitioners to demonstrate the impact of their work. *First and second payments of a two-year \$80,000 grant approved in 2003.*
- ▶ **Cypress Hills Local Development Corporation, Inc.**
www.cypresshills.org
 Brooklyn, NY \$50,000
 General support to revitalize the Cypress Hills community of Brooklyn through commercial development and home ownership. *Second payment of a two-year \$100,000 grant approved in 2002.*
- ▶ **Detroit Catholic Pastoral Alliance**
 Detroit, MI \$35,000
 General support for community development efforts focusing on home ownership and small-business development. *Second payment of a two-year \$70,000 grant approved in 2002.*
- **The Development Training Institute**
www.dtinational.org
 Baltimore, MD \$50,000
 General support for programs to strengthen the skills of community development practitioners.
- **The Development Training Institute**
www.dtinational.org
 Baltimore, MD \$2,500
 To help establish the Fund for Leadership Advancement.
- **East Bay Asian Local Development Corporation**
www.ebaldc.com
 Oakland, CA \$75,000
 General support for comprehensive neighborhood planning and improvement, including home ownership and economic development, aimed at enhancing the quality of life for low-income East Bay residents. *First payment of a two-year \$150,000 grant approved in 2003.*
- ▶ **East Side Neighborhood Development Company, Inc.**
www.esndc.org
 Saint Paul, MN \$50,000
 General support for community revitalization efforts including home ownership and business development on the eastside of Saint Paul. *Second payment of a two-year \$100,000 grant approved in 2002.*
- **El Centro, Inc.**
www.elcentroinc.com
 Kansas City, KS \$50,000
 General support for asset development efforts, including home ownership, Individual Development Accounts, enterprise development, and quality child care. *First and second payments of a two-year \$75,000 grant approved in 2003.*
- **The Faith Center for Community Development, Inc.**
www.fccd.org
 New York, NY \$50,000
 To increase the capacity of faith-based organizations to help create and sustain healthy neighborhoods. *First payment of a two-year \$100,000 grant approved in 2003.*
- ▶ **Fifth Ward Community Redevelopment Corporation**
www.fifthwardcrc.org
 Houston, TX \$60,000
 General support for home ownership and commercial development opportunities in Houston's Fifth Ward. *Second payment of a two-year \$120,000 grant approved in 2002.*
- **Guadalupe Center, Inc.**
www.guadalupecenters.org
 Kansas City, MO \$75,000
 To develop a home-ownership program and expand its credit union. *First payment of a two-year \$150,000 grant approved in 2003.*

■ 2003 Grant, PRI, or Investment
 ▶ Continuing Grant, PRI, or Investment



■ **Hope Unity Fund Inc.**
www.hopeunity.org
 Gadsden, AL \$25,000
 General support to strengthen the Alabama Association of Community Development Corporations, Minority Business Institute, and community development credit unions throughout the state of Alabama.

▶ **Housing and Community Development Network of New Jersey**
www.hcdnnj.org
 Trenton, NJ \$50,000
 General support to provide technical assistance and training in organizational development, management, community planning, and policy evaluation to community development practitioners. *Second payment of a two-year \$100,000 grant approved in 2002.*

■ **Interfaith Education Fund, Inc.**
 Austin, TX \$125,000
 General support for research, training, and organizing efforts through a network of congregation-based organizations in the Southwest. *First payment of a two-year \$250,000 grant approved in 2003.*

■ **Isles Inc.**
www.isles.org
 Trenton, NJ \$90,000
 General support for programs that develop housing for low-income people, counsel first-time homebuyers, encourage savings through Individual Development Accounts, and promote sustainable development. *First payment of a two-year \$180,000 grant approved in 2003.*

■ **Kansas City Neighborhood Alliance**
www.kcna.org
 Kansas City, MO \$100,000
 General support for community-building strategies, focusing on home ownership and block organizing, in Kansas City neighborhoods. *First payment of a two-year \$200,000 grant approved in 2003.*

▶ **Lawndale Christian Development Corporation**
www.lcdc.net
 Chicago, IL \$30,000
 General support of neighborhood revitalization efforts including housing development for ownership and economic development. *Second payment of a two-year \$60,000 grant approved in 2002.*

■ **Maryland Center for Community Development**
www.mccd.org
 Baltimore, MD \$30,000
 General support for work with Community Development Corporations to promote a statewide Individual Development Account initiative, home-ownership activities, and the Success Measures Project. *First payment of a two-year \$60,000 grant approved in 2003.*

■ **McAuley Institute, Inc.**
www.mcauley.org
 Silver Spring, MD \$75,000
 To support a web-based data system to improve and demonstrate the impact of community development activities.

■ **Metro IAF, Inc.**
www.industrialareasfoundation.org
 Rego Park, NY \$75,000
 General support for large-scale home-ownership programs and other neighborhood development actions. *First payment of a two-year \$150,000 grant approved in 2003.*

■ **Midtown Community Development Corporation**
www.swopecommunitybuilders.org
 Kansas City, MO \$100,000
 General support for community-building efforts including home ownership and retail development in midtown Kansas City. *First payment of a two-year \$200,000 grant approved in 2003.*

■ **Mountain Association for Community Economic Development**
www.maced.org
 Berea, KY \$50,000
 To support enterprise development and sustainable community-based economic development in Appalachian Kentucky.

■ **National Congress for Community Economic Development, Inc.**
www.ncced.org
 Washington, DC \$5,000
 To support the workshop, "Tracking the Impact of Community Development on Families and Markets," at its 2003 Annual Conference.

▶ **National Housing Institute**
www.nhi.org
 Montclair, NJ \$40,000
 General support to provide information, analysis, and resources to community-based practitioners engaged in community development efforts through research and the publication of *Shelterforce*. *Second payment of a two-year \$80,000 grant approved in 2002.*



Community Development Advocates of Detroit (CDAD), Detroit, MI:

Heron provides general support to CDAD with its 90 members throughout Detroit for its work, which includes helping community development practitioners to demonstrate their impact through the Success Measures Project (SMP).



- **Neighborhood Funders Group, Inc.**
www.nfg.org
 Washington, DC \$25,000
 Support for a national membership association of grantmakers who fund community-based strategies to strengthen urban neighborhoods and rural communities.
- **Neighborhood Funders Group, Inc.**
www.nfg.org
 Washington, DC \$5,000
 To help underwrite costs related to its annual conference.
- **New Economics for Women**
www.neweconomicsforwomen.org
 Los Angeles, CA \$75,000
 General support for home ownership and business development programs.
- ▶ **New Mexico Community Foundation**
www.nmcf.org
 Santa Fe, NM \$50,000
 To support the Rural Livelihoods Initiative in funding sustainable community economic development throughout New Mexico. *Second payment of a two-year \$100,000 grant approved in 2002.*
- ▶ **North Carolina Community Development Initiative, Inc.**
www.ncinitiative.org
 Raleigh, NC \$125,000
 General support to strengthen capacity, impact, and sustainability of community development corporations in low-resource communities in North Carolina. *Second and third payments of a two-year \$225,000 grant approved in 2002/2003.*
- **Northwest Detroit Neighborhood Development, Inc.**
www.ndnd.org
 Detroit, MI \$25,000
 For comprehensive community development, including affordable home ownership, in the Brightmoor community of Detroit.
- **Pratt Area Community Council, Inc.**
www.prattarea.org
 Brooklyn, NY \$35,000
 General support for the Economic Development/Commercial Revitalization Initiative and the Homeowner Foreclosure Prevention Program. *First payment of a two-year \$70,000 grant approved in 2003.*

- **The Resurrection Project**
www.resurrectionproject.org
 Chicago, IL \$100,000
 General support to develop and implement comprehensive community development strategies. *First and second payments of a two-year \$175,000 grant approved in 2003.*
- **Rural Opportunities, Inc.**
www.ruralinc.org
 Rochester, NY \$50,000
 General support for affordable home ownership, quality child care, and enterprise development. *First payment of a two-year \$100,000 grant approved in 2003.*
- ▶ **Sacramento Valley Organizing Community**
www.ruralisc.org/svoc.htm
 Sacramento, CA \$75,000
 General support for comprehensive community organizing and development efforts, including home ownership and Individual Development Accounts. *Second payment of a two-year \$150,000 grant approved in 2002.*
- **Santee Lynches Affordable Housing and Community Development Corp.**
www.communitydevelopmentsc.org/members/santeelynches
 Sumter, SC \$30,000
 General support to promote home ownership and community-based economic development in four rural South Carolina counties.

- **South Carolina Association of Community Development Corporations**
www.communitydevelopmentsc.org
 Charleston, SC \$50,000
 General support to advance the community economic development industry in South Carolina and support the implementation of a statewide Individual Development Account (IDA) program. *First and second payments of a two-year \$85,000 grant approved in 2003.*
- **Southern Mutual Help Association, Inc.**
www.southernmutualhelp.org
 New Iberia, LA \$50,000
 General support to help low-income people develop healthy and prosperous rural communities in Louisiana through home ownership and community economic development. *First payment of a two-year \$100,000 grant approved in 2003.*



Southern Financial Partners (SFP), Arkadelphia, AR:

SFP receives general support from Heron. SFP makes loans and provides technical assistance to small businesses. In addition, its Asset Builders program enables customers (like the woman pictured third from the left with her daughters) to save for a home through an Individual Development Account (IDA).

- 2003 Grant, PRI, or Investment
- ▶ Continuing Grant, PRI, or Investment



PROGRAM-RELATED INVESTMENTS

- ▶ **Boston Community Loan Fund, Inc.**
www.bostoncommunitycapital.org
Boston, MA
To finance affordable housing, community facilities, and other projects beneficial to low-income communities.
\$350,000 5-year senior loan approved in 2000.
- ▶ **Chicago Community Loan Fund**
www.cclfchicago.org
Chicago, IL
For real estate development, equipment purchase, and working capital.
\$250,000 6-year senior loan approved in 2001.
- ▶ **Illinois Facilities Fund**
www.iff.org
Chicago, IL
To support a variety of financial products to assist nonprofits with facility development.
\$500,000 5-year senior loan approved in 1999.
- ▶ **New Hampshire Community Loan Fund, Inc.**
www.nhclf.org
Concord, NH
To support expanded home ownership and small business lending.
\$500,000 7-year senior loan approved in 2002.
- ▶ **Rural Community Assistance Corporation**
www.rcac.org
West Sacramento, CA
To support lending activities providing affordable housing, water and waste water systems, and community facility development in low-income, rural areas.
\$500,000 10-year senior loan approved in 1998.

FIXED-INCOME SECURITIES

- ▶ **County of Cuyahoga, Ohio**
Taxable Economic Development Revenue Bonds
Brownfield Redevelopment Fund Series 1998 \$750,000
6.75% 06/01/2018 AAA
- ▶ **Pinole, California Redevelopment Agency**
Tax Allocation Refunding Bonds Series 1998B \$1,410,000
6.375% 08/01/2012 AAA
- ▶ **Redevelopment Authority of the City of Philadelphia**
Taxable Revenue Bonds, Series 2002B
City of Philadelphia Neighborhood Transformation Initiative \$1,250,000
5.30% 04/01/2007 AAA
- **Texas Public Finance Authority**
Unemployment Compensation Obligation Assessment
Revenue Bonds, Series 2003B \$1,000,000
2.125% 12/15/2005 AA
- ▶ **US Department of Housing and Urban Development**
Section 108 Government Guaranteed Participation Certificates
Series HUD 2001-A \$1,000,000
4.97% 08/01/2005 AAA

MARKET-RATE PRIVATE EQUITY

- ▶ **Bay Area Smart Growth Fund I, LLC**
www.basgf.com
San Francisco, CA
Commitment to private equity fund to invest in commercial and residential real estate projects in 46 designated low- and moderate-income neighborhoods in the nine-county Bay Area of Northern California. *\$1,500,000 investment approved in 2001, with an unfunded commitment at year end of \$797,354.*
- ▶ **UrbanAmerica, L.P.**
www.urbanamerica.com
New York, NY
Commitment to a private real estate partnership to acquire and develop retail and office space in inner-city neighborhoods, including federally designated enterprise zones and enterprise communities. *\$1,500,000 investment approved in 2000. Fully committed.*



UrbanAmerica, L.P., New York, NY:
Heron has a market-rate mission-related investment in UrbanAmerica, a private-equity, real-estate fund for commercial real-estate development in low-and moderate-income communities in the United States, like this shopping center in Maryland.



GRANTS

- ▶ **Boston Community Capital**
www.bostoncommunitycapital.org
 Boston, MA \$100,000
 General support to increase access to capital for affordable housing, community facilities, and business start-ups and expansions to benefit low-income residents and communities. *Second payment of a two-year \$200,000 grant approved in 2002.*
- **Boston Community Capital**
www.bostoncommunitycapital.org
 Boston, MA \$10,000
 For a practitioner-led effort to develop a plan for assessing impact.
- **California Reinvestment Committee**
www.calreinvest.org
 San Francisco, CA \$35,000
 General support to help low-income communities in California use the Community Reinvestment Act and related strategies to gain access to capital. *First payment of a two-year \$70,000 grant approved in 2003.*
- ▶ **CASA of Oregon**
www.casaoforegon.org
 Newberg, OR \$35,000
 To support the Valley Individual Development Account collaborative for low-income families in the Willamette and Yamhill Valleys of Oregon. *Second payment of a two-year \$70,000 grant approved in 2002.*
- ▶ **Chicago Community Loan Fund**
www.cclfcchicago.org
 Chicago, IL \$40,000
 General support to provide low-cost, flexible financing to nonprofit organizations working on the revitalization of low-income neighborhoods throughout metropolitan Chicago. *Second payment of a two-year \$80,000 grant approved in 2002.*
- **The Community Development Venture Capital Alliance**
www.cdvca.org
 New York, NY \$50,000
 General support to stimulate the formation and growth of community development venture capital funds. *First payment of a two-year \$100,000 grant approved in 2003.*
- **The Community Development Venture Capital Alliance**
www.cdvca.org
 New York, NY \$50,000
 To support a peer-led initiative to establish financial and social return metrics for community development venture capital funds.
- **Community Loan Fund of New Jersey**
www.njclcf.com
 Trenton, NJ \$75,000
 General support for access to capital and technical assistance for affordable housing, child care facilities expansions, and business start-ups and expansions for low-income residents of New Jersey. *First payment of a two-year \$150,000 grant approved in 2003.*
- **The Community Reinvestment Association of North Carolina**
www.cra-nc.org
 Durham, NC \$40,000
 General support to build and protect community wealth by improving the services and practices of North Carolina financial institutions. *First payment of a two-year \$80,000 grant approved in 2003.*
- **Community Reinvestment Fund, Inc.**
www.crfusa.com
 Minneapolis, MN \$100,000
 Equity grant to support the development of a robust secondary market in community-based economic development loans to increase the flow of capital to low-income communities. *First and second payments of a two-year \$165,000 grant approved in 2003.*
- **Credit Where Credit Is Due, Inc.**
www.cwcid.org
 New York, NY \$25,000
 Support to provide access to capital and financial services through community development credit unions serving low-income residents in the Washington Heights and Harlem neighborhoods of New York City.
- **Earned Asset Resource Network, Inc.**
www.sfearn.org
 San Francisco, CA \$35,000
 General support for the development of its Individual Development Account program.
- **First Nations Development Institute**
www.firstnations.org
 Fredericksburg, VA \$125,000
 To support the development of community development financial institutions in Indian Country through the Native Community Development Financial Institutions Initiative of the Eagle Staff Fund.
- ▶ **Lakota Fund**
www.lakotafund.org
 Kyle, SD \$25,000
 General support to increase access to capital and provide technical assistance for Lakota entrepreneurs on the Pine Ridge Reservation. *Second payment of a two-year \$100,000 grant approved in 2002.*
- **Lenders for Community Development**
www.l4cd.com
 San Jose, CA \$50,000
 General support to provide financing and technical assistance for small-business development, home-ownership opportunities, and Individual Development Accounts for low-income people in Silicon Valley. *First payment of a two-year \$100,000 grant approved in 2003.*
- ▶ **Low Income Investment Fund**
www.liifund.org
 Oakland, CA \$100,000
 General support to increase access to capital in low-income communities including home-ownership and child care strategies. *Second payment of a two-year \$200,000 grant approved in 2002.*
- **National Community Reinvestment Coalition, Inc.**
www.ncrc.org
 Washington, DC \$100,000
 General support to expand small-business lending, combat predatory lending, and provide access to capital. *First payment of a two-year \$200,000 grant approved in 2003.*
- **National Federation of Community Development Credit Unions, Inc.**
www.natfed.org
 New York, NY \$100,000
 General support to strengthen the operations of community development credit unions.
- ▶ **New Hampshire Community Loan Fund, Inc.**
www.nhclcf.org
 Concord, NH \$50,000
 General support to foster affordable home ownership and economic opportunity. *Second payment of a two-year \$100,000 grant approved in 2002.*
- ▶ **New School University**
www.wallstreetwithoutwalls.com
 New York, NY \$75,000
 To support the Capital Markets Access Project that provides technical assistance to community development corporations, community development finance institutions, and other nonprofits seeking to access capital markets. *Second payment of a two-year \$150,000 grant approved in 2002.*

■ 2003 Grant, PRI, or Investment

▶ Continuing Grant, PRI, or Investment



▶ **North Carolina Minority Support Center**
www.ncmsc.org
 Durham, NC \$75,000

General support to strengthen the work of community development corporations and credit unions in North Carolina through operating grants, financing, and technical assistance. *Second payment of a two-year \$150,000 grant approved in 2002.*

▶ **North Carolina Minority Support Center**
www.ncmsc.org
 Durham, NC \$25,000
 To capitalize Generations Federal Credit Union. *Second payment of a one-year \$75,000 grant approved in 2002/2003.*

▶ **Quitman County Development Organization, Inc.**
www.qcdo.org
 Marks, MS \$50,000
 To support the Credit Union Expansion Project that will bring credit union services to four Mississippi Delta counties. *Second payment of a two-year \$100,000 grant approved in 2002.*

▶ **The Reinvestment Fund, Inc.**
www.trfund.com
 Philadelphia, PA \$100,000
 To support the Public Policy & Program Assessment Department's efforts to track the impact of the Fund's lending and investments. *Second payment of a two-year \$200,000 grant approved in 2002.*

■ **Social Investment Forum Foundation, Inc.**
www.socialinvest.org
 Washington, DC \$50,000
 To support the "1% in Community" Campaign. *First payment of a two-year \$100,000 grant approved in 2003.*

■ **Southern New Hampshire University**
www.snhu.edu
 Manchester, NH \$35,000
 To bring together community economic development practitioners and leaders of financial services institutions in order to bring scale, efficiency, innovation, and reasonable pricing to the development finance field. *First payment of a two-year \$70,000 grant approved in 2003.*

▶ **Washington University**
www.gwbweb.wustl.edu/csd
 St. Louis, MO \$75,000
 To support the evaluation of the American Dream Demonstration, a national 13-site demonstration of the efficacy of Individual Development Accounts in helping low-income people accumulate savings. *Second payment of a two-year \$150,000 grant approved in 2002.*

■ **WECO Fund, Inc.**
www.wecofund.com
 Cleveland, OH \$75,000
 General support to provide citywide financial services and education programs to low-income individuals, families, and companies. *First payment of a two-year \$150,000 grant approved in 2003.*

■ **Woodstock Institute**
www.woodstockinst.org
 Chicago, IL \$100,000
 General support for research and technical assistance toward meeting the capital and credit demands of low-income neighborhoods. *First payment of a two-year \$200,000 grant approved in 2003.*

■ **World Institute on Disability**
www.wid.org
 Oakland, CA \$25,000
 To support the expansion of Individual Development Accounts among people with disabilities. *First payment of a two-year \$50,000 grant approved in 2003.*

PROGRAM-RELATED INVESTMENTS

▶ **Alternatives Federal Credit Union**
www.alternatives.org
 Ithaca, NY
 To support the credit union's home mortgage and small business lending. *\$250,000 7-year secondary capital loan approved in 2002.*

▶ **Boston Community Loan Fund, Inc.**
www.bostoncommunitycapital.org
 Boston, MA
 For permanent capital to finance affordable housing, community facilities, and other projects that benefit low-income communities. *\$150,000 10-year subordinated "equity equivalent" investment approved in 2000.*

■ **Calvert Social Investment Foundation, Inc.**
www.calvertgroup.com/foundation
 Bethesda, MD
 To increase the capacity of the Calvert Foundation to issue Community Investment Notes. *\$500,000 3-year subordinated loan approved in 2003 for disbursement in 2004.*

▶ **Community Reinvestment Fund, Inc.**
www.crfusa.com
 Minneapolis, MN
 To facilitate the creation of a secondary market by purchasing and securitizing community development loans. *\$500,000 5-year senior loan with a conversion option approved in 2000.*



Community Loan Fund of New Jersey (the Fund), Trenton, NJ:

Heron supports the Fund with a program-related investment (PRI) and grant. The Fund helps disabled people like this builder of crab traps to gain access to capital at an affordable rate.



MARKET-RATE DEPOSITS

- **Community Reinvestment Fund, Inc.**
www.crfusa.com
 Minneapolis, MN
 To provide expanded financing to purchase and securitize community development loans. \$1,500,000 1-year subordinated loan approved and disbursed in 2003.
- ▶ **National Community Capital Association**
www.communitycapital.org
 Philadelphia, PA
 To provide flexible financing for member Community Development Financial Institutions. \$500,000 8-year senior loan approved in 2002.
- ▶ **National Federation of Community Development Credit Unions, Inc.**
www.natfed.org
 New York, NY
 To invest in secondary capital accounts of member credit unions in low-income communities. \$250,000 8-year senior loan approved in 1998.
- ▶ **National Federation of Community Development Credit Unions, Inc.**
www.natfed.org
 New York, NY
 For nominee deposits in rural community development credit unions. \$750,000 5-year deposit facility approved in 2001.
- ▶ **North Carolina Minority Support Center**
www.ncmsc.org
 Durham, NC
 To assist credit unions serving low-income communities to increase home mortgage and small-business lending. \$500,000 8-year loan collateralized by credit union deposits approved in 1999.
- ▶ **Quitman/Tri-County Federal Credit Union**
www.qcdo.org
 Marks, MS
 To match a deposit from the Community Development Revolving Loan Program. \$100,000 5-year insured deposit approved in 2000.
- ▶ **Vermont Development Credit Union**
www.vdcu.org
 Burlington, VT
 To support home mortgages and small business lending. \$250,000 7-year secondary capital loan approved in 2001.
- ▶ **Albina Community Bank**
www.albinabank.com
 Portland, OR
- ▶ **Alternatives Federal Credit Union**
www.alternatives.org
 Ithaca, NY
- ▶ **Appalachian Federal Credit Union**
www.appalachianfederal.coop
 Berea, KY
- ▶ **Bank of Cherokee County**
www.bankofcherokeecounty.net
 Hulbert, OK
- ▶ **Bethex Federal Credit Union**
www.bethexfcu.org
 Bronx, NY
- ▶ **Carver Federal Savings Bank**
www.carverbank.com
 New York, NY
- ▶ **Central Bank of Kansas City**
www.centralbankkc.com
 Kansas City, MO
- ▶ **Citizens Trust Bank**
www.ctbatlanta.com
 Atlanta, GA
- ▶ **City First Bank of DC**
www.city-first.com
 Washington, DC
- ▶ **City National Bank of New Jersey**
www.citynatbank.com
 Newark, NJ
- ▶ **Community Capital Bank**
www.communitycapitalbank.com
 Brooklyn, NY
- ▶ **Community Choice Federal Credit Union**
 Indianapolis, IN
- ▶ **Dakotaland Federal Credit Union**
www.dakotalandfcu.com
 Huron, SD
- ▶ **Douglass National Bank**
 Kansas City, MO
- ▶ **Elk Horn Bank & Trust**
www.ehbt.com
 Arkadelphia, AR
- ▶ **First American International Bank**
 Brooklyn, NY
- ▶ **First National Bank of Phillips County**
www.fnbpc.com
 West Helena, AR
- ▶ **Friendship Community Federal Credit Union**
 Clarksdale, MS
- ▶ **Generations Community Credit Union**
www.gencomcu.org
 Durham, NC
- ▶ **Genesee Co-Op Federal Credit Union**
www.gencoopfcu.com
 Rochester, NY
- ▶ **The Harbor Bank of Maryland**
www.theharborbank.com
 Baltimore, MD



Latino Community Credit Union, Durham, NC:

Heron makes market-rate deposits in credit unions that serve working people and invest in diverse communities.

■ 2003 Grant, PRI, or Investment

▶ Continuing Grant, PRI, or Investment



ACCESS TO CAPITAL

- **Homesteaders Federal Credit Union**
www.homesteadersfcu.org
New York, NY
- **Hope Community Credit Union**
www.hopecu.org
Jackson, MS
- ▶ **International Bank of Chicago**
www.inbk.com
Chicago, IL
- **Latino Community Credit Union**
www.cooperativalatina.org
Durham, NC
- **Liberty Bank and Trust Company**
www.libertybank.net
New Orleans, LA
- ▶ **Louisville Community Development Bank**
www.morethanabank.com
Louisville, KY
- **Mechanics and Farmers Bank**
www.mfbonline.com
Durham, NC
- ▶ **Mission Community Bank**
www.missioncommunitybank.com
San Luis Obispo, CA
- ▶ **Native American Bank, NA**
www.nabna.com
Browning, MT
- **Neighborhood National Bank**
www.mynnb.com
National City, CA
- **North Star Community Credit Union**
www.northstarccu.com
Maddock, ND
- ▶ **Santa Cruz Community Credit Union**
www.sacruzccu.org
Santa Cruz, CA
- ▶ **Self-Help Credit Union**
www.self-help.org
Durham, NC
- ▶ **Shorebank**
www.shorebankcorp.com
Chicago, IL
- **ShoreBank Cleveland**
www.shorebankcleveland.com
Cleveland, OH

- ▶ **South Carolina Community Bank**
Columbia, SC
- ▶ **Syracuse Cooperative Federal Credit Union**
www.syrcoopfcu.org
Syracuse, NY
- **University National Bank**
www.universitybank.com
Saint Paul, MN
- ▶ **Vermont Development Credit Union**
www.vdcu.org
Burlington, VT



Shorebank Enterprise Group Pacific (SEP), Ilwaco, WA:
Heron has supported SEP since 1998. SEP provides financing and technical assistance for small businesses in low-income coastal areas of the Pacific Northwest, like this oyster processor in Willapa Bay, Washington.

FIXED-INCOME SECURITIES

- ▶ **Community Reinvestment Revenue Notes**
Twelfth Series
Class A-1 Senior \$7,665
8.80% Not Rated
- **Community Reinvestment Revenue Notes**
Fifteenth Series
Class A-1 Senior \$839,835
4.85% Not Rated

OTHER GRANTS

NONPROFIT SECTOR

- **Council on Foundations, Inc.**
Washington, DC \$29,040
- **The Foundation Center**
New York, NY \$5,000
- **Independent Sector**
Washington, DC \$5,000
- **New York Regional Association of Grantmakers**
New York, NY \$11,000
- **Nonprofit Coordinating Committee of New York, Inc.**
New York, NY \$1,000
- **Philanthropic Research, Inc.**
Williamsburg, VA \$10,000

BOARD- AND STAFF-DIRECTED

- **Community Service Grants**
\$19,000
- **Matching Grants**
\$35,386
- **Board- / Staff-Directed Grants**
\$154,500

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BALANCE SHEETS

December 31, 2003 and 2002

Assets	2003	2002
Cash and cash equivalents	\$ 5,562,019	\$ 2,945,920
Traditional investments	209,585,700	190,793,982
Mission-related investments (see Note 1)	42,497,737	32,366,152
Other assets	357,686	301,690
Fixed assets, net	368,340	442,182
Total assets	\$258,371,482	\$226,849,926
Liabilities and Net Assets	2003	2002
Liabilities:		
Accounts payable and accrued expenses	\$ 79,734	\$ 73,513
Grants payable (see Note 2)	3,970,000	2,580,000
Deferred Federal excise tax payable	218,425	—
Total liabilities	4,268,159	2,653,513
Net assets—unrestricted	254,103,323	224,196,413
Total liabilities and net assets	\$258,371,482	\$226,849,926

The financial information in this report has been summarized by the Foundation from its audited financial statements. A copy of the independent auditor's report, complete financial statements and notes are on file at the Foundation's office.

NOTE 1. MISSION-RELATED INVESTMENTS

Mission-related investments advance the mission of the Foundation using the core program strategies articulated in the Program Guidelines. These include both risk-adjusted, market-rate investments that advance the mission and program-related investments (PRIs).

PRIs, defined in IRC §4944(c), have a primary purpose of advancing the mission of the Foundation without a significant purpose of the production of income or the appreciation of property. PRIs are treated as charitable distributions on Internal Revenue Service form 990-PF, the tax and information return filed by private foundations for minimum-distribution requirement purposes. The Foundation's PRI loans bear interest at below-market rates, from 1% to 6%, generally payable on March 31 and September 30 of each year. Three PRIs are limited partnership interests in New Market Venture Capital Companies. The Foundation expects to hold all PRIs to maturity.

At December 31, 2003 and 2002, mission-related investments consisted of the following:

	2003		2002	
	Fair or carrying value	Cost	Fair or carrying value	Cost
Invested cash and cash equivalents	\$ 544,996	\$ 544,996	\$ 318,003	\$ 318,003
Insured and uninsured deposits in Community Development Credit Unions and Community Development Banks	4,300,000	4,300,000	3,700,000	3,700,000
Fixed-income securities	18,594,425	18,284,437	13,169,605	12,669,453
Limited partnership interests	3,573,795	3,583,222	2,805,419	2,805,419
Program-related investments	15,484,521	15,484,521	12,373,125	12,373,125
	\$ 42,497,737	\$ 42,197,176	\$ 32,366,152	\$ 31,866,000

At December 31, 2003 and 2002, the Foundation had capital commitments of approximately \$4,820,000 and \$3,340,000, respectively, to mission-related limited partnerships.

STATEMENTS OF ACTIVITIES*Years ended December 31, 2003 and 2002*

Net investment income:	2003	2002
Interest and dividends	\$ 7,180,528	\$ 8,160,881
Less investment expenses	(980,999)	(816,995)
Less current Federal excise tax	(56,164)	(77,000)
Net investment income	<u>\$ 6,143,365</u>	<u>\$ 7,266,886</u>
Expenses:	2003	2002
Program services:		
Grants (see Note 2)	\$ 10,037,426	\$ 7,662,575
Program expenses	1,706,603	1,923,596
Total program services	11,744,029	9,586,171
Supporting services—administrative expenses	338,444	304,556
Total expenses	<u>12,082,473</u>	<u>9,890,727</u>
Net appreciation (depreciation) in fair value of investments, net of deferred Federal excise tax in 2003	35,846,018	(24,438,497)
Increase (decrease) in net assets	29,906,910	(27,062,338)
Net assets at beginning of year	224,196,413	251,258,751
Net assets at end of year	<u>\$254,103,323</u>	<u>\$224,196,413</u>

*See accompanying notes to financial statements.***NOTE 2. GRANTS PAYABLE**

The following summarizes changes in grants payable as of December 31, 2003 and 2002:

	2003	2002
Balance at beginning of year	\$ 2,580,000	\$ 4,560,000
Additions:		
Grants authorized	10,037,426	7,662,575
Deductions:		
Grants paid	(8,647,426)	(9,642,575)
Balance at end of year	<u>\$ 3,970,000</u>	<u>\$ 2,580,000</u>

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Kathleen Starr
Program Officer

John Weiler
Senior Program Officer

⁽¹⁾ From March 1, 2003

⁽²⁾ Through February 28, 2003

⁽³⁾ Through September 16, 2003

⁽⁴⁾ From September 17, 2003

⁽⁵⁾ From November 3, 2003

⁽⁶⁾ Through July 2, 2004

⁽⁷⁾ Through February 27, 2004

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