

THE F.B. HERON FOUNDATION

# 2006 Annual Report

INCLUDING ESSAY ON MISSION STEWARDSHIP

HELPING PEOPLE AND COMMUNITIES TO HELP THEMSELVES



## A LETTER FROM THE PRESIDENT

**F**ifteen years ago, the F.B. Heron Foundation opened its doors for business with the explicit mission of helping people and communities to help themselves. Over time, our programs have evolved to focus on asset building and wealth creation opportunities as a means of helping families to take control over their lives, and to make decisions for themselves and their families.

Much has changed in the world since we got started. Over the course of the coming year we will be reviewing our programs to ensure that our strategies capture these realities and are forward thinking.

What has not changed during this time is our resolve to deploy our resources as effectively as possible to advance positive impact on the lives of people in the communities we care about. This year, in a companion essay to this annual report of grants and investments, our Board Chairman, William M. Dietel, presents his thoughts on *mission stewardship*. Drawing on his considerable experience in philanthropy and the non-profit sectors, our Chairman describes stewardship as *the responsibility to deploy the foundation's assets to their highest and best use*. He challenges us and the field to instill accountability in each of the foundation's primary

functions: programs, investments and administration. He describes the Heron Foundation's experience with mission-related investing (currently with 25% of its endowment invested for mission) and with core support in grantmaking—two approaches that can extend mission impact for foundations of all sizes.

As we move forward at Heron, what will not change is our deep gratitude to the Foundation's "customers"—the grantees and investees who do the actual work to build wealth and assets for low-income people and communities. As we take a look at our programs for improvement opportunities, we will be asking our customer-experts for their advice and reflections on how we can improve our program strategies. I also want to thank the Foundation's directors for their superb mission stewardship and support of staff in our work.



Sharon B. King  
President

*For more detail on the Foundation's points of view on mission-related investing, assessing impact, core operating support and customer service, we invite you to go to: [www.heronfdn.org](http://www.heronfdn.org)*

## HERON 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](http://www.heronfdn.org)

**Total Assets as of 12/31/06:**  
\$307 million

**Mission-Related Investments as of 12/31/06:**

Total PRIs: \$19.0 million  
Other MRIs: \$54.9 million  
Total MRIs: \$73.9 million

**Grantmaking in 2006:**

Number of grantees: 132  
Total grants paid: \$9.1 million  
Grants for General Support: 77%

**First-time Grant Range:**  
\$25,000–\$50,000

**Annual Grant Range:**  
\$25,000–\$125,000

**PRI Range:**  
\$250,000–\$1,000,000

**Market-Rate Deposits:**  
\$100,000 per depository institution  
(may be higher if depository is a member of the Certificate of Deposit Account Registry Service™ network)

**Market-Rate Mission-Related Investments:**  
Up to \$2.5 million per investment

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# 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 and preserve wealth to help them take control of their lives and make decisions for themselves and their families*. 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 noted below. Please see “Where the Foundation Funds,” below, for a list of Heron’s geographic concentrations.

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

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 improve and demonstrate 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 affordable 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.

### Enterprise Corporation of the Delta (ECD)

*Heron provides general support and a program-related investment to ECD for its work in providing affordable capital for commercial enterprise and home ownership opportunities like this construction site benefiting Gulf residents and hurricane-impacted families.*



The Foundation will consider support for citywide, state or regional efforts that increase the availability of affordable, pre-school 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.



### ACCESS TO CAPITAL

Sustained access to capital is critical for individuals, families, and communities to build assets, create wealth, and achieve prosperity.

The Foundation will consider supporting efforts to broaden the adaptation of private market financing mechanisms, or to promote community reinvestment to accelerate wealth creation for low-income families. 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.

Through its access to capital strategy, the Foundation will also consider support for 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.



### 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., home ownership, enterprise development, quality and affordable child care, and access to capital. 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 improve and demonstrate impact.

### WHERE THE FOUNDATION FUNDS

The Heron Foundation concentrates the majority of our grants in the areas listed below. We will also continue to support organizations with a national focus and, in some cases, regional focus where those organizations are advancing solutions that have broad application for the Foundation's selected wealth creation strategies. Our mission-related investments, however, will not be restricted geographically, but will remain nationwide in scope.

- ▶ Appalachia
- ▶ California
- ▶ Chicago
- ▶ Kansas City
- ▶ Michigan
- ▶ Minneapolis/St. Paul
- ▶ Mississippi Delta
- ▶ New Jersey
- ▶ New York City
- ▶ North Carolina
- ▶ Texas
- ▶ Washington, D.C.

### 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.



### National Community Capital Association (NCCA) DBA Opportunity Finance Network

Since 1993, Heron has supported NCCA with grants and a program-related investment for their work to bring the community development finance system to scale. NCCA's CARS™ rating system provides measures of the financial strength and social impact of community development financial institutions (CDFIs).



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, and demonstrate consistent high performance in terms of actual outputs, outcomes and impact.
- ▶ 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 have 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 to 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 financial and social returns. Mission-related investments may take the following forms:

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

When reviewing a potential mission-related investment, Foundation staff 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 by mail or fax 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 or DVDs.

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 by mail or fax 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](http://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 proposed 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

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 12/31/06:	\$307 million
First-time Grant Range:	\$25,000–\$50,000
Annual Grant Range:	\$25,000–\$125,000
PRI Range:	\$250,000–\$1,000,000
Market-Rate Deposits:	\$100,000 per depository institution*
Market-Rate Mission-Related Investments:	Up to \$2.5 million per investment

\* may be higher if depository is a member of the Certificate of Deposit Account Registry Service™ network

# PROGRAMS AT-A-GLANCE

The Foundation makes grants to and investments in organizations in rural and urban communities in the United States engaged in the wealth-creation strategies noted below. We particularly seek organizations with a clear commitment to and track record of using data to improve impact.

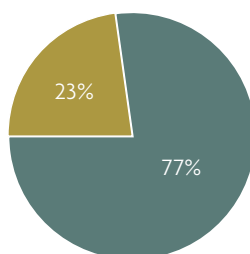
## QUICK FACTS

- ▶ Website: [www.heronfdn.org](http://www.heronfdn.org)
- ▶ Total Assets as of 12/31/06:  
\$307 million
- ▶ Grantmaking in 2006:  
Number of grantees: 132  
Total grants paid: \$9.1 million  
Grants for General Support: 77%
- ▶ First-time Grant Range:  
\$25,000–\$50,000
- ▶ Annual Grant Range:  
\$25,000–\$125,000
- ▶ Mission-Related Investments  
as of 12/31/06:  
Total PRIs: \$19.0 million  
Other MRIs: \$54.9 million  
Total MRIs: \$73.9 million

## WHERE THE FOUNDATION FUNDS

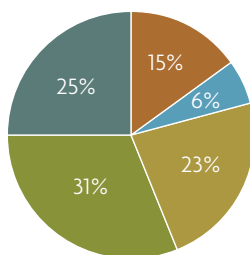
- ▶ The Heron Foundation concentrates the majority of our grants in the areas listed here. We will also continue to support organizations with a national focus and, in some cases, regional focus where those organizations are advancing solutions that have broad application for the Foundation's selected wealth-creation strategies. Our mission-related investments, however, will not be restricted geographically, but will remain nationwide in scope.
- ▶ Appalachia
- ▶ California
- ▶ Chicago
- ▶ Kansas City
- ▶ Michigan
- ▶ Minneapolis/St. Paul
- ▶ Mississippi Delta
- ▶ New Jersey
- ▶ New York City
- ▶ North Carolina
- ▶ Texas
- ▶ Washington, D.C.

## 2006 NET CHARITABLE DISTRIBUTIONS BY SUPPORT TYPE



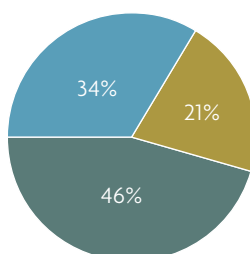
Core Support	77%
Project Support	23%

## 2006 NET CHARITABLE DISTRIBUTIONS BY PROGRAM AREA



Combined Charitable Distribution	Grants	Net PRIs
Home Ownership	18%	7%
Enterprise Development	10%	5%
Child Care	6%	0%
Access to Capital	22%	1%
Comp. Comm. Development	31%	0%
<b>Total</b>	<b>87%</b>	<b>13%</b>

## 2006 NET CHARITABLE DISTRIBUTIONS BY POPULATION SERVED



Combined Charitable Distribution	Grants	Net PRIs
Urban	33%	1%
Rural	14%	7%
Both Urban & Rural	40%	6%
<b>Total</b>	<b>87%</b>	<b>13%</b>





### Bridge Housing Corporation

Heron supports Bridge with grants and a program-related investment for their housing initiatives like this one in St. Helena, CA where children participate in an after-school program.



### GRANTS

#### AAFE Community Development Fund, Inc.

[www.aafe.org](http://www.aafe.org)

New York, NY \$50,000  
General support for affordable home ownership. First payment of a two-year \$100,000 grant approved in 2006.

#### Affordable Housing Corporation of Lake County

[www.ahclc.org](http://www.ahclc.org)

Gurnee, IL \$25,000  
General support to increase home ownership opportunities in Lake County through counseling and mortgage assistance. First payment of a two-year \$50,000 grant approved in 2006.

#### Bridge Housing Corporation

[www.bridgehousing.com](http://www.bridgehousing.com)

San Francisco, CA \$60,000  
For the Homeownership Initiative which includes housing development, mortgage assistance, education, and counseling for low- and moderate-income people. Second payment of a two-year \$120,000 grant approved in 2005.

#### Cabrillo Economic Development Corporation

[www.cabrilloedc.org](http://www.cabrilloedc.org)

Ventura, CA \$75,000  
General support to increase affordable home ownership for low- and moderate-income people. Second payment of a two-year \$150,000 grant approved in 2005.

#### Cleveland Housing Network, Inc.

[www.chnnet.com](http://www.chnnet.com)

Cleveland, OH \$75,000  
General support to increase home ownership and self-sufficiency among low-income families citywide. Second payment of a two-year \$150,000 grant approved in 2005.

#### Community Development Corporation of Brownsville, Inc.

[www.cdcb.org](http://www.cdcb.org)

Brownsville, TX \$50,000  
General support for the development of home ownership opportunities in the lower Rio Grande Valley of Texas. First payment of a two-year \$100,000 grant approved in 2006.

#### Community Housing Works

[www.chworks.org](http://www.chworks.org)

San Diego, CA \$45,000  
For the Homeownership Center. First payment of a two-year \$90,000 grant approved in 2006.

#### DHIC, Inc.

[www.dhic.org](http://www.dhic.org)

Raleigh, NC \$25,000  
General support to build and develop high quality, affordable housing in the Research Triangle region of North Carolina.

#### DuPage Homeownership Center, Inc.

[www.dhdc.org](http://www.dhdc.org)

Wheaton, IL \$25,000  
General support to provide counseling and financial assistance to low-income residents to enable them to become or remain homeowners. First payment of a two-year \$50,000 grant approved in 2006.

#### El Paso Credit Union HOAP Inc.

El Paso, TX

\$25,000  
General support to improve economic well-being and quality of life through financial education, savings, and access to capital.

#### Energy Programs Consortium

[www.energyprograms.org](http://www.energyprograms.org)

Washington, DC \$30,000  
To support the Weatherization, Rehab and Asset Preservation Partnership's efforts to assist low-income homeowners.

#### Enterprise Community Partners, Inc.

[www.enterprisecommunity.org](http://www.enterprisecommunity.org)

Columbia, MD \$50,000  
To support efforts to increase home ownership opportunities on Native American Reservation in the West. Second payment of a two-year \$100,000 grant approved in 2005.

#### Federation of Appalachian Housing Enterprises, Inc.

[www.fahe.org](http://www.fahe.org)

Berea, KY  
General support for the construction and rehabilitation of quality housing for low-income Appalachian families. First and second payments of this grant were paid in 2005.

#### Genesis Housing Development Corporation

[www.geneshdc.org](http://www.geneshdc.org)

Chicago, IL \$25,000  
General support for the development of affordable housing for sale in the Bronzeville area of Chicago. Second payment of a two-year \$50,000 grant approved in 2005.  
General support \$5,000

#### Greater Minnesota Housing Fund

[www.gmhfc.com](http://www.gmhfc.com)

St. Paul, MN \$100,000  
General support to advance home ownership opportunities in low-income Minnesota communities. Second payment of a two-year \$200,000 grant approved in 2005.

#### Gulf Coast Housing Partnership

[www.gchp.net](http://www.gchp.net)

New Orleans, LA \$75,000  
General support for rebuilding efforts including home ownership.

#### Home Ownership Made Easy

[www.homechoices.org](http://www.homechoices.org)

Culver City, CA \$35,000  
General support for home ownership for people with disabilities.

**Community Development Corporation of Brownsville, Inc. (CDCB)**

CDCB manages a comprehensive home ownership program for very-low, low- and moderate-income families below 80% area median income in the lower Rio Grande Valley of Texas. Heron has provided general support since 2003.

**Housing Assistance Council**

[www.ruralhome.org](http://www.ruralhome.org)

Washington, DC

General support for technical assistance and financing for rural home ownership programs in low-income communities. First and second payments of this grant were paid in 2005.

**Housing Partnership Network**

[www.housingpartnership.net](http://www.housingpartnership.net)

Boston, MA

\$50,000

General support to build affordable homes, better futures, and vibrant communities for low and moderate-income people through partnerships with its member organizations, the business sector, government, and philanthropies.

**Inner City Christian Federation**

[www.iccf.org](http://www.iccf.org)

Grand Rapids, MI

\$60,000

General support to increase home ownership and community stability in the central core of Grand Rapids, Michigan. Second payment of a two-year \$120,000 grant approved in 2005.

**Lake County Sponsors**

[www.lakecountyunited.org](http://www.lakecountyunited.org)

Libertyville, IL

\$50,000

General support for organizing efforts to increase affordable home ownership in the Chicago region. First payment of a two-year \$100,000 grant approved in 2006.

**Latin United Community Housing Association**

[www.lucha.org](http://www.lucha.org)

Chicago, IL

\$50,000

General support to provide counseling, training, loans, and home repairs to neighborhood residents to enable them to become or remain homeowners. First payment of a two-year \$100,000 grant approved in 2006.

**Local Initiatives Support Corporation**

[www.lisc.org](http://www.lisc.org)

Detroit, MI

\$25,000

To support the Coalition for a Detroit Land Bank. First payment of a two-year \$100,000 grant approved in 2006.

**Local Initiatives Support Corporation**

[www.liscnet.org/mid\\_south/](http://www.liscnet.org/mid_south/)

Greenville, MS

To support Mid South Delta LISC's work with local community development corporations to develop affordable home ownership opportunities in the Delta. First and second payments of this grant were paid in 2005.

**Manna, Inc.**

[www.mannadc.org](http://www.mannadc.org)

Washington, DC

\$75,000

General support to create home ownership opportunities for low-income families in Washington, DC. Second payment of a two-year \$150,000 grant approved in 2005.

**McAllen Affordable Homes, Inc.**

[www.mcallenaffordablehomes.com](http://www.mcallenaffordablehomes.com)

McAllen, TX

\$60,000

General support for creating affordable home ownership opportunities in the city of McAllen and Hidalgo County, Texas. Second payment of a two-year \$120,000 grant approved in 2005.

**Mercy Housing California**

[www.mercyhousing.org](http://www.mercyhousing.org)

San Francisco, CA

To support the Affordable Homeownership Program which includes a major self-help housing component. First and second payments of this grant were paid in 2005.

**Mississippi Home Buyer Education Center**

Jackson, MS

\$25,000

General support for homebuyer education and credit counseling programs, particularly in the Delta.

**National American Indian Housing Council**

[www.naihc.net](http://www.naihc.net)

Washington, DC

General support to promote home ownership in Indian Country. First and second payments of this grant were paid in 2005.

**Neighborhood Housing Services of Chicago, Inc.**

[www.nhschicago.org](http://www.nhschicago.org)

Chicago, IL

\$100,000

General support for counseling, training, and loans for home ownership, and foreclosure prevention for low-income residents. Second payment of a two-year \$200,000 grant approved in 2005.

**Neighborhood Housing Services of New York City, Inc.**

[www.nhsnyc.org](http://www.nhsnyc.org)

New York, NY

General support to assist low-income people to become homeowners and maintain their homes. First and second payments of this grant were paid in 2005.

**Neighborhood Housing Services of San Antonio**

[www.NHSofSA.org](http://www.NHSofSA.org)

San Antonio, TX

\$25,000

General support to provide home ownership opportunities and disabled homeowner rehabilitation activities for very low, low and moderate income families in the city of San Antonio and Bexar County, Texas.

**Neighborhood Reinvestment Corporation**

[www.nw.org](http://www.nw.org)

Washington, DC

\$100,000

To support "The Power of Ten" plan for rebuilding homes in the Gulf Coast Region.



### Neighborhood Housing Services (NHS) of San Antonio

NHS has developed a new generation of homes with energy efficient designs including upgrades in building processes as well as the addition of "green" specs. Heron provides general support for its efforts to provide home ownership opportunities and disabled home-owner rehabilitation activities for very low, low and moderate income families.



### New Orleans Neighborhood Development Foundation

[www.ndf-neworleans.com](http://www.ndf-neworleans.com)

New Orleans, LA \$25,000  
General support for home ownership counseling in the New Orleans area. *Second payment of a two-year \$50,000 grant approved in 2005.*

### Peoples' Self-Help Housing Corporation

[www.pshhc.org](http://www.pshhc.org)

San Luis Obispo, CA \$60,000  
General support to develop home ownership among low-income people. *Second payment of a two-year \$120,000 grant approved in 2005.*

### Research Foundation for the City University of New York

[www.rfcuny.org](http://www.rfcuny.org)

New York, NY \$25,000  
For the Neighborhood Reinvestment Homeownership Survey.

### Rural Collaborative, Inc.

Portland, OR

\$50,000

General support for technical assistance and financing to housing and community development organizations in the High Plains and rural Northwest. *First payment of a two-year \$100,000 grant approved in 2006.*

### Sacramento Neighborhood Housing Services, Inc.

[www.sacnhs.org](http://www.sacnhs.org)

Sacramento, CA \$50,000  
General support for home ownership opportunities for low-income people.

### Saint Joseph's Carpenter Society

[www.sjcscamden.org](http://www.sjcscamden.org)

Camden, NJ \$50,000  
General support to assist low-income people to become homeowners. *First payment of a two-year \$100,000 grant approved in 2006.*

### Self-Help Enterprises

[www.selfhelpenterprises.org](http://www.selfhelpenterprises.org)

Visalia, CA \$50,000  
General support for affordable home ownership through self-help housing for farmworker families in rural California. *First payment of a two-year \$100,000 grant approved in 2006.*

### United Cerebral Palsy Association of Texas, Inc.

[www.ucptexas.org](http://www.ucptexas.org)

Austin, TX \$25,000  
Support for the Home of Your Own program that provides downpayment assistance and home-buyer counseling to people with disabilities. *First payment of a two-year \$50,000 grant approved in 2006.*

### University of Southern Mississippi

[www.ids.usm.edu](http://www.ids.usm.edu)

Hattiesburg, MS \$25,000  
To support the Home of Your Own Program of the Institute for Disability Studies which assists people with disabilities to become homeowners.

### Visionary Home Builders of California, Inc.

[www.visionaryhomebuilders.org](http://www.visionaryhomebuilders.org)

Stockton, CA \$35,000  
General support for home ownership efforts. *First payment of a two-year \$70,000 grant approved in 2006.*

### PROGRAM-RELATED INVESTMENTS

#### Affordable Housing Resources, Inc.

[www.ahrhousing.org](http://www.ahrhousing.org)

Nashville, TN \$400,000  
Senior loan to provide capital for pre-development activities for affordable home ownership projects. *\$400,000 4-year senior loan approved in 2004.*

### Bridge Housing Corporation

[www.bridgehousing.com](http://www.bridgehousing.com)

San Francisco, CA \$500,000  
Senior loan to provide pre-development capital for affordable home ownership projects. *\$500,000 7-year senior loan approved in 2005.*

### Coastal Enterprises, Inc.

[www.ceimaine.org](http://www.ceimaine.org)

Wiscasset, ME \$500,000  
Senior loan to expand the capacity of the Lease-Purchase Homeownership Program. *\$500,000 5-year senior loan approved in 2005.*

### Federation of Appalachian Housing Enterprises, Inc.

[www.fahe.org](http://www.fahe.org)

Berea, KY \$500,000  
Senior loan for the Development Loan Fund to provide pre-development, construction, and bridge financing for affordable home ownership projects. *\$500,000 6-year senior loan approved in 2004.*

### Housing Assistance Council

[www.ruralhome.org](http://www.ruralhome.org)

Washington, DC \$750,000  
Senior loan for the Rural Housing Loan Fund to finance the pre-development activities of non-profit, self-help, and other affordable home ownership providers in rural communities throughout the country. *\$750,000 6-year senior loan approved in 2003.*

### Manna, Inc.

[www.mannadc.org](http://www.mannadc.org)

Washington, DC \$500,000  
Senior loan to finance the pre-development activities for affordable home ownership programs. *\$500,000 4-year senior loan approved in 2004.*

### McAllen Affordable Homes, Inc.

[www.mcallenaffordablehomes.com](http://www.mcallenaffordablehomes.com)

McAllen, TX \$500,000  
Senior loan to provide pre-development capital for affordable home ownership opportunities. *\$500,000 6-year senior loan approved in 2005.*





### Neighborhood Reinvestment Corporation (NeighborWorks America)

A NeighborWorks staff volunteer works on a New Orleans project. NeighborWorks America is supporting rebuilding in Gulf communities. Heron provides grant support for "The Power of Ten" plan to rebuild by 2010.



### New York City Acquisition Fund, LLC [www.nyc.gov/html/hpd/html/developers/acquisition\\_fund.shtml](http://www.nyc.gov/html/hpd/html/developers/acquisition_fund.shtml)

New York, NY \$1,000,000  
Subordinated loan to support acquisition financing for affordable rental and home ownership projects. \$1,000,000 10-year subordinated loan approved in 2005.

### Self-Help Enterprises

[www.selfhelpenterprises.org](http://www.selfhelpenterprises.org)  
Visalia, CA \$500,000  
Senior loan to finance the construction of self-help home ownership. \$500,000 6-year senior loan approved in 2004.

### CORPUS INVESTMENTS

#### Genesis Workforce Housing Fund

[www.phoenixrg.com/](http://www.phoenixrg.com/)  
New York, NY \$1,500,000  
Commitment to a private real estate partnership to develop for-sale and rental "workforce" housing in Los Angeles County and other densely populated urban areas in Southern California.

### FIXED-INCOME SECURITIES

#### Boynton Beach (Florida) Community Redevelopment Agency

Tax Increment Revenue Bonds  
Taxable Series 2005B  
Rating: AAA

To finance affordable workforce housing for low- and moderate-income individuals and families.

#### Colorado Housing and Finance Authority

Single Family Mortgage Bonds  
2005 Series B-1B  
Rating: AAA

To finance single family residences for low-and moderate-income families, including low-interest loans to persons with disabilities.

#### Connecticut Housing Finance Authority

Housing Mortgage Finance Program Bonds  
2004 Sub-Series D-3, Federally Taxable  
Rating: AAA

To finance first-time homebuyer program for low- and moderate-income families.

#### Delaware State Housing Authority

Senior Single-Family Mortgage Revenue Bonds  
2003 Series B  
Sub-Series B-2 (Taxable)

Rating: AA-/Aa3  
To finance mortgages for low- and moderate-income families in targeted areas.

#### Habitat for Humanity International, Inc.

Linda Mae Bonds  
Series 2001-1 & 2002-1 & 2003-1  
Rating: Not Rated

To finance the construction of self-help homes for low-income families through various affiliates.

#### Housing Finance Authority of Pinellas County, Florida

Single Family Housing Revenue  
2004 Series A-2 (Taxable)  
Rating: AAA

To finance low-rate and assisted mortgages for low- and moderate-income first-time homebuyers in Pinellas, Pasco and Polk Counties, Florida

#### Texas Department of Housing and Community Affairs

Taxable Junior Lien Single-Family Mortgage Revenue Bonds  
Series 2002A  
Rating: AA

To provide down payment and affordable home mortgage assistance to low-income, first-time homebuyers.

#### Utah Housing Corporation

Single Family Mortgage Bonds  
2005 Series D-3  
Rating: AAA

To finance down payment assistance and mortgage loans for first-time, low-income homebuyers under the FirstHomePlus Program.

#### Virginia Housing Development Authority

Commonwealth Mortgage Bonds  
Pass-Through Certificates  
2002 Series D & 2004 Series B  
Rating: AAA

To provide 100% loan-to-value mortgages to low- and moderate-income homebuyers under the Flexible Home Alternative Loan Program.

#### Wisconsin Housing and Economic Development Authority

Home Ownership Revenue Bonds  
2005 Series B  
Rating: AA

To finance down payment assistance and mortgage loans for first-time, low and moderate-income home buyers under the "Home Plus Loan" program.

#### Targeted Mortgage-Backed Securities

Pools consist of loans to low- and moderate-income borrowers to purchase single-family housing in 15 states.

#### Fannie Mae Pool 696281A

Rating: AAA

#### Freddie Mac Pool A13278

Rating: AAA

#### Freddie Mac Pool A19761

Rating: AAA

#### Freddie Mac Pool B30919F

Rating: AAA

#### Freddie Mac Pool C76858F

Rating: AAA



### Appalachian Center for Economic Networks, Inc. (ACENET)

Since 1994 Heron has given general support grants to ACENET which provides business training, incubation facilities, access to capital, and strategic marketing for locally owned businesses like this bakery.



## GRANTS

### alt.Consulting

[www.altconsulting.org](http://www.altconsulting.org)

Pine Bluff, AR \$60,000

General support to provide assistance in small business development to entrepreneurs and communities in the Delta. First payment of a two-year \$120,000 grant approved in 2006.

### American Indian Neighborhood Development Corporation

[www.aindc.com](http://www.aindc.com)

Minneapolis, MN \$30,000

General support to promote economic development through commercial real estate development in distressed Minneapolis neighborhoods.

### Appalachian Center for Economic Networks, Inc.

[www.acenetworks.org](http://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 \$140,000 grant approved in 2006.

### Cascadia Revolving Fund

[www.sbpac.com](http://www.sbpac.com)

Seattle, WA \$25,000

General support to provide financing and technical assistance to small businesses in Washington and Oregon.

### CHARO Community Development Corporation

[www.charocorp.com](http://www.charocorp.com)

Los Angeles, CA \$35,000

General support to develop small businesses and entrepreneurs, particularly in the Latino community.

### Corporation for Enterprise Development

[www.cfed.org](http://www.cfed.org)

Washington, DC \$125,000

General support to promote enterprise development and asset-building in low-income communities. Second payment of a two-year \$250,000 grant approved in 2005.

### Enterprise Corporation of the Delta

[www.ecd.org](http://www.ecd.org)

Jackson, MS \$125,000

General support to improve access to capital that finances the creation and expansion of commercial enterprises and home ownership opportunities in the Delta regions of Arkansas, Louisiana, and Mississippi. First payment of a two-year \$250,000 grant approved in 2006.

### Initiative for a Competitive Inner City, Inc.

[www.icic.org](http://www.icic.org)

Boston, MA \$75,000

Project support for Inner City Capital Connections to stimulate private equity investment in inner city markets through networking, training and research.

### Kent State University Foundation, Inc./Ohio Employee Ownership Center

[www.kent.edu/oeoc](http://www.kent.edu/oeoc)

Kent, OH

General support of the Ohio Employee Ownership Center to provide outreach, information, and technical assistance to employees and business owners on employee ownership. First and second payments of this grant were paid in 2005.

### Loyola University

[www.marketumbrella.org](http://www.marketumbrella.org)

New Orleans, LA

General support for the Economics Institute to initiate and promote ecologically sound economic development for small-scale farmers and producers. First and second payments of this grant were paid in 2005.

### Montana Community Development Corporation

[www.mtcdc.org](http://www.mtcdc.org)

Missoula, MT

General support for technical assistance and financing to new and expanding businesses in Montana. Grant paid in 2005.

### Neighborhood Development Center, Inc.

[www.ndc-mn.org](http://www.ndc-mn.org)

St. Paul, MN \$65,000

General support to provide training, working capital, and incubator facilities to entrepreneurs and commercial real estate development in the inner cities of Saint Paul and Minneapolis. Second payment of a two-year \$130,000 grant approved in 2005.

### Paraprofessional Healthcare Institute, Inc.

[www.paraprofessional.org](http://www.paraprofessional.org)

Bronx, NY \$125,000

General support to expand and strengthen worker-owned enterprises in the home health care industry. First payment of a two-year \$250,000 grant approved in 2006.

### PeopleFund

[www.peoplefund.org](http://www.peoplefund.org)

Austin, TX \$50,000

General support for commercial enterprise development in East and South Austin. First payment of a two-year \$100,000 grant approved in 2006.

### The Progress Fund

[www.progressfund.org](http://www.progressfund.org)

Greensburg, PA \$45,000

General support to provide financing and technical assistance to small businesses in rural Appalachian communities in Pennsylvania, West Virginia, and south-eastern Ohio. First payment of a two-year \$90,000 grant approved in 2006.





### Paraprofessional Healthcare Institute, Inc. (PHI)

These home health aides attended a special training course before beginning work at Cooperative Home Care Associates, a home health agency based in the South Bronx. Heron has support PHI since 1993.

Photo: ©2006 Marilyn Humphries



### Rural Advancement Foundation International - USA

[www.rafiusa.org](http://www.rafiusa.org)

Pittsboro, NC \$50,000

General support to help North Carolina's farmers preserve and improve the earning power of their farms. *Second payment of a two-year \$100,000 grant approved in 2005.*

### ShoreBank Enterprise Group Cleveland

[www.shorebankcleveland.com](http://www.shorebankcleveland.com)

Cleveland, OH

To provide financing, commercial space, workforce development, and technical assistance to small businesses on Cleveland's upper east side. *First and second payments of this grant were paid in 2005.*

### ShoreBank Enterprise Group Pacific

[www.sbpac.com](http://www.sbpac.com)

Ilwaco, WA \$100,000

General support to provide financing and technical assistance for small business development in low-income, coastal regions of the Pacific Northwest. *First payment of a two-year \$200,000 grant approved in 2006.*

### Valley Economic Development Center, Inc.

[www.vedc.org](http://www.vedc.org)

Van Nuys, CA \$75,000

General support for technical assistance, financing and training programs for small businesses and entrepreneurs. *First payment of a two-year \$150,000 grant approved in 2006.*

### PROGRAM-RELATED INVESTMENTS

#### Adena Ventures, LP

[www.adenaventures.com](http://www.adenaventures.com)

Athens, OH \$350,000

Limited partnership interest in a community development venture capital fund to promote economic development in central Appalachia. *\$350,000 10-year limited partnership interest approved in 2000.*

#### East Bay Asian Local Development Corporation

[www.ebaldc.com](http://www.ebaldc.com)

Oakland, CA \$100,000

Senior loan to finance the development of commercial real estate and to create and preserve jobs for low-income people in Oakland. *\$100,000 6-year senior loan approved in 2000.*

#### East Bay Asian Local Development Corporation

[www.ebaldc.com](http://www.ebaldc.com)

Oakland, CA \$300,000

Senior loan to finance the development of commercial real estate and to create and preserve jobs for low-income people in Oakland. *\$300,000 7-year senior loan approved in 2000.*

#### Enterprise Corporation of the Delta

[www.ecd.org](http://www.ecd.org)

Jackson, MS \$250,000

Senior loan to provide secondary capital to Hope Community Credit Union for investment in small businesses and home ownership in low-income communities. *\$250,000 7-year senior loan approved in 2006.*

### Greyston Foundation, Inc.

[www.greyston.org](http://www.greyston.org)

Yonkers, NY \$250,000

Senior loan to establish a debt service reserve account for the construction of a new bakery employing "hard-to-employ" individuals. *\$250,000 9-year senior loan approved in 2000.*

### Jacobs Center for Neighborhood Innovation

[www.JacobsCenter.org](http://www.JacobsCenter.org)

San Diego, CA \$500,000

Senior loan for the development of Phase I of Market Creek Plaza as part of the revitalization of the Diamond Neighborhoods of San Diego. *\$500,000 7-year senior loan approved in 2002.*

### Meritus Ventures LP

[www.meritusventures.com](http://www.meritusventures.com)

London, KY \$500,000

Limited partnership interest in a Rural Business Investment Company to promote economic development in rural communities in the Appalachian Region. *\$500,000 10-year limited partnership interest approved in 2005.*

### Penn Venture Partners, LP

[www.pennventures.com](http://www.pennventures.com)

Harrisburg, PA \$250,000

Limited partnership interest in a community development venture capital fund to promote economic development in northern and central Pennsylvania. *\$250,000 10-year limited partnership interest approved in 2002.*

### PeopleFund

[www.peoplefund.org](http://www.peoplefund.org)

Austin, TX \$250,000

Senior loan to provide capital for small business and nonprofit facility lending in the low-income neighborhoods of Austin. *\$250,000 5-year senior loan approved in 2002.*



### Jacobs Center for Neighborhood Innovation

Visitors view Laotian tapestry at a Heritage Day celebration. The Laotian tile walkway, part of the public art throughout the Market Creek Plaza, was designed and installed by local artists. Heron has made a program-related investment to help in the development of the Plaza and the revitalization of the Diamond Neighborhood of San Diego.



### The Reinvestment Fund, Inc.

[www.trfund.com](http://www.trfund.com)

Philadelphia, PA \$500,000

Senior loan to finance enterprise development in low- and moderate-income communities. \$500,000 7-year senior loan approved in 2002.

### Self-Help Ventures Fund

[www.self-help.org](http://www.self-help.org)

Durham, NC \$1,000,000

Senior loan to finance small business and community facility loans to low-wealth communities in North Carolina. \$1,000,000 8-year senior loan approved in 2003.

### ShoreBank Enterprise Group Pacific

[www.sbpac.com](http://www.sbpac.com)

Ilwaco, WA \$250,000

Senior loan to provide business and community development financing throughout coastal Washington and Oregon. \$250,000 4-year senior loan approved in 2004.

### SJF Ventures II, L.P.

[www.sjfund.com](http://www.sjfund.com)

Durham, NC \$500,000

Limited partnership interest in a community development venture capital fund investing in growing businesses in the eastern United States. \$500,000 10-year limited partnership interest approved in 2004.

### The Southern Appalachian Fund, LP

[www.southappfund.com](http://www.southappfund.com)

London, KY \$400,000

Limited partnership interest in a community development venture capital fund to promote economic development in southern Appalachia. \$400,000 10-year limited partnership interest approved in 2002.

### CORPUS INVESTMENTS

#### Bay Area Equity Fund I, LP

<http://bayareafamilyoffunds.org/>

San Francisco, CA \$1,000,000

Commitment to a 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.

#### ICV Partners, L.P.

[www.icvcapital.com](http://www.icvcapital.com)

New York, NY \$2,500,000

Commitment to a 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.

#### Yucaipa Corporate Initiatives Fund I, LP

Los Angeles, CA \$2,500,000

Commitment to a 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.

### FIXED-INCOME SECURITIES

#### Alabama Incentives Financing Authority

Taxable Special Obligation Bonds

Series 1999-B

Rating: AAA

To provide quality workforce development for Alabama's emerging automobile industry.

#### Arkansas Development Finance Authority

Economic Development Revenue Bonds

ADEFA and ADED Guaranty Programs -

Taxable 2005 Series A

Rating: A

To finance industrial facilities for two manufacturing companies in rural Arkansas.

#### Arkansas Development Finance Authority

Economic Development Revenue Bonds

ADFA and ADED Guaranty Programs -

Taxable 2002 Series B

Rating: AAA

To finance industrial facilities for five manufacturing companies in rural Arkansas.

#### Commonwealth of Pennsylvania

Financing Authority

Revenue Bonds, Series B of 2005

Rating: AAA

To assist local communities develop "shovel-ready" sites to accommodate expanding businesses in areas of high unemployment, declining population or significant inventory of brownfields or vacant housing.

#### Kirkwood Community College

(Merged Area X), State of Iowa

Taxable Industrial New Jobs Training Certificates

Series 2002-1A & 2002-1B

Rating: AA-/Aa3

To provide quality workforce development for the unemployed, underemployed and welfare-to-work population in the State of Iowa.

#### United States Small Business

Administration Pool #507190 #507841

Rating: AAA

To purchase loans to California small and minority-owned businesses located in low- and moderate-income communities under the SBA Section 7(a) Loan Guaranty Program.



### Associated Early Care and Education, Inc.

Associated serves nearly a thousand children daily through its National Association for the Education of Young Children (NAEYC)-accredited care centers like this one.



### GRANTS

#### Associated Early Care and Education, Inc.

[www.associatedearlycareandeducation.org](http://www.associatedearlycareandeducation.org)  
Boston, MA \$75,000  
General support to expand the number of accredited programs serving low-income children in the metropolitan Boston area. First payment of a two-year \$150,000 grant approved in 2006.

#### Child Care Services Association

[www.childcareservices.org](http://www.childcareservices.org)  
Chapel Hill, NC \$25,000  
General support to strengthen child care homes and centers in North Carolina to achieve national accreditation.

#### Down East Partnership for Children

[www.depc.org](http://www.depc.org)  
Rocky Mount, NC  
To provide scholarships for child care 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 and second payments of this grant were paid in 2005.

#### Easter Seals, Inc.

[www.easter-seals.org](http://www.easter-seals.org)  
Chicago, IL \$100,000  
To support the Child Development Network in promoting inclusionary child services and national accreditation among its affiliates across the country. Second payment of a two-year \$200,000 grant approved in 2005.

#### The Family Conservancy

[www.thefamilyconservancy.org](http://www.thefamilyconservancy.org)  
Kansas City, KS \$125,000  
To help community-based child care centers in the Kansas City metro area achieve quality care accreditation by the National Association for the Education of Young Children. Second payment of a two-year \$250,000 grant approved in 2005.

#### Kidango, Inc.

[www.kidango.org](http://www.kidango.org)  
Fremont, CA \$60,000  
General support for early care and education programs for children from low-income families. First payment of a two-year \$120,000 grant approved in 2006.

#### National Association for the Education of Young Children

[www.naeyc.org](http://www.naeyc.org)  
Washington, DC  
For accreditation re-invention. First and second payments of this grant were paid in 2005.

#### The Sheltering Arms

[www.shelteringarmsforkids.com](http://www.shelteringarmsforkids.com)  
Atlanta, GA \$100,000  
General support to provide and promote nationally-accredited, high-quality child care for low-income families in the Atlanta metropolitan area and the state of Georgia. First payment of a two-year \$200,000 grant approved in 2006.

#### Suwannee Valley Community Coordinated Child Care, Inc.

[www.sv4cs.org](http://www.sv4cs.org)  
Lake City, FL \$35,000  
General support for accredited child care, and Head Start programs, and technical assistance for accreditation in rural northern Florida. Second payment of a two-year \$70,000 grant approved in 2005.

#### United Way of New York City

[www.unitedwaynyc.org](http://www.unitedwaynyc.org)  
New York, NY \$50,000  
For the Quality New York child care initiative. Second payment of a two-year \$100,000 grant approved in 2005.

### PROGRAM-RELATED INVESTMENTS

#### Community Loan Fund of New Jersey

[www.njclf.com](http://www.njclf.com)  
Trenton, NJ \$500,000  
Senior loan to finance the development of center-based and family child care. \$500,000 8-year senior loan approved in 2003.

#### Low Income Investment Fund

[www.liifund.org](http://www.liifund.org)  
San Francisco, CA \$500,000  
Senior loan to finance development of center-based and family child care. \$500,000 9-year senior loan approved in 2000.



# MISSION STEWARDSHIP

## ALIGNING PROGRAMS, INVESTMENTS, AND ADMINISTRATION TO ACHIEVE IMPACT

By William M. Dietel, Chair, The F.B. Heron Foundation

**A**ndrew Carnegie built the nation's public libraries, and now Bill and Melinda Gates are connecting them to the Internet. This juxtaposition of past and future giving is illustrative of the many changes occurring in philanthropy. Philanthropy is in the midst of a seismic change with dramatic growth in the number and size of foundations. New philanthropic leaders are questioning the basic assumptions of how foundations should operate. Society and government are relying more and more on private actors to catalyze social change. Thus, philanthropy's vital funding of the "third sector"—the amalgamation of people and organizations dedicated to the public good—is becoming ever more important.

A major challenge arising from these new opportunities is demonstrating accountability—accountability to our institutional missions, to our grantee partners and, ultimately, to the public trust. Accountability is now a well-established governance principle for foundations, but that has not always been the case. In the 1980s, when I was involved in starting BoardSource, an organization that aims to increase the effectiveness of nonprofit boards, only 30 percent of nonprofit leaders believed they were doing a good job of educating and training their board members. The rest reported little, or no, activity in strengthening nonprofit governance. Today, many more nonprofits and foundations

have filled this gap with better governance structures, orientations, meetings, audits, and communications. To remain effective, however, leaders in philanthropy must go farther to demonstrate to stakeholders that they are delivering on the promise of foundations' missions.

### PUTTING FOUNDATION RESOURCES TO THE HIGHEST AND BEST USE

As Chairman of the Board of the Heron Foundation, I characterize my responsibility as **stewardship** of the Foundation's mission and resources. I believe that effective stewardship entails the deployment of the foundation's assets to their highest and best use. Too many foundation boards, however, limit their view of fiduciary oversight. They accept a narrow interpretation that assumes the best thing a board can do is to maximize the financial value of the endowment. The comparison of US Foundation giving with its assets shows the predominance of this view (*Chart 1 on following page*).

Certainly, preservation of assets to fund future grants is an important responsibility, but by warehousing endowments, foundations defer funding today's issues for the presumed benefit of funding tomorrow's. As a result, we all face the opportunity cost of leaving today's problems unsolved, and, while we may have a difficult time calculating it, there is certainly a considerable cost in doing so.

While foundations' resources are limited and boards must manage their allocation over time, mission stewardship challenges board members to do more than keep foundation assets from jeopardy. It asks board members to govern in a way that maximizes foundations' overall effectiveness. This responsibility is derived from philanthropy's admirable ambition to solve the world's most challenging problems. Since even \$500 billion of assets is not enough to solve them all, finding the highest and best use of those assets becomes critically important.

### LIMITING PHILANTHROPY BY MAKING THE FLOOR THE CEILING

Unfortunately, I see that at many foundations the practice of mission stewardship is circumscribed by philanthropy's conventions. Most charitable distributions are limited in quantity to 5% of assets and in quality by restricted funding. Boards typically focus on a main objective of growing the corpus to fund a larger grants budget year after year. In using only 5% of assets for charitable purposes, foundations accept the 5% IRS minimum as a de facto maximum. In effect, foundations' program strategies, investment policies, administrative budgets, and opportunity sets are defined by this government regulation.

This premise assumes that foundations have already maximized their effectiveness in grantmaking. The evidence, however, paints

**“Based on Cambridge’s research, it appears that both the Uniform Prudent Management of Institutional Fund Act (UPMIFA) and the Uniform Management of Institutional Funds Act provide institutions with flexibility to take program considerations into account when making investment decisions.”**

—From *Cambridge Associates’ Social Investing Survey: A Statistical Summary*

Chart 1: U.S. Foundation Giving and Assets

Source: Foundation Center (2004)

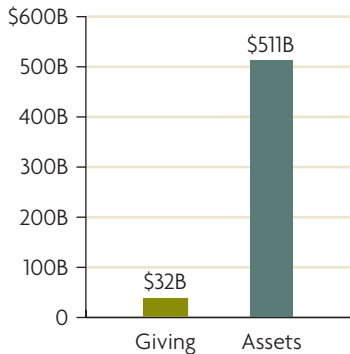
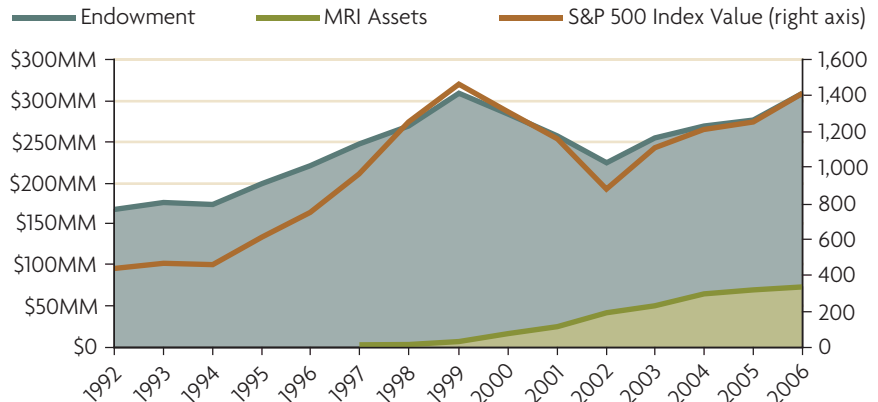


Chart 2: F.B. Heron Foundation Endowment Growing with Mission-Related Investing



a different picture. Research conducted by the Center for Effective Philanthropy shows that foundation grants tend to be too modest in size, too short term, and too restricted to specific programs. Too often, foundation funding forces nonprofit partners to focus on narrow program objectives to be achieved in short periods of time. Weighty goals such as those addressed in foundation missions—self-sufficiency, equality, justice—require creativity, perseverance, and flexibility to achieve. Failing to provide sufficient, flexible, long-term funding hobbles grantee organizations and limits foundations' own effectiveness.

#### IMPLEMENTING AN INTEGRATED APPROACH

When board members accept a broader perspective of mission stewardship, they are then obliged to step away from traditional foundation practices and consider different approaches and new models. Leverage, partnerships, risk taking—these are the elements necessary for successful mission stewardship in a resource-constrained environment, and they can be integrated in a number of ways, from capacity building to core funding to mission investing.

At Heron, mission stewardship means that we instill accountability in each of the foundation's primary functions: programs, investments, and administration (*Table on following page*). We work to make

predominately **core support grants** to organizations that achieve results in low-income communities, to support practical, meaningful approaches to **assessing impact**, to deploy a sizable portion of our endowment in **mission-related investments**, and to emphasize **customer service values** in all of our administrative operations.

These principles of stewardship incorporate the critical role of fiduciary responsibility without crowding out accountability for program and administrative performance. This approach to stewardship has served the Foundation well; we have been able to preserve the value of the endowment while making a total of \$126 million in grants, the majority of which has been in the form of core support, and deploying almost 25% of the endowment in mission-related investments (*Chart 2*). Whatever approaches foundations employ, we can improve our stewardship by helping to build more efficient and effective partners and remain focused on the thing that matters most—impact.

#### EXTENDING PHILANTHROPY'S REACH

Heron is **not** alone in its ambition to serve these principles of stewardship—we have good company in mission-related investing with 88 other foundations reporting some level of mission investing activity (as recently reported by FSG Impact Advisors). Heron's particular interest in making

mission-related investments grew out of a realization by Heron's board and staff that the extent of the social problems they were focused on would require great resources and they looked for ways to extend their philanthropy. Motivated by the prospect of having more of an impact, Heron's Board saw the 5% payout requirement as a necessary part of its philanthropic strategy, but not a sufficient one. It expanded its view of the role of the endowment in reaching mission goals by augmenting the philanthropic "toolbox" available to the Foundation in generating social impact beyond the one, grantmaking, that it already had in use. By adding mission-related investing, the Foundation could make a powerful statement about the future of low-income people and communities.

#### BUILDING A BRIDGE BETWEEN PROGRAMS AND INVESTMENTS

Secure in the conviction that effective philanthropy entails well-considered risk, Heron moved to the frontier of philanthropic practice by developing a mission-related investing strategy. With a common commitment to experiential learning and incremental progress, the Board set the direction and staff worked hard to identify key partners and specific investment opportunities as a way to build its mission-related investment portfolio. Over the years, this experience influenced Heron's philanthropy and represents a

**"But to the extent that we [Warren and Susan Buffett] did amass wealth, we were totally in sync about what to do with it—and that was to give it back to society. In that, we agreed with Andrew Carnegie, who said that huge fortunes that flow in large part from society should in large part be returned to society."**

—Warren Buffet, *Warren Buffet Gives it Away*, *Fortune*: July 10, 2006.



Foundation Function	Stewardship Principle	Heron Practice
Program	Stewardship of mission through strategy	<ul style="list-style-type: none"> <li>• Programs aim to reflect the most effective strategies to meet mission goals and demonstrate impact</li> <li>• Use core support over time to back high-performing organizations</li> <li>• Unified charitable distributions budget includes grants <i>and</i> program-related investments</li> </ul>
Investments	Stewardship of financial resources through prudent investment	<ul style="list-style-type: none"> <li>• Maximize mission impact of financial resources over time</li> <li>• Investment objective of sustaining endowment on inflation-adjusted basis for the long term</li> <li>• Leverage and co-invest with other mission investors</li> </ul>
Administration	Management of business operations for effectiveness	<ul style="list-style-type: none"> <li>• Unified presentation of program, investment, and administrative performance</li> <li>• Minimize non-charitable expenses</li> <li>• Operate with customer service values in all dealings</li> </ul>

divergence from orthodox foundation grantmaking and investment management.

Heron's practice confronts the typical disconnection between program goals and investment functions by calling into question the assumed tradeoff between competitive financial returns and social impact implicit in the organization and strategy of most foundations. For the past ten years, Heron has demonstrated that mission-related investments can contribute to the achievement of competitive returns as part of a diversified portfolio. Heron's investment performance surpassed the Mellon All-Foundation median on a one- and three-year basis with nearly 25% of the endowment deployed in mission-related investments. With investment discipline and programmatic experience, Heron found that both program and investment objectives can be achieved when pursued in alignment with a foundation's mission.

#### TAKING RISKS, ACHIEVING IMPACT

The Heron Foundation is a medium-sized foundation with assets of around \$300 million, and we understand that its resources are limited. Resource allocation decisions involve a complex set of judgments on strategy, partners, and measurement over time. It certainly entails a greater duty than solely considering investment performance. Given the complexity inherent in all social issues, the Heron Board decided that core support grantmaking paired with mission-related investing puts the foundation, given its size and strategy, on the right track to fulfill its mission.

Some foundations will find other ways to enhance and increase the efficacy of their giving. It is possible that other philanthropic

forms and actors could eclipse private foundations in terms of scale and impact. Philanthropists such as Bill and Melinda Gates, Warren Buffet, Google.org, and Pierre and Pam Omidyar are challenging philanthropy's conventions in their own ways. The scale of their efforts is without precedent. While few foundations will be able to match the financial resources that these philanthropists have, their questioning posture is worth following. I would argue that the question of whether or not foundations are willing to put money at risk, in the form of working or investment capital, warrants special consideration because it gives foundations a stake in the success or failure of grantees and investees. This relationship, one between equal stakeholders, unites funder and recipient in working toward common goals and creates accountability for foundations in the same way that foundations look for accountability in their grantees.

Whatever the approach, foundation governance must accept the challenge of mission stewardship and keep mission front and center in the oversight of programs, investments, and administration. By limiting giving to 5% of assets and restricting it to project funding, foundations are starving the sector of the capital it needs and, consequently, are at risk of falling short of their own mission goals. Imagine what could be accomplished if philanthropy focused all aspects of its governance and practices on its mission. For the first time in a long time, philanthropy would be truly accountable to beneficiaries, grantees, donors, and, most importantly, the public trust.

*I would like to acknowledge the extensive support and assistance of Kate Starr, Investment Officer, in writing this essay.*

#### About the Author

William M. Dietel, former President of the Rockefeller Brothers Fund, is a distinguished leader and thinker in the nonprofit and philanthropic sectors. He currently serves on the boards of a number of organizations, including the Pierson-Lovelace Foundation and the Brain Mapping Medical Research Organization, both in Los Angeles; Guidestar International Network; the Advisory Committee for the Institute of Philanthropy in London; and the American Advisory Committee of the Courtauld Institute of Art in London. He currently works as a consultant to a number of philanthropies and families. He has authored numerous articles and books including "Impact of the New Economy of Foundations," with Tory and Jonathan Hopps, and *The Board Chair Handbook*, co-authored with Linda R. Dietel.

#### References

Southern New Hampshire University. *Expanding Philanthropy: Mission-related Investing at the Heron Foundation*.

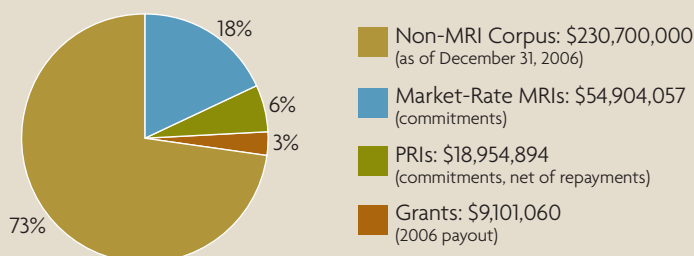
FSG Impact Advisors. *Compounding Impact: Mission Investing by US Foundations*.

# MISSION-RELATED INVESTING

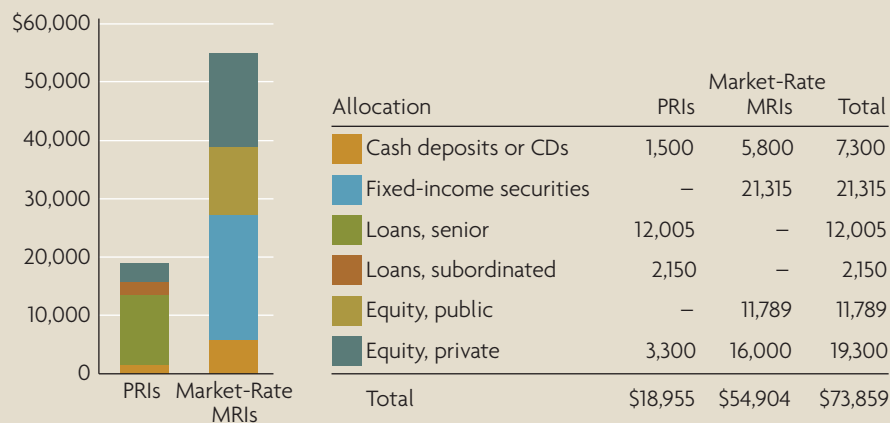
The goal of mission-related investing at the F.B. Heron Foundation is to put the assets of the Foundation to work to increase wealth-creation opportunities for low-income people and communities in the United States. We particularly seek opportunities that leverage our resources with those of other investors.

- ▶ The Foundation's total return for the three years ending December 31, 2006 placed it in the second quartile of the Russell/Mellon All Foundation Universe.
- ▶ The use of 24% of the Foundation's assets for mission (27% including grants) places it in the top tier of private foundations and other institutional investors.
- ▶ The Foundation makes mission-related investments (MRIs) across a range of asset classes (deposits, fixed income securities, senior and subordinated loans, preferred and common stock, private equity) and targeted rates of return (below market and market-rate). Approximately 74% of the Foundation's mission-related investments are market-rate.
- ▶ Performance benchmarks have been established for each asset class in the Foundation's mission-related portfolio. For example, the benchmark for deposits is the Merrill Lynch 91-day T-Bill Index. The benchmark for fixed-income securities is the Lehman Brothers Aggregate Bond Index. The benchmark for public equity is the S&P 500. The benchmark for private equity is the Russell 3000 plus 3%. For program-related investments (PRIs), the benchmark is the long-term inflation rate plus 1%. The Foundation seeks to exceed the performance benchmarks for each asset class.
- ▶ The Foundation has PRIs outstanding of \$19MM (net of repayments) and market-rate, mission-related investments of \$54.9MM, including \$5.8MM in insured deposits in community development banks and credit unions.

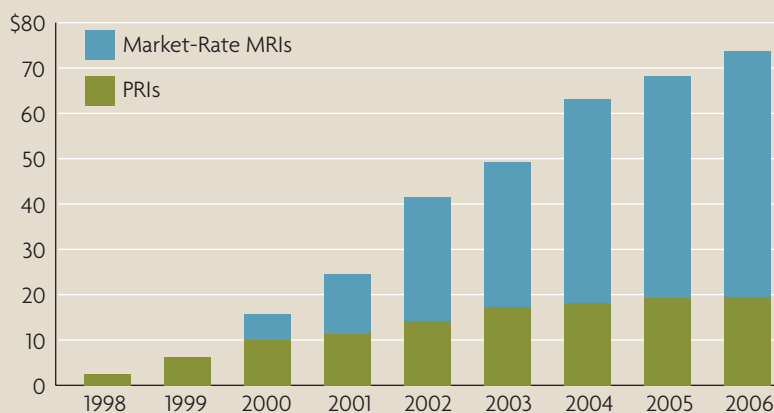
## OVERALL ASSET DEPLOYMENT



## MISSION-RELATED INVESTMENTS ASSET ALLOCATION (\$ in thousands)



## GROWTH IN MISSION-RELATED INVESTMENT PORTFOLIO, 1998-2006 (\$ in millions)



**Low Income Investment Fund (LIIF)**

Heron supports LIIF with general support grants and a program-related investment to increase access to capital and affordable, accredited child care in communities like the one pictured here.

**GRANTS****The Aspen Institute, Inc.**

[www.aspeninstitute.org](http://www.aspeninstitute.org)  
Washington, DC \$100,000  
To advance a working model of how the development finance field can achieve scale, thereby increasing the flow of financial resources to low-income communities.

**California Reinvestment Committee**

[www.calreinvest.org](http://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. *Second payment of a two-year \$70,000 grant approved in 2005.*

**Calvert Social Investment Foundation, Inc.**

[www.calvertfoundation.org](http://www.calvertfoundation.org)  
Bethesda, MD \$35,000  
Planning grant for the Community Investment Partners Program.

**Community Loan Fund of New Jersey**

[www.njclf.com](http://www.njclf.com)  
Trenton, NJ \$75,000  
General support for access to capital and technical assistance for affordable housing, child care facilities and business development for low-income residents of New Jersey. *Second payment of a two-year \$150,000 grant approved in 2005.*

**The Community Reinvestment Association of North Carolina**

[www.cra-nc.org](http://www.cra-nc.org)  
Durham, NC  
To build and protect community wealth by improving services and changing practices of North Carolina financial institutions. *First and second payments of this grant were paid in 2005.*

**Community Reinvestment Fund, Inc.**

[www.crfusa.com](http://www.crfusa.com)  
Minneapolis, MN \$250,000  
Project support for the first three years of a five-year capital campaign to support the development of a robust secondary market for community development assets. *First payment of a three-year \$750,000 grant approved in 2006.*

**Consumer Federation of America**

[www.consumerfed.org](http://www.consumerfed.org)  
Washington, DC \$40,000  
To support wealth-building initiatives for low-income people including the America Saves campaign.

**Demos:****A Network for Ideas and Action, Ltd.**

[www.demos-usa.org](http://www.demos-usa.org)  
New York, NY \$40,000  
Project support for the Economic Opportunity Program's policy research on the relationship between consumer debt and asset building. *Second payment of a two-year \$80,000 grant approved in 2005.*

**Earned Asset Resource Network, Inc.**

[www.sfearn.org](http://www.sfearn.org)  
San Francisco, CA \$100,000  
General support for the development of its Individual Development Account program and the Asset Policy Initiative of California. *First payment of a two-year \$200,000 grant approved in 2006.*

**The Financial Innovations Center, Inc.**

[www.cfsinnovation.com](http://www.cfsinnovation.com)  
Chicago, IL \$35,000  
General support to identify, develop and implement innovative asset-building opportunities for the under-banked market.

**First Nations Development Institute**

[www.firstnations.org](http://www.firstnations.org)  
Longmont, CO \$50,000  
General support for grantmaking, technical assistance, and research programs to assist tribes and indigenous peoples to control and develop their assets.

**First Nations Oweesta Corporation**

[www.oweesta.org](http://www.oweesta.org)  
Rapid City, SD  
General support to assist tribes and tribal communities' community development through loans, investments, technical assistance, training, and financial literacy education. *First and second payments of this grant were paid in 2005.*

**Innovest Strategic Value Advisors, Inc.**

[www.innovestgroup.com](http://www.innovestgroup.com)  
New York, NY \$62,500  
Project support to beta test a "positively screened" index of S & P 900 companies with superior records in community investing.

**Lenders for Community Development**

[www.L4cd.com](http://www.L4cd.com)  
San Jose, CA  
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 and second payments of this grant were paid in 2005.*



**The Reinvestment Fund, Inc. (TRF)**

TRF has financed 11 solar town homes for low- or moderate-income families in south-west Philadelphia. These homes incorporate advanced design and systems features previously available only to upper-end home buyers and are among the most energy efficient affordable housing available on the market. Heron supports TRF with general support grants and a program-related investment.

**Low Income Investment Fund**

[www.liifund.org](http://www.liifund.org)

San Francisco, CA \$125,000  
General support to increase access to capital in low-income communities for strategies including home ownership and child care. First payment of a two-year \$250,000 grant approved in 2006.

**National Community Capital Association  
DBA Opportunity Finance Network**

[www.opportunityfinance.net](http://www.opportunityfinance.net)

Philadelphia, PA \$50,000  
Project support for the Community Development Financial Institution Assessment and Rating System (CARSTM) and the Financial Innovation project. First payment of a two-year \$100,000 grant approved in 2006.

**National Community Reinvestment  
Coalition, Inc.**

[www.ncrc.org](http://www.ncrc.org)

Washington, DC \$200,000  
General support to expand small business lending, combat predatory lending, and provide access to capital. Second payment of a two-year \$400,000 grant approved in 2005.

**National Federation of Community  
Development Credit Unions, Inc.**

[www.cdco.coop](http://www.cdco.coop)

New York, NY \$50,000  
General support to strengthen the operations and competitiveness of community development credit unions. First payment of a two-year \$100,000 grant approved in 2006.

**New America Foundation**

[www.newamerica.net](http://www.newamerica.net)

Washington, DC \$125,000  
Project support for the Asset Building Program's policy and research activities and to help launch the Global Assets Program. First payment of a two-year \$200,000 grant approved in 2006.

**New Hampshire Community Loan Fund, Inc.**

[www.nhclf.org](http://www.nhclf.org)

Concord, NH \$100,000  
General support to foster affordable home ownership and economic opportunity. First payment of a two-year \$200,000 grant approved in 2006.

**New Jersey Citizen Action  
Education Fund, Inc.**

[www.njcitizenaction.org](http://www.njcitizenaction.org)

Newark, NJ \$75,000  
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. Second payment of a two-year \$150,000 grant approved in 2005.

**New York City Financial Network Action  
Consortium, Inc.**

[www.nycfnac.org](http://www.nycfnac.org)

Brooklyn, NY \$30,000  
General support to help credit unions meet the need of unbanked New Yorkers for credit and financial services.

**North Carolina Minority Support Center**

[www.ncmsc.org](http://www.ncmsc.org)

Durham, NC \$100,000  
General support to strengthen community development corporations and credit unions in North Carolina through operating grants, financing, and technical assistance.

**Northcountry Cooperative Foundation**

[www.ncdf.coop](http://www.ncdf.coop)

Minneapolis, MN \$35,000  
To support the Northcountry Cooperative Development Fund and its affiliated credit union to promote and finance cooperative home ownership and commercial enterprises. First payment of a two-year \$70,000 grant approved in 2006.

**The Reinvestment Fund, Inc.**

[www.trfund.com](http://www.trfund.com)

Philadelphia, PA \$125,000  
General support to increase access to capital in low-income communities for affordable housing, community facilities, commercial real estate and business development and to support related public policy and program assessment efforts. First payment of a two-year \$250,000 grant approved in 2006.

**Social Investment Forum Foundation, Inc.**

[www.socialinvest.org](http://www.socialinvest.org)

Washington, DC \$50,000  
Project support for the Community Investment Center ([www.communityinvest.org](http://www.communityinvest.org)), a website featuring resources for individuals and institutions seeking to invest in under-served communities in the United States and abroad. Second payment of a two-year \$100,000 grant approved in 2005.

**Southern Good Faith Fund**

[www.southerngoodfaithfund.org](http://www.southerngoodfaithfund.org)

Pine Bluff, AK \$35,000  
General support for asset-building efforts, including their Individual Development Accounts and public policy programs.

**Southern New Hampshire University**

[www.snhu.edu/ced](http://www.snhu.edu/ced)

Manchester, NH \$100,000  
Project support for the Capital Markets Access Program and for the Financial Innovations Roundtable.

**Southern New Hampshire University**

[www.snhu.edu/ced](http://www.snhu.edu/ced)

Manchester, NH \$100,000  
Recoverable grant for Wall Street Without Walls for the preparation of a private placement memorandum and related start up costs for Community Development Assurance LLC, a financial guarantee corporation for the community development sector.

**Southern Good Faith Fund (SGFF)**

Heron provides general support grants to SGFF to support their Individual Development Accounts and other asset-building programs which benefit their Business Development Center clients like this one in Pine Bluff, AR.

Photo: Cade Collister

**Southern New Hampshire University**

[www.snhu.edu/ced](http://www.snhu.edu/ced)

Manchester, NH \$20,000  
Project support to develop a case study on mission-related investing.

**Trustees of Boston College**

[www.bc.edu](http://www.bc.edu)

Chestnut Hill, MA \$30,000  
Project support for The Institute for Responsible Investment to publish "Responsible Investment by Asset Class: A Handbook for Foundations and Other Investors."

**Washington University**

[www.gwbweb.wustl.edu/csd](http://www.gwbweb.wustl.edu/csd)

St. Louis, MO \$100,000  
General support for the Center for Social Development's ongoing research on asset building among low-income families. First payment of a two-year \$200,000 grant approved in 2006.

**Washington University**

[www.gwbweb.wustl.edu/csd](http://www.gwbweb.wustl.edu/csd)

St. Louis, MO \$50,000  
To develop a report from a global perspective on the role of asset building for low-income people.

**Woodstock Institute**

[www.woodstockinst.org](http://www.woodstockinst.org)

Chicago, IL  
General support for research and technical assistance to help meet the capital and credit demands of low-income neighborhoods. First and second payments of this grant were paid in 2005.

**World Institute on Disability**

[www.wid.org](http://www.wid.org)

Oakland, CA \$25,000  
To support the Access to Assets project that promotes asset development among people with disabilities. First payment of a two-year \$50,000 grant approved in 2006.

**PROGRAM-RELATED INVESTMENTS****Alternatives Federal Credit Union**

[www.alternatives.org](http://www.alternatives.org)

Ithaca, NY \$250,000  
Secondary capital to support affordable home mortgage and small business lending. \$250,000 7-year secondary capital loan approved in 2002.

**Boston Community Loan Fund, Inc.**

[www.bostoncommunitycapital.org](http://www.bostoncommunitycapital.org)

Boston, MA \$150,000  
Subordinated loan to finance pre-development, construction, and bridge financing for affordable housing, community facilities, and child care projects. \$150,000 10-year subordinated loan approved in 2000.

**Boston Community Loan Fund, Inc.**

[www.bostoncommunitycapital.org](http://www.bostoncommunitycapital.org)

Boston, MA \$600,000  
Senior loan to finance affordable housing, community facility and commercial real estate projects. \$600,000 5-year senior loan approved in 2005.

**Calvert Social Investment Foundation, Inc.**

[www.calvertfoundation.org](http://www.calvertfoundation.org)

Bethesda, MD \$500,000  
Subordinated loan to increase the capacity of the Calvert Foundation to issue Community Investment Notes. \$500,000 3-year subordinated loan approved in 2003.

**Community Reinvestment Fund, Inc.**

[www.crfusa.com](http://www.crfusa.com)

Minneapolis, MN \$1,000,000  
Senior loan to facilitate expansion of the secondary market in community development loans. \$1,000,000 6-year senior loan approved in 2000.

**National Community Capital Association****DBA Opportunity Finance Network**

[www.opportunityfinance.net](http://www.opportunityfinance.net)

Philadelphia, PA \$500,000  
Senior loan to provide flexible financing for Community Development Financial Institutions. \$500,000 8-year senior loan approved in 2002.

**National Federation of Community Development Credit Unions, Inc.**

[www.cdccu.coop](http://www.cdccu.coop)

New York, NY \$1,000,000  
To expand access to capital for low-income communities by making fully insured deposits in low-income designated credit unions of which at least 80% must be originators of affordable home mortgages. \$1,000,000 10-year loan approved in 2006.

**Native American Bancorporation**

[www.nabna.com](http://www.nabna.com)

Denver, CO \$300,000  
Preferred stock in an American Indian-owned community development bank serving reservation communities and tribal enterprises. \$300,000 10-year preferred stock investment approved in 2004.

**North Carolina Minority Support Center**

[www.ncmsc.org](http://www.ncmsc.org)

Durham, NC \$500,000  
Senior loan to fund pledgeable deposits in credit unions serving low-income communities to increase home mortgage and business lending. \$500,000 8-year loan approved in 1999.

**Opportunities Credit Union**

[www.vdcu.org](http://www.vdcu.org)

Burlington, VT \$250,000  
Secondary capital to support home mortgage and small business lending. \$250,000 9-year secondary capital loan approved in 2001.

**ShoreBank**

[www.shorebankcorp.com](http://www.shorebankcorp.com)

Chicago, IL \$1,000,000  
Redeemable preferred stock to support expansion of community development banking services and lending in inner-city Chicago, Detroit and Cleveland. \$1,000,000 5-year preferred stock investment approved in 2006.



**Boston Community Loan Fund, Inc. (BCC)**

With support from the Heron Foundation through a program-related investment, BCC became an early investor in City Fresh Foods, an ethnic-foods business catering to community and corporate clients, schools and Meals-on-Wheels program. Today, City Fresh has grown to 32 employees (some of whom are pictured here), and has repaid BCC's investment with a 17% annual return.

Photo: Marilyn Humphries

**INSURED DEPOSITS****Albina Community Bank**

[www.albinabank.com](http://www.albinabank.com)  
Portland, OR

**Appalachian Federal Credit Union**

[www.appalachianfederal.coop](http://www.appalachianfederal.coop)  
Berea, KY

**Bank 2**

[www.bank2.biz](http://www.bank2.biz)  
Oklahoma City, OK

**Bank of Cherokee County**

[www.bankofcherokeecounty.net](http://www.bankofcherokeecounty.net)  
Hulbert, OK

**Carver Federal Savings Bank**

[www.carverbank.com](http://www.carverbank.com)  
New York, NY

**Central Bank of Kansas City**

[www.centralbankkc.com](http://www.centralbankkc.com)  
Kansas City, MO

**Citizens Trust Bank**

[www.ctbatlanta.com](http://www.ctbatlanta.com)  
Atlanta, GA

**City First Bank of DC**

[www.cityfirstbank.com](http://www.cityfirstbank.com)  
Washington, DC

**City National Bank of New Jersey**

[www.citynatbank.com](http://www.citynatbank.com)  
Newark, NJ

**Community Capital Bank**

[www.communitycapitalbank.com](http://www.communitycapitalbank.com)  
Brooklyn, NY

**Community Choice Federal Credit Union**

[www.communitychoicecreditunion.com](http://www.communitychoicecreditunion.com)  
Indianapolis, IN

**Dakotaland Federal Credit Union**

[www.dakotalandfcu.com](http://www.dakotalandfcu.com)  
Huron, SD

**Delta Southern Bank**

[www.deltasouthernbank.com](http://www.deltasouthernbank.com)  
Ruleville, MS

**Douglass National Bank**

[www.douglassbk.com](http://www.douglassbk.com)  
Kansas City, KS

**Elk Horn Bank & Trust**

[www.ehbt.com](http://www.ehbt.com)  
Arkadelphia, AR

**First American International Bank**

[www.banking.state.ny.us/sibank.htm](http://www.banking.state.ny.us/sibank.htm)  
Brooklyn, NY

**First Bank of the Delta, N.A.**

[www.firstbankdelta.com](http://www.firstbankdelta.com)  
West Helena, AR

**First Delta Federal Credit Union**

[www.qcdo.org](http://www.qcdo.org)  
Marks, MS

**Friendship Community Federal Credit Union**

Clarksdale, MS

**Generations Community Credit Union**

[www.gencomcu.org](http://www.gencomcu.org)  
Durham, NC

**Hope Community Credit Union**

[www.hopescu.org](http://www.hopescu.org)  
Jackson, MS

**Latino Community Credit Union**

[www.cooperativalatina.org](http://www.cooperativalatina.org)  
Durham, NC

**Legacy Bank**

[www.legacybancorp.com](http://www.legacybancorp.com)  
Milwaukee, WI

**Liberty Bank and Trust Company**

[www.libertybank.net](http://www.libertybank.net)  
Baton Rouge, LA

**Mechanics and Farmers Bank**

[www.mfbonline.com](http://www.mfbonline.com)  
Durham, NC

**Mission Community Bank**

[www.MissionCommunityBank.com](http://www.MissionCommunityBank.com)  
San Luis Obispo, CA

**Native American Bank, NA**

[www.nabna.com](http://www.nabna.com)  
Denver, CO

**Neighborhood National Bank**

[www.mynnb.com](http://www.mynnb.com)  
National City, CA

**North Star Community Credit Union**

[www.northstarccu.com](http://www.northstarccu.com)  
Maddock, ND

**Opportunities Credit Union**

[www.vdcu.org](http://www.vdcu.org)  
Burlington, VT

**Santa Cruz Community Credit Union**

[www.scrzccu.org](http://www.scrzccu.org)  
Santa Cruz, CA

**Self-Help Credit Union**

[www.self-help.org](http://www.self-help.org)  
Durham, NC

**ShoreBank**

[www.shorebankcorp.com](http://www.shorebankcorp.com)  
Chicago, IL

**South Carolina Community Bank**

[www.sccommunitybank.net](http://www.sccommunitybank.net)  
Columbia, SC

**Syracuse Cooperative Federal Credit Union**

[www.syrcoopfcu.org](http://www.syrcoopfcu.org)  
Syracuse, NY

**T&C Federal Credit Union**

[www.tcfcu.com](http://www.tcfcu.com)  
Bloomfield Hills, MI

**The Harbor Bank of Maryland**

[www.theharborbank.com](http://www.theharborbank.com)  
Baltimore, MD

**University National Bank**

[www.universitybank.com](http://www.universitybank.com)  
St. Paul, MN



### Avenue Community Development Corporation (CDC)

This Boy Scout troop, their classmates and relatives along with AmeriCorps members worked on landscaping this property owned by Avenue CDC. The volunteers worked to create safe and beautiful community green space. Heron support Avenue CDC with general support grants.

Photo: Lya Kirtman, AmeriCorps VISTA Volunteer Coordinator, Avenue CDC



### GRANTS

#### Abyssinian Development Corporation

[www.adcorp.org](http://www.adcorp.org)

New York, NY

For outcome measurement and impact assessment. *First and second payments of this grant were paid in 2005.*

#### Avenue Community Development Corporation

[www.avenuecdc.org](http://www.avenuecdc.org)

Houston, TX

\$25,000

General support for home ownership and commercial real estate development in the Near Northside neighborhood of Houston. *Second payment of a two-year \$50,000 grant approved in 2005.*

#### Bethel New Life, Inc.

[www.bethelnewlife.org](http://www.bethelnewlife.org)

Chicago, IL

\$50,000

General support for strategies to build wealth for residents in the west Garfield Park and Austin communities of Chicago.

#### Brandeis University

<http://iasp.brandeis.edu>

Waltham, MA

\$50,000

General support for the Institute on Assets and Social Policy. *First payment of a two-year \$100,000 grant approved in 2006.*

#### The Brookings Institution

[www.brookings.edu](http://www.brookings.edu)

Washington, DC

\$75,000

To support the "Revitalizing America's Weak Market Cities" project of the Metropolitan Policy Program.

#### California Community Economic Development Association

[www.cceda.com](http://www.cceda.com)

Los Angeles, CA

\$40,000

General support for its members' home ownership, enterprise development, and access to capital efforts.

#### Calvert Social Investment Foundation, Inc.

[www.nrfc.org](http://www.nrfc.org)

Bethesda, MD

\$150,000

To support the National Rural Funders' Collaborative that seeks to expand resources available to low-income rural areas and improve the practice of rural grantmaking. *First payment of a two-year \$300,000 grant approved in 2006.*

#### Chicago Lawyers' Committee for Civil Rights Under Law, Inc.

[www.clcrl.org](http://www.clcrl.org)

Chicago, IL

\$50,000

To support the Community Economic Development Law Project that provides and coordinates pro bono legal assistance to community groups seeking to strengthen Chicago's neighborhoods. *Second payment of a two-year \$100,000 grant approved in 2005.*

#### Chicanos Por La Causa, Inc.

[www.cplc.org](http://www.cplc.org)

Phoenix, AZ

\$100,000

General support for community-building efforts in Arizona, including small business lending, home ownership development, migrant Head Start, and a credit union. *Second payment of a two-year \$200,000 grant approved in 2005.*

#### CHWC INC

[www.chwconline.com](http://www.chwconline.com)

Kansas City, KS

\$50,000

For home ownership and commercial real estate development in low-income Kansas City, Kansas neighborhoods.

#### City Futures, Inc.

[www.nycfuture.org](http://www.nycfuture.org)

New York, NY

\$40,000

General support to provide information and analysis to practitioners and policy makers concerned with the quality of life in New York City neighborhoods.

#### City Vision Ministries

[www.cityvisionministries.org](http://www.cityvisionministries.org)

Kansas City, KS

\$50,000

General support for home ownership, commercial real estate development and housing counseling in low-income Kansas City, Kansas neighborhoods. *First payment of a two-year \$100,000 grant approved in 2006.*

#### Coastal Enterprises, Inc.

[www.ceimaine.org](http://www.ceimaine.org)

Wiscasset, ME

General support for comprehensive community development through home ownership, enterprise development, and access to capital throughout Maine and New England. *First and second payments of this grant were paid in 2005.*

#### Community Development Corporation of Long Island

[www.cdcli.org](http://www.cdcli.org)

Centerach, NY

\$50,000

General support for home ownership and small business assistance programs. *Second payment of a two-year \$100,000 grant approved in 2005.*

#### Covenant Community Capital Corporation

[www.covenantcapital.org](http://www.covenantcapital.org)

Houston, TX

\$25,000

General support to enhance the stability and economic vitality of low income-communities by increasing their capacity to develop affordable housing, business enterprises, and family and community assets.

#### Cypress Hills Local Development Corporation, Inc.

[www.CypressHills.org](http://www.CypressHills.org)

Brooklyn, NY

\$50,000

General support to revitalize the Cypress Hills community of Brooklyn through commercial development and home ownership. *First payment of a two-year \$100,000 grant approved in 2006.*





### City Vision Ministries (CVM)

Heron provides general support grants to CVM which provides low and moderate income working families living in Kanasa City, KS, with home ownership and wealth development education. CVM works to restore neighborhoods into healthy, sustainable communities like this one.



### Detroit Catholic Pastoral Alliance

Detroit, MI \$45,000  
General support for comprehensive community development including home ownership. *First payment of a two-year \$90,000 grant approved in 2006.*

### The Development Training Institute

[www.dtinational.org](http://www.dtinational.org)  
Ellicott City, MD \$50,000  
General support for programs to strengthen the capacity and leadership of community-development organizations. *First payment of a two-year \$100,000 grant approved in 2006.*

### East Bay Asian Local Development

**Corporation**  
[www.ebaldc.org](http://www.ebaldc.org)  
Oakland, CA \$75,000  
General support for comprehensive neighborhood planning and improvement, including home ownership and economic development, to enhance the quality of life for low-income East Bay residents.

### El Centro, Inc.

[www.elcentroinc.com](http://www.elcentroinc.com)  
Kansas City, KS  
General support for asset-development efforts, including home ownership, Individual Development Accounts, enterprise development and nationally accredited child care. *First and second payments of this grant were paid in 2005.*

### Fifth Ward Community Redevelopment Corporation

[www.fifthwardcrc.org](http://www.fifthwardcrc.org)  
Houston, TX \$60,000  
General support for home ownership and commercial development in Houston's Fifth Ward.

### Fifth Ward Community Redevelopment Corporation

[www.fifthwardcrc.org](http://www.fifthwardcrc.org)  
Houston, TX \$25,000  
General support for relief, recovery, and rebuilding efforts related to Hurricanes Katrina and Rita.

### The Greater Southwest Development Corporation

[www.greatersouthwest.org](http://www.greatersouthwest.org)  
Chicago, IL \$50,000  
General support for the residential, commercial, and industrial revitalization of southwest side Chicago communities.

### Guadalupe Center, Inc.

[www.guadalupecenters.org](http://www.guadalupecenters.org)  
Kansas City, MO \$75,000  
To develop a home ownership program and expand a credit union. *Second payment of a two-year \$150,000 grant approved in 2005.*

### Housing and Community Development Network of New Jersey

[www.hcdnnj.org](http://www.hcdnnj.org)  
Trenton, NJ \$75,000  
General support to provide technical assistance and training in organizational development, management, community planning, and policy evaluation to community development practitioners. *First payment of a two-year \$150,000 grant approved in 2006.*

### 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. *Second payment of a two-year \$250,000 grant approved in 2005.*

### Isles Inc.

[www.isles.org](http://www.isles.org)  
Trenton, NJ \$75,000  
General support for programs that develop housing for low-income people, counsel first-time homebuyers, encourage savings through Individual Development Accounts, and promote regional sustainable development. *First payment of a two-year \$150,000 grant approved in 2006.*

### Kansas City Neighborhood Alliance

[www.kcna.org](http://www.kcna.org)  
Kansas City, MO \$100,000  
General support for community-building strategies, focusing on home ownership and block organizing, in a central Kansas City neighborhood. *Second payment of a two-year \$200,000 grant approved in 2005.*

### La Casa de Don Pedro

[www.lacasanwk.org](http://www.lacasanwk.org)  
Newark, NJ \$40,000  
General support for comprehensive community development, primarily in Newark's North Ward. *Second payment of a two-year \$80,000 grant approved in 2005.*

### Lawndale Christian Development Corporation

[www.lcdc.net](http://www.lcdc.net)  
Chicago, IL \$20,000  
General support for neighborhood revitalization efforts including housing development for ownership and economic development.

### Lawyers Alliance for New York

[www.lany.org](http://www.lany.org)  
New York, NY \$35,000  
General support for legal assistance to non-profits promoting access to capital, quality child care, and economic development. *First payment of a two-year \$70,000 grant approved in 2006.*



### Community Development Corporation of Long Island (CDCLI)

For nearly 40 years, CDCLI has helped low-income homeowners and small businesses like this one to build assets and retain wealth. CDCLI tracks its results and evaluates its impact to ensure the effectiveness of its programs.



### Louisiana Disaster Recovery Foundation, Inc.

<http://louisianahelp.org>

Baton Rouge, LA \$50,000  
General support for relief, recovery, and rebuilding efforts. *First payment of a two-year \$100,000 grant approved in 2006.*

\$50,000

General support for relief, recovery, and rebuilding efforts.

### Metro IAF, Inc.

[www.industrialareasfoundation.org](http://www.industrialareasfoundation.org)

Rego Park, NY \$75,000  
General support for its large-scale home ownership programs and other neighborhood development actions. *Second payment of a two-year \$150,000 grant approved in 2005.*

### Mission Economic Development Association

[www.medasf.org](http://www.medasf.org)

San Francisco, CA \$25,000  
To support the planning and implementation of the Mission Asset Fund.

\$50,000

General support to promote enterprise development and home ownership opportunities in San Francisco's Mission District. *First payment of a two-year \$100,000 grant approved in 2006.*

### Mountain Association for Community Economic Development

[www.maced.org](http://www.maced.org)

Berea, KY \$75,000  
To support enterprise development and sustainable community-based economic development in Appalachian Kentucky. *First payment of a two-year \$150,000 grant approved in 2006.*

### National Academy of Sciences

[www.nas.edu](http://www.nas.edu)

Washington, DC \$150,000  
To support the development and launch of State of the USA™, a repository of credible, current information about the nation's environment, economic and social performance.

### National Housing Institute

[www.nhi.org](http://www.nhi.org)

Montclair, NJ \$40,000  
General support to provide information, analysis, and resources to community-based practitioners engaged in community development efforts. *First payment of a two-year \$80,000 grant approved in 2006.*

### Native American Community Development Corporation

[www.nacdc.org](http://www.nacdc.org)

Browning, MT \$50,000  
General support for home ownership, financial literacy, and small business development programs on Native American Reservations. *Second payment of a two-year \$100,000 grant approved in 2005.*

### Neighborhood Funders Group, Inc.

[www.NFG.org](http://www.NFG.org)

Washington, DC \$40,000  
General support for a national membership association of grantmakers who fund community-based development, and project support for the "PRI Makers" group's educational activities. *Second payment of a two-year \$85,000 grant approved in 2005.*

### Neighborhood Reinvestment Corporation

[www.nw.org](http://www.nw.org)

Washington, DC \$225,000  
To support implementation of the Success Measures Data System and training program for improving and demonstrating impact in communities. *First payment of a two-year \$450,000 grant approved in 2006.*

### New York Regional Association of Grantmakers

[www.nyrag.org](http://www.nyrag.org)

New York, NY \$10,000  
To support the activities of the Asset Funders Network in increasing philanthropic funding on asset-building activities.

### New York Regional Association of Grantmakers

[www.nyrag.org](http://www.nyrag.org)

New York, NY \$5,000  
To provide staff and consulting resources to the Gulf Coast Recovery and Rebuilding Task Force.

### North Carolina Community Development Initiative, Inc.

[www.ncinitiative.org](http://www.ncinitiative.org)

Raleigh, NC \$100,000  
General support to strengthen the capacity, impact, and sustainability of community development corporations in low-resource communities in North Carolina. *First payment of a two-year \$200,000 grant approved in 2006.*

### Northwest Detroit Neighborhood Development, Inc.

[www.nwdetroit.org](http://www.nwdetroit.org)

Detroit, MI \$50,000  
For comprehensive community development, including affordable home ownership, in the Brightmoor community of Detroit. *First payment of a two-year \$100,000 grant approved in 2006.*

### Oakland Livingston Human Service Agency

[www.olhsa.org](http://www.olhsa.org)

Pontiac, MI \$50,000  
General support for comprehensive efforts, including Head Start programs, Individual Development Accounts, and affordable home ownership in low-income communities north of Detroit. *First payment of a two-year \$100,000 grant approved in 2006.*





### Kansas City Neighborhood Alliance (KCNA)

Since 1994, Heron has provided general support grants to KCNA for its work bringing affordable housing, financial education, savings programs, home-ownership training, community revitalization benefiting Kansas City neighborhoods.



### Quitman County Development Organization, Inc.

[www.qcdo.org](http://www.qcdo.org)  
Marks, MS \$75,000  
General support for access to capital, home ownership, and enterprise development in the Mississippi Delta. First payment of a two-year \$150,000 grant approved in 2006.

### The Rensselaerville Institute

[www.rinstitute.org/center4outcomes/](http://www.rinstitute.org/center4outcomes/)  
Rensselaerville, NY \$30,000  
To support the Center for Outcomes' work in assisting nonprofits to set performance targets and measure and communicate their outcomes.

### The Resurrection Project

[www.resurrectionproject.org](http://www.resurrectionproject.org)  
Chicago, IL \$100,000  
General support for comprehensive, community development strategies including expanding home ownership opportunities and commercial development in the Pilsen community. Second payment of a two-year \$200,000 grant approved in 2005.

### Sargent Shriver National Center on Poverty Law

[www.povertylaw.org](http://www.povertylaw.org)  
Chicago, IL \$10,000  
To support the Community Investment Unit and its work in the Illinois Asset Building Network. First payment of a two-year \$20,000 grant approved in 2006.

### Southern Financial Partners

[www.southernfinancialpartners.org](http://www.southernfinancialpartners.org)  
West Helena, AR \$50,000  
General support for lending and technical assistance to small businesses and comprehensive community development in the Delta region. Second payment of a two-year \$100,000 grant approved in 2005.

### Southern Mutual Help Association, Inc.

[www.southernmutualhelp.org](http://www.southernmutualhelp.org)  
New Iberia, LA \$50,000  
To support relief, recovery, and rebuilding efforts related to Hurricanes Katrina and Rita, including affordable home ownership and access to capital.

### Southern Mutual Help Association, Inc.

[www.southernmutualhelp.org](http://www.southernmutualhelp.org)  
New Iberia, LA \$75,000  
General support to help low-income people develop healthy and prosperous rural communities in Louisiana. Second payment of a two-year \$150,000 grant approved in 2005.

### Southern New Hampshire University

[www.snhu.edu/ced](http://www.snhu.edu/ced)  
Manchester, NH \$75,000  
For an Excellence in Community Economic Development award program to highlight the achievements of community development practitioners.

### Swope Community Builders

[www.swopecommunitybuilders.org](http://www.swopecommunitybuilders.org)  
Kansas City, MO \$100,000  
General support for community-building efforts including home ownership and retail development in midtown Kansas City, Missouri. Second payment of a two-year \$200,000 grant approved in 2005.

### Texas Rio Grande Legal Aid, Inc.

[www.texasrbar.org](http://www.texasrbar.org)  
Austin, TX \$35,000  
Support to bring pro bono corporate attorney resources to community development practitioners in Texas. First payment of a two-year \$70,000 grant approved in 2006.

### Washington Interfaith Network

[www.windc-iaf.org](http://www.windc-iaf.org)  
Washington, DC \$75,000  
General support for comprehensive community development efforts in Washington, D.C. Second payment of a two-year \$150,000 grant approved in 2005.

### Wheeler Creek Estates Community Development Corp.

[www.wheelerce.org](http://www.wheelerce.org)  
Washington, DC \$25,000  
General support to develop social, economic and affordable housing opportunities in the Washington metropolitan area.

### PROGRAM-RELATED INVESTMENTS

#### Chicago Community Loan Fund

[www.cclfcchicago.org](http://www.cclfcchicago.org)  
Chicago, IL \$250,000  
Senior loan for real estate development, small business lending, and working capital for non profits working in low-income communities. \$250,000 6-year senior loan approved in 2001.

#### New Hampshire Community Loan Fund, Inc.

[www.nhclf.org](http://www.nhclf.org)  
Concord, NH \$500,000  
Senior loan to support affordable home ownership and small business lending. \$500,000 7-year senior loan approved in 2002.

#### Rural Community Assistance Corporation

[www.rcac.org](http://www.rcac.org)  
West Sacramento, CA \$500,000  
Senior loan for development of affordable housing, water and waste water systems, and community facilities in low-income, rural areas. \$500,000 10-year senior loan approved in 1998.

### CORPUS INVESTMENTS

#### Bay Area Smart Growth Fund I, LLC

[www.basgf.com](http://www.basgf.com)  
San Francisco, CA \$1,500,000  
Commitment to a 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.



**Southern Financial Partners (SFP)**

This farmer in Phillips County, AR received a loan from SFP for his sweet potato farming business. SFP also provided funding to help build a \$2 million sweet potato storage facility allowing low-income farmers to store their crop and thus earn a much higher price per bushel later in the season.

**California Smart Growth Fund IV, LP**

[www.pccpllc.com](http://www.pccpllc.com)

San Francisco, CA

\$2,000,000

Commitment to a private real estate partnership investing in urban markets using smart growth principle to create more livable and sustainable communities throughout California.

**Canyon-Johnson Urban Fund II, L.P.**

[www.cjuf.com](http://www.cjuf.com)

Beverly Hills, CA

\$2,500,000

Commitment to a private real estate partnership to develop or redevelop urban properties throughout the United States.

**Community Capital Management, Inc.**

[www.ccmfixedincome.com](http://www.ccmfixedincome.com)

Weston, FL

\$7,500,000

Commitment for a separate fixed-income securities account financing home ownership, enterprise development and community facilities in low- and moderate-income communities throughout the United States. *Securities must be investment-grade or equivalent.*

**Community Capital Management, Inc.**

[www.ccmfixedincome.com](http://www.ccmfixedincome.com)

Weston, FL

\$5,000,000

Commitment for a separate fixed-income securities account financing home ownership, enterprise development and community facilities in low- and moderate-income communities throughout the United States. *Securities must be investment-grade or equivalent.*

**Community Capital Management, Inc.**

[www.ccmfixedincome.com](http://www.ccmfixedincome.com)

Weston, FL

\$5,000,000

Commitment for a separate fixed-income securities account financing home ownership, enterprise development and community facilities in low- and moderate-income communities throughout the United States. *Securities must be investment-grade or equivalent.*

**UrbanAmerica, L.P. I**

[www.urbanamerica.com](http://www.urbanamerica.com)

New York, NY

\$1,500,000

Commitment to a private real estate partnership to acquire and develop retail and commercial properties in inner-city neighborhoods in the Northeast and Southeast, including federally designated enterprise zones and enterprise communities, and to provide opportunities for corporate and retail tenants to locate facilities in such communities.

**UrbanAmerica, L.P. II**

[www.urbanamerica.com](http://www.urbanamerica.com)

New York, NY

\$1,000,000

Commitment to a private real estate partnership to acquire and develop retail and commercial properties in inner-city neighborhoods nationwide including federally designated enterprise zones and enterprise communities, and to provide opportunities for corporate and retail tenants to locate facilities in such communities.

**FIXED-INCOME SECURITIES****City of Cleveland (Ohio)**

*Taxable Economic and Community*

*Development Revenue Bonds*

*Series 2004 (Core City Fund)*

Rating: AAA

To revitalize lower Euclid Avenue through the redevelopment of commercial space, the creation of 100 units of new for-sale and rental housing, and the creation of more than 800 permanent jobs.

**Community Reinvestment Revenue Notes**

*Eighteenth Series*

Rating: AAA

To purchase loans from community development lenders that provide financing to stimulate economic development and provide affordable housing for communities in fourteen states.

**Housing and Redevelopment Authority**

**of the City of Saint Paul, Minnesota**

*Taxable Tax Increment Revenue Bonds,*

*Series 2005*

*Saint Paul Neighborhood Scattered*

*Site Project*

Rating: Aa3

To finance the revitalization of the Phalen, University Avenue and Riverview Corridors through brownfield remediation, commercial development and housing development.

**Pinole, California Redevelopment Agency**

*Tax Allocation Refunding Bonds*

*Series 1998B*

Rating: AAA

To finance commercial development pursuant to a redevelopment plan for the Pinole Vista Project Area.

**Redevelopment Authority of the City of Philadelphia (Pennsylvania)**

*Taxable Revenue Bonds, Series 2002B*

Rating: AAA

To finance a portion of the City of Philadelphia Neighborhood Transformation Initiative through neighborhood revitalization and urban blight remediation.

**Schenectady Metroplex Development Authority**

*General Resolution Bonds, Series 2005A*

Rating: AAA

To finance an urban commercial development project within the Metroplex service district in the City of Schenectady, New York.

**Initiative for A Competitive Inner City (ICIC)**

Heron provides support for ICIC's Inner City Capital Connections (ICCC) to facilitate the flow of private equity to companies located in the inner city. In partnership with Bank of America, ICIC hosts events to train inner city entrepreneurs on using private equity to grow their businesses and to introduce them to potential investors.

**NON-PORTFOLIO GRANTS****BoardSource**

Washington, DC \$2,500

**Council on Foundations, Inc.**

Washington, DC \$31,020

**The Foundation Center**

New York, NY \$5,000

**Funders' Network for Smart Growth and Livable Communities**

Coral Gables, FL \$5,000

**Grantmakers for Effective Organizations**

Washington, DC \$2,000

**Independent Sector**

Washington, DC \$10,000

**National Center for Family Philanthropy, Inc.**

[www.ncfp.org](http://www.ncfp.org)  
Washington, DC \$5,000  
To develop a business plan to guide the Center's future directions.

**New York Regional Association of Grantmakers**

New York, NY \$10,950

**Nonprofit Coordinating Committee of New York, Inc.**

New York, NY \$1,500

**Philanthropic Research, Inc.**

Williamsburg, VA \$10,000

**Board and**

**Staff Directed Grants** \$118,050

**Community Service Grants** \$16,000

**Matching Grants** \$36,590

**BOARD OF DIRECTORS/OFFICERS AND STAFF****BOARD OF DIRECTORS/OFFICERS**

William M. Dietel  
*Chairman and Director*

Ambassador James A. Joseph<sup>(1)</sup>  
*Director*

William F. McCalpin<sup>(1)</sup>  
*Director*

John Otterlei  
*Director*

Buzz Schmidt  
*Director*

Sharon B. King  
*President and Director*

Mary Jo Mullan  
*Secretary and Treasurer*

(1) Since October 14, 2006

(2) Through June 30, 2007

(3) Since June 25, 2007

(4) Since July 5, 2007

(5) Since March 20, 2006

**STAFF**

Karen Asakawa<sup>(2)</sup>  
*Investment Assistant*

Dana Bezerra  
*Program Officer*

Nadine Dorvelus<sup>(3)</sup>  
*Investment Assistant*

Patricia J. Fuchs<sup>(4)</sup>  
*Staff Assistant*

Sharon B. King  
*President*

Patricia J. Kozu  
*Vice President, Finance and Administration*

Joaquín Alfredo Labour<sup>(5)</sup>  
*Grants and IT Administrator*

Jim Metzinger  
*Senior Program Officer*

Mary Jo Mullan  
*Vice President, Programs*

Christopher Perez  
*Program Officer*

Dorothy Pflager  
*Executive Assistant*

Luther M. Ragin, Jr.  
*Vice President, Investments*

Angeline Rodriguez  
*Office Administrator*

John Seidl  
*Administrative Assistant*

Kathleen Starr  
*Investment Officer*

John Weiler  
*Senior Program Officer*

Francie Zimmerman  
*Consultant*

## STATEMENTS OF FINANCIAL POSITION

December 31, 2006 and 2005

<b>Assets</b>	<b>2006</b>	<b>2005</b>
Cash and cash equivalents	\$ 2,500,912	\$ 498,845
Traditional investments	238,664,076	220,201,187
Mission-related investments (see Note 1)	65,093,288	58,502,393
Other assets	435,234	467,068
Property and equipment, net	164,803	226,654
Total assets	<u>\$306,858,313</u>	<u>\$279,896,147</u>
<b>Liabilities and Net Assets</b>	<b>2006</b>	<b>2005</b>
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 152,838	\$ 101,526
Grants payable (see Note 2)	4,540,000	3,017,500
Deferred Federal excise tax payable	417,648	197,778
Total liabilities	5,110,486	3,316,804
<b>Unrestricted net assets</b>	301,747,827	276,579,343
Total liabilities and net assets	<u>\$306,858,313</u>	<u>\$279,896,147</u>

See accompanying notes to financial statements.

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. Five PRIs are limited partnership interests in community development venture funds and two are preferred stock in a regulated community development banks. The Foundation expects to hold all PRIs to maturity.

At December 31, 2006 and 2005, mission-related investments consisted of the following:

	<b>2006</b>		<b>2005</b>	
	<b>Fair or carrying value</b>	<b>Cost</b>	<b>Fair or carrying value</b>	<b>Cost</b>
Invested cash and cash equivalents	\$ 1,237,528	\$ 1,237,528	\$ 487,116	\$ 487,116
Insured deposits in low-income designated Credit Unions and Community Development Banks	5,800,000	5,800,000	5,000,000	5,000,000
Fixed-income securities	19,926,436	20,072,130	19,743,300	19,718,494
Common and preferred stock	11,681,563	10,193,999	10,221,087	10,013,091
Limited partnership interests	7,492,867	6,260,731	5,474,846	5,454,314
Program-related investments	18,954,894	18,954,894	17,576,044	17,576,044
	<u>\$ 65,093,288</u>	<u>\$ 62,519,282</u>	<u>\$ 58,502,393</u>	<u>\$ 58,249,059</u>

At December 31, 2006 and 2005, the Foundation had capital commitments of approximately \$4,752,000 and \$8,546,000, to mission-related limited partnerships.

## STATEMENTS OF ACTIVITIES

Years ended December 31, 2006 and 2005

<b>Net investment income:</b>	<b>2006</b>	<b>2005</b>
Interest and dividends	\$ 7,953,753	\$ 7,228,411
Investment expenses	(1,448,409)	(1,030,893)
Current Federal excise tax	(336,836)	(381,000)
Net investment income	<u>6,168,508</u>	<u>\$ 5,879,518</u>
<b>Expenses:</b>	<b>2006</b>	<b>2005</b>
Program services:		
Grants (see Note 2)	10,623,610	\$ 11,960,523
Program expenses	1,941,194	1,720,057
Total program services	12,564,804	13,680,580
Administrative expenses	444,427	472,710
Total expenses	13,009,231	14,153,290
Appreciation in fair value of investments, net of deferred Federal excise tax	32,009,207	14,723,415
Change in net assets	25,168,484	6,449,643
Net assets at beginning of year	276,579,343	270,129,700
Net assets at end of year	<u>\$301,747,827</u>	<u>\$276,579,343</u>

See accompanying notes to financial statements.

## NOTE 2. GRANTS PAYABLE

The following summarizes changes in grants payable as of December 31, 2006 and 2005:

	<b>2006</b>	<b>2005</b>
Balance at beginning of year	\$ 3,017,500	\$ 2,715,000
Additions:		
Grants authorized	10,623,610	11,960,523
Deductions:		
Grants paid	(9,101,110)	(11,658,023)
Balance at end of year	<u>\$ 4,540,000</u>	<u>\$ 3,017,500</u>



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