

THE F.B. HERON FOUNDATION

2007 Annual Report

HELPING PEOPLE AND COMMUNITIES TO HELP THEMSELVES

CONTENTS

Letter from the President	1	Access to Capital	
Program Guidelines	3	Grants	21
Application Procedure		Program-Related Investments	23
and Review Process	6	Market-Rate Insured Deposits	24
Home Ownership		Comprehensive Community	
Grants	7	Development	
Program-Related Investments	9	Grants	25
Fixed-Income Securities	10	Program-Related Investments	29
Market-Rate Private Equity	10	Fixed-Income Securities	29
Enterprise Development		Market-Rate Private Equity	30
Grants	11	Non-Portfolio Grants	30
Program-Related Investments	12	Financial Statements	
Fixed-Income Securities	13	Statements of Financial Position	31
Market-Rate Private Equity	13	Statements of Activities	32
Child Care		Index of Organizations	33
Grants	14	Board of Directors/Officers	
Program-Related Investments	14	and Staff	35
Mission-Related Investment Impact			
Across The Portfolio	15		
Mission-Related Investing	19		
Programs At-A-Glance	20		

A LETTER FROM THE PRESIDENT

At the F.B. Heron Foundation, our mission-related investing continues apace. As of 12/31/2007, the Foundation had 26% of its endowment invested for mission (30% including grants). In grantmaking, core support comprises 65% of grants approved.

This year, I would like to take this opportunity to tell the readers about a set of significant program changes approved by the F.B. Heron Foundation's Board of Directors in March 2008, including what is changing and what is not; and why and how we are making these shifts. While these changes have already been communicated to organizations directly affected, we thought it might be helpful to provide an explanation to a wider audience. *For more detail on our program review process, content and findings, please see www.heronfdn.org*

WHY NOW?

Since its creation in 1992, the F.B. Heron Foundation has maintained its mission of **helping people and communities to help themselves**. Over the past 16 years, our programs have evolved to focus on wealth-creation opportunities as a means of helping families take control over their lives and make decisions for themselves.

Much has changed in the world since we got started. A partial list of issues barely on the radar screen in 1992 includes: globalization; dynamic patterns of immigration; access to health care; new technology and telecommunications; gentrification with attendant displacement; climate change; escalating energy costs; churning in the financial

services sector; predatory lending; and recent record foreclosure rates.

We felt it was time to take a step back to ensure that our grantmaking and investment strategies capture current realities and are forward thinking. During the past year, with guidance from the Board, the Foundation conducted a program review, resulting in the changes outlined below. The decision to consolidate some program areas and expand others was vetted thoroughly by the Foundation's Board. It continues our efforts to focus with prior programmatic and geographic consolidations in 2000 and 2004.

WHAT IS CHANGING AND WHY?

In brief, the Foundation will be:

Consolidating geographic areas from 12 to six. For a mid-size foundation working nationally without field staff, we concluded that working in 12 areas meant we were simply spread too thin. We examined a number of external data and internal lessons learned. *[More detail on "lessons learned" is available on our website.]* The key question we asked as we assessed the regions was: Are there opportunities where Heron's core support grantmaking and mission-related investing might help to accelerate efforts underway to create and preserve wealth for low-income families?

To be clear, we do not intend to design and impose initiatives on the geographic areas in which we will be working. Nor will we limit our mission-related investment activity to these areas. We do hope that by working in fewer areas we might: deepen our understanding of communities; develop closer

relationships within the private, nonprofit and public sectors; mine opportunities to advance market-rate investments that support mission; support research and policy opportunities that advance our wealth-creation programs; and accelerate efforts to improve, demonstrate and communicate impact. We do not think that six is a "magic number," but a number that makes sense for this Foundation at this time.

Emphasizing wealth preservation in addition to wealth creation. While we have for a number of years supported wealth-preservation strategies—including anti-predatory lending efforts—the foreclosure crisis and turmoil in the credit markets have intensified the need to focus on preservation to protect the wealth gains of low-income families.

Supporting research and policy efforts that advance our core program areas. We have also supported research and policy along the way, including organizations that engage in policy development and receive core support from Heron. Going forward, we aim to identify and support research and policy efforts that support our core wealth-creation efforts in a more strategic, deliberate manner. We are mindful of the challenges of successful policy grantmaking, including its long-term nature.

Integrating sustainable development practices within wealth-creation strategies. In order for people to create and preserve wealth, their activities need to be supportive of the long-term health of the community. The Foundation will support practices and policies that integrate environmental and

energy sustainability with opportunities for individual wealth creation and preservation.

Increasing our activities to encourage best practices in philanthropy, including mission-related investing and core support grantmaking. As previously mentioned, the Foundation had 26% of its endowment invested for mission—30% including grants (as of 12/31/2007). Core grantmaking support comprises 65% of our total grant-making budget. We have also developed customer service metrics and systems, and tools for assessing impact. We think we have learned some valuable lessons and hope to work with colleague funders to expand these practices.

Phasing out support for accredited child care programs. We continue to recognize the importance of nationally accredited, quality child care as a means of helping people to participate in the economy. We have been privileged to work with some high quality organizations in this space. And yet, as our approach of blending grants and investments to support our mission and programs evolved, we found limited opportunities to support accredited child care programs focusing on children from low-income families and working at scale.

A new set of Program Guidelines reflecting these changes is included within this annual report and is available on our website.

WHAT IS NOT CHANGING?

What is not changing is our mission: **Helping people and communities to help themselves.** We are also maintaining our wealth-creation and preservation program areas as a means to help people take control over their lives, and make decisions for themselves and their families through **home ownership, enterprise development, and access to capital.**

What is not changing is our resolve to deploy the Foundation's resources as effectively as possible to advance positive impacts on the lives of people in the communities we care about. The Heron Foundation's Board adopted an explicit set of core values—principles to continue to guide Heron's work. The hallmarks of these values are: providing **core support** to organizations that can **demonstrate impact; making invest-**

ments to advance the Foundation's mission; and emphasizing **customer service** by being responsive through courteous, timely, respectful, and clear communications.

We will also continue to fund community-based organizations, and the regional and national organizations that expand effective practices and promote practice-based policies.

As we move forward, what has not and 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. We are privileged to have the opportunity to work with so many talented and committed leaders.

HOW DID WE DECIDE ON THESE CHANGES?

To inform our thinking, the Foundation invited all of our current grantee and investee customers, in addition to outside experts, to provide feedback and recommendations. We are very grateful to the Heron customer experts—grantees and investees—and to the outside experts for taking the time to share your insights on how we can improve our work. *More detailed feedback and several papers we commissioned are available on our website.*

Using all of the above input and our own experience, Heron Board and staff engaged in detailed analyses of each program area, key funding priorities, and the geographic areas in which the Foundation is working. Based on these analyses, the Board approved some exciting new directions for the Foundation but also made the difficult choices to phase out funding in child care and to consolidate the geographic areas in which we work.

Unfortunately, this means that some of the organizations currently funded by Heron no longer correspond to the Foundation's core program or geographic areas going forward. This shift in no way reflects a judgment on the value and impact of those organizations. Rather, it reflects the recognition that additional focus might help the Heron Foundation to deploy its resources more effectively. The decision followed months of deliberations with the Board and staff,

although I suspect this is likely of little comfort to the many organizations that will no longer be eligible for support.

In all cases, the Foundation has attempted to provide clear and timely notice of the changes directly to the affected organizations. We deeply appreciate the work of the many outstanding organizations, some of whom have been our partners for many years. As we communicated to these organizations, it is our plan to support transition grants to each of the organizations that are no longer a match with our guidelines.

EXPRESSIONS OF GRATITUDE


I thank the Foundation's Board of Directors, especially our immediate past chairman, Bill Dietel, and our current chairman, Buzz Schmidt, for their guidance and support. During this period of change, they have consistently challenged the staff to make sure that the interests of the ultimate beneficiaries of the Foundation's work were foremost in our minds. The Board cautioned us to be respectful when exiting relationships with existing organizations that are no longer a fit with the Foundation's program areas.

I also want to thank and acknowledge the outstanding leadership of Mary Jo Mullan and John Weiler on Heron's staff. They designed and led us through the inclusive process I've described.

Our deepest gratitude goes to the Foundation's partners—our grantees and investees—who do the real work, building wealth-creation and preservation opportunities for working families and communities. They work with extraordinary creativity and nimbleness to advance their mission in an increasingly fragile, dynamic environment.

I welcome any comments you may have.

Sincerely,


Sharon B. King

PROGRAM GUIDELINES

I. MISSION

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

The Foundation's approach is to **help low-income people create and preserve wealth as a means of taking control of their lives and making decisions for themselves, their families, and their communities.** The Foundation aims to improve and expand on effective wealth-creation strategies, support new and innovative approaches to wealth creation, and engage philanthropy and other institutions in mission-related investing, core support grantmaking, and strategies to improve and demonstrate impact. Further, the Foundation aims to achieve a high standard of customer services in all of its operations.

II. WHAT WE FUND: SUMMARY OF KEY STRATEGIES

The Foundation makes grants to and investments in entities that are engaged in one or more of the following wealth-creation strategies—including emerging opportunities to incorporate sustainable practices within the context of healthy environments—that benefit low- and moderate-income families and communities. The specific wealth-creation and preservation strategies are:

- ▶ Advancing **home ownership** including: financing and development or rehab of homes; self-help housing; mortgage counseling and provision; foreclosure prevention; energy-efficient structures and policies.

- ▶ Supporting **enterprise development** including: financing and technical assistance for small business development; entrepreneurial networks; worker-owned cooperatives; commercial real estate development.
- ▶ Increasing **access to capital** and preserving assets including: financial products, services and education; savings programs; preventing predatory or unfair lending practices.

The Foundation will also support research and policy efforts that advance these wealth-creation strategies.

For more detail on the rationales behind these strategies and specific funding interests, please see “Additional Information on the Strategies We Fund” section, below.

The Foundation also makes grants and investments, and commits other Foundation resources, to efforts that:

- ▶ **Encourage effective practices in philanthropy**, specifically to expand social impact through mission-related investing, as well as to promote core support funding, practical means of assessing impact, and high quality customer service to our partner grantees and investees.
- ▶ Develop systems and approaches for **reliable, credible data, research and technology systems** that inform and expand practice and policy in wealth creation.
- ▶ Provide **financial or technical assistance** to community-based development organizations or coordinate **practitioner networks** to exchange lessons learned.

III. WHERE WE FUND

Geographic Focus

The Foundation believes in the value of close connections to communities as a means of learning from experts who are working directly with individuals and families within neighborhoods. We hope that geographic focus can enable us to form closer bonds to nonprofit, government, and for-profit partners, and to better understand the challenges and opportunities for creating and preserving wealth in a range of economic conditions for low-income working families. We aim to use community-based experiences to inform and improve our grantmaking and mission-related investing, and to share these lessons with a wider audience of other practitioners, funders, policymakers, and advocates.

With limited resources, Heron concentrates its funding in specific locations because there are significant wealth-creation activities underway and the Foundation's resources and involvement have the potential to accelerate positive change in the low-income communities within these areas. The geographic areas where Heron currently funds are:

- ▶ Appalachia
- ▶ Michigan
- ▶ Mid-South Delta
- ▶ New York City
- ▶ Texas

South Africa

In 2007, the Foundation began an exploratory grantmaking program in South Africa for several reasons: to learn more about supporting wealth creation and

preservation for low-income people in an increasingly globalized economy; to exchange lessons learned in South Africa and the U.S.; and to build on the significant leverage potential of South Africa for sub-Saharan Africa. At this time, the Foundation is not accepting unsolicited grant proposals to support work in South Africa.

National and Regional Strategic Partners

Beyond the specific geographic areas noted above, the Foundation supports organizations that it considers to be key strategic partners. These organizations have a national or regional focus, and advance wealth-creation and preservation solutions that have broad application. The Foundation supports organizations led by well-recognized or emerging thought leaders in the wealth-creation field who are:

- ▶ Developing and testing innovative wealth-creation and preservation approaches
- ▶ Significantly expanding the use of effective strategies
- ▶ Improving policy at the local, state or national level to increase, support, or preserve wealth in low-income communities.

Note: The Foundation's mission-related investments are **not** restricted geographically.

IV. HOW WE FUND

The F.B. Heron Foundation seeks to allocate capital to effective change agents within our fields of interest, including deploying its endowment to advance the mission.

Mission-Related Investing

With the aim of expanding social impact, while achieving strong financial returns, the Foundation makes mission-related investments including:

- ▶ **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, targeted fixed-income securities, positively

screened public equity, and private equity offering a risk-adjusted market rate of return with substantial social benefits to low-income families and communities.

Core Support Grantmaking

Organizations with whom the Foundation works consistently indicate that **core support** (i.e., general or operating 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 below (See *Types of Organizations Supported*), the Foundation prefers to make core support grants. When circumstances warrant, the Foundation will also consider supporting specific programs or projects.

Assessing Impact

The Foundation considers an organization's ability to **improve and demonstrate its impact** on the lives of low-income people and communities to be of paramount importance. The Foundation also views impact assessment as a hallmark of an 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 track results.

V. ADDITIONAL INFORMATION ON THE STRATEGIES WE FUND



Home Ownership

For many American families owning a home is a key aspiration.

A family's home provides a stable place to live, raise children, and participate in a community. Often a home is a family's primary asset and serves as a base upon which to build additional assets. Communities with a high percentage of owner-occupied homes are generally safer, economically stronger, and characterized by a more engaged citizenry. Unfortunately, the American dream of homeownership is in peril for many low- and moderate-income families, owing to the dramatic increase in housing costs and mortgage payments.

Conversely, the sub-prime mortgage crisis and rising foreclosure rate disproportionately affect low-income and minority homeowners, threatening the value of the homes and the quality of the neighborhoods.

To take advantage of the positive outcomes that accrue from home ownership and to mitigate the negative impact of foreclosures, the Foundation will consider support for organizations working to increase and preserve affordable home ownership in low-income urban and rural communities. The Foundation considers support for organizations that:

- ▶ Develop and/or finance new or rehabilitated owner-occupied homes, including self-help housing
- ▶ Provide people with affordable mortgages and/or provide pre- and post-mortgage counseling to first-time home buyers
- ▶ Preserve wealth by preventing foreclosures due to predatory mortgages and other predatory practices
- ▶ Demonstrate innovative approaches to home ownership that enhance and sustain wealth-building opportunities for low-income homeowners (e.g. energy efficient structures and policies).



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 supports enterprise development efforts that benefit many community members, or that are part of a comprehensive community development strategy. The Foundation considers support for organizations that:

- ▶ Provide technical assistance and financing for small businesses
- ▶ Build networks and markets for entrepreneurs in distressed rural and urban communities
- ▶ Strengthen worker-owned enterprises and cooperatives
- ▶ Foster commercial real estate development.

Please note that the Foundation does **not** support microenterprise development as a stand-alone strategy.



Access to Capital

Sustained access to capital is critical for individuals, families, and communities to create and preserve wealth, build assets, and achieve prosperity. But many low-income people and communities have been flooded with opportunities to access credit in various forms with excessive terms. Consumer debt has tripled in the past decade.

The Foundation supports financial services and products that enable low-income people to improve their personal balance sheets, increase their economic stability, and avoid wealth-depleting transactions. The Foundation will consider support for organizations that:

- ▶ Provide financial services to low-income people, particularly in underserved or unbanked communities
- ▶ Offer effective financial literacy and education programs
- ▶ Help low-income people build savings
- ▶ Combat predatory lending through research, policy and advocacy efforts.

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

People With Disabilities

The Foundation recognizes that the particular challenges faced by people with disabilities can inhibit the pursuit of 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 demonstrably incorporate people with disabilities as beneficiaries of the wealth-creation strategies on which the Foundation is focused.

Encouraging Effective Practices in Philanthropy

The Heron Foundation seeks to actively encourage other foundations, institutional investors, and other funders to join us in two areas of Heron Foundation practice: mission-related investing (MRI) and core support (general operating support). The Foundation will consider support for efforts that:

- ▶ Educate, catalyze and encourage others to undertake promising MRI and core support grantmaking strategies
- ▶ Develop products that promote MRI and facilitate specific MRI deals
- ▶ Disseminate lessons learned and case examples for both MRI and core support grantmaking.

The Foundation expects to work closely with our colleagues in the nonprofit and for-profit capital markets to direct more resources to these promising strategies.

Supporting Activities for Practice-Based Approaches

The Foundation recognizes that much can be accomplished at the community level. However, local experts often benefit from opportunities to learn from other practitioners and to take advantage of national expertise. Specific to wealth creation and preservation, the Foundation will also consider grants to organizations that:

- ▶ Provide financial or technical assistance, or organize practitioner networks or associations that assist community development organizations in building management and program capacity, particularly for assessing impact
- ▶ Encourage development and opportunities for emerging community leaders
- ▶ Work on wealth-creation policy and applied research that complement the direct-service efforts to accelerate wealth creation.

VI. TYPES OF ORGANIZATIONS WE SUPPORT

In our grantmaking and mission-related investing, we support well-managed, “best-in-class” entities that improve and demonstrate their social impact applying practice-based, meaningful methods of assessing impact. The Foundation gives priority to organizations that meet the following criteria:

- ▶ Advance the mission of helping people and communities to help themselves using the specific wealth-creation strategies supported by the Foundation
- ▶ Demonstrate a commitment to accountability, including improving and demonstrating the tangible and lasting impact of their efforts

- ▶ Regularly set objectives and demonstrate progress in achieving those objectives that advance their mission
- ▶ Have program and management resources in place to achieve objectives, and demonstrate consistent high performance in terms of actual outputs, outcomes and impact
- ▶ Demonstrate leadership in their field or market area
- ▶ Have staff and board leadership that reflect the communities served
- ▶ Regularly assess performance with the organization’s governance board and use this process to make improvements
- ▶ Demonstrate fiscal integrity, including the performance of annual independent audits
- ▶ Receive funding from other private funders or investors.

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

Total Assets as of 12/31/07: \$317 million

Mission-Related Investments as of 12/31/07:

Total PRIs: \$18.8 million
Other MRIs: \$64.9 million
Total MRIs: \$83.8 million

Grantmaking in 2007:

Number of grantees: 156
Total grants paid: \$10.8 million
Grants for General Support: 65%

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

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 request 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 in alignment with the Foundations, programs 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

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 placement 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.

**Greater Minnesota Housing Fund (GMHF)**

Children of first-time homebuyers in Cambridge, MN enjoy the tot lot in front of their affordable town home developed by MetroPlains Development. A general support grant from Heron helped GMHF support the creation of affordable homes in this model mixed-income, mixed-use neighborhood.

Photographer: Aaron Holmberg

**GRANTS****AAFE Community Development Fund, Inc.**

www.aafe.org

New York, NY \$50,000
General support for affordable home ownership, counseling, mortgage assistance, and development. *Second payment of a two-year \$100,000 grant approved in 2006.*

ACORN Institute Inc.

www.ACORNinstitute.org

Washington, DC \$50,000
Project support for the campaign to Rescue Subprime Borrowers Facing Foreclosure.

Affordable Housing Corporation of Lake County

www.ahclc.org

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

Bridge Housing Corporation

www.bridgehousing.com

San Francisco, CA \$60,000
Project support for the Homeownership Initiative which entails housing development, mortgage assistance, education, and counseling for low- and moderate-income people. *First payment of a two-year \$120,000 grant approved in 2007.*

Cabrillo Economic Development Corporation

www.cabrilloedc.org

Ventura, CA \$75,000
General support to develop affordable homes and increase home ownership for low- and moderate-income people. *First payment of a two-year \$150,000 grant approved in 2007.*

Community HousingWorks

www.chworks.org

San Diego, CA \$45,000
Project support for the Homeownership Center which assists low- and moderate-income people to achieve and maintain home ownership. *Second payment of a two-year \$90,000 grant approved in 2006.*

\$10,000
One-time supplemental grant to respond to needs resulting from the 2007 California wildfires.

DHIC, Inc.

www.dhic.org

Raleigh, NC \$35,000
General support to build and develop high quality, affordable housing in the Research Triangle region of North Carolina. *First payment of a two-year \$70,000 grant approved in 2007.*

DuPage Homeownership Center, Inc.

www.dhoc.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. *Second 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. *First payment of a two-year \$50,000 grant approved in 2007.*

Energy Programs Consortium

www.energyprograms.org

Washington, DC \$40,000
Project support for the development of a low-income, energy-efficient mortgage product and to assist in developing a non-profit, brokerage delivery system.

Enterprise Community Partners, Inc.

www.enterprisecommunity.org

Columbia, MD \$50,000
To support efforts to increase home-ownership opportunities on Native American reservations in the West.

Federation of Appalachian Housing Enterprises, Inc.

www.fahe.org

Berea, KY \$100,000
General support for the construction and rehabilitation of quality housing and affordable mortgage financing for low-income Appalachian families. *First payment of a two-year \$200,000 grant approved in 2007.*

Genesis Housing Development Corporation

www.geneshidc.org

Chicago, IL \$25,000
General support for the development of affordable housing for sale in the Bronzeville area of Chicago.

Greater Minnesota Housing Fund

www.gmhfc.com

St. Paul, MN \$100,000
General support to advance home-ownership opportunities in low-income Minnesota communities. *First payment of a two-year \$200,000 grant approved in 2007.*

Gulf Coast Housing Partnership

www.gchp.net

New Orleans, LA \$75,000
General support for affordable housing, including home ownership, in the Gulf Coast region. *First payment of a two-year \$150,000 grant approved in 2007.*

Home Ownership Made Easy

www.homechoices.org

Culver City, CA \$50,000
General support for home ownership for people with disabilities. *First payment of a two-year \$100,000 grant approved in 2007.*

**Metropolitan Planning Council (MPC)**

MPC works with employers like St. James Hospital and Health Centers to help make home ownership affordable for urban workers who want to live near their workplace. This St. James' patient-care coordinator was able to buy her first home located within a few miles of where she works. Heron provided a grant to MPC to spread the employer-assisted housing strategy to a national level.

**Housing Assistance Council**

www.ruralhome.org

Washington, DC \$125,000
General support for technical assistance and financing for rural home-ownership programs in low-income communities. First payment of a two-year \$250,000 grant approved in 2007.

Housing Partnership Development Corporation

www.housingpartnership.com

New York, NY \$40,000
General support for home-ownership development for low- and moderate-income New Yorkers.

Housing Partnership Network

www.housingpartnership.net

Boston, MA \$75,000
General support to build affordable homes, better futures, and vibrant communities for low- and moderate-income people through partnerships with member organizations, the business sector, government, and philanthropies. First payment of a two-year \$150,000 grant approved in 2007.

Illinois Facilities Fund

www.iff.org

Chicago, IL \$75,000
General support for a home-ownership initiative. First payment of a two-year \$150,000 grant approved in 2007.

Lake County Sponsors

www.lakecountyunited.org

Libertyville, IL \$50,000
General support for organizing efforts to increase affordable home ownership in the Chicago region. Second payment of a two-year \$100,000 grant approved in 2006.

Latin United Community Housing Association

www.lucha.org

Chicago, IL \$50,000
General support for counseling, training, loans, and home repairs for neighborhood residents to enable them to become or remain homeowners. Second payment of a two-year \$100,000 grant approved in 2006.

Lee County Community Development Corporation, Inc.

Marianna, AR \$8,500
For preparation of an independent financial audit.

Local Initiatives Support Corporation

www.liscnet.org/mid_south

Greenville, MS \$75,000
Project support for Mid South Delta LISC's work with local community development organizations to develop their capacity to revitalize their communities with a focus on affordable home ownership. First payment of a two-year \$150,000 grant approved in 2007.

Manna, Inc.

www.mannadc.org

Washington, DC \$75,000
General support to create home-ownership opportunities for low-income families in Washington, DC.

McAllen Affordable Homes, Inc.

www.mcallenaffordablehomes.com

McAllen, TX \$75,000
General support for creating affordable home-ownership opportunities in the city of McAllen and Hidalgo County, Texas. First payment of a two-year \$150,000 grant approved in 2007.

Metropolitan Planning Council

www.metroplanning.org

Chicago, IL \$100,000
Project support for efforts to accelerate the creation of municipal workforce housing collaborations in Illinois and to test a national technical assistance program to promote employer-assisted housing.

National American Indian Housing Council

www.naihc.net

Washington, DC \$75,000
General support to promote home ownership in Indian Country.

Neighborhood Housing Services of Chicago, Inc.

www.nhschicago.org

Chicago, IL \$125,000
General support for counseling, training, and loans for home ownership and foreclosure prevention for low-income residents. First payment of a two-year \$250,000 grant approved in 2007.

Neighborhood Housing Services of New York City, Inc.

www.nhsnyc.org

New York, NY \$125,000
General support to assist low-income people to achieve and maintain home ownership. First payment of a two-year \$250,000 grant approved in 2007.

Neighborhood Housing Services of San Antonio

www.NHSofSA.org

San Antonio, TX \$30,000
General support to provide home-ownership opportunities, including housing rehabilitation, for very low- to moderate-income families and people with disabilities in the city of San Antonio and Bexar County, Texas. First payment of a two-year \$60,000 grant approved in 2007.



University of Southern Mississippi (USM)

These students in a homebuyer education class at the USM's Institute for Disability Studies are studying the steps for purchasing a home. A grant from Heron supports the Home Of Your Own program that assists people with disabilities to own and maintain their homes.

Photographer: Jeffrey Smith



Peoples' Self-Help Housing Corporation

www.pshhc.org

San Luis Obispo, CA \$60,000
General support to develop home-ownership opportunities for low-income people. *First payment of a two-year \$120,000 grant approved in 2007.*

Proyecto Azteca

San Juan, TX \$50,000
General support for self-help housing construction in the Rio Grande Valley of Texas. *Second payment of a two-year \$100,000 grant approved in 2005.*

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. *Second payment of a two-year \$100,000 grant approved in 2006.*

Saint Joseph's Carpenter Society

www.sjcs Camden.org

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

San Antonio Alternative Housing Corporation

www.saahc.org

San Antonio, TX \$25,000
General support to create home-ownership opportunities in low- and middle-income communities with special emphasis on Bexar and Travis Counties, Texas.

Self-Help Enterprises

www.selfhelpenterprises.org

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

United Cerebral Palsy Association of Texas, Inc.

www.ucptexas.org

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

University of Southern Mississippi

www.ids.usm.edu

Hattiesburg, MS \$50,000
Project support for the Home of Your Own Program of the Institute for Disability Studies which assists people with disabilities to become homeowners. *First payment of a two-year \$100,000 grant approved in 2007.*

Visionary Home Builders of California, Inc.

www.visionaryhomebuilders.org

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

PROGRAM-RELATED INVESTMENTS

Affordable Housing Resources, Inc.

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

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

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

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

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 county. *\$750,000 6-year senior loan approved in 2003.*

Manna, Inc.

www.mannadc.org

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

**McAllen Affordable Homes, Inc.**www.mcallenaffordablehomes.com

McAllen, TX \$500,000

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

New York City Acquisition Fund, LLCwww.nycacquisitionfund.com

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 Enterpriseswww.selfhelpenterprises.org

Visalia, CA \$500,000

Senior loan to finance pre-development and the construction of self-help homes. \$500,000 6-year senior loan approved in 2004.

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.

California Homebuyers Fund

Single-Family Mortgage Revenue Bonds

Series 2007 E-T

Rating: Aaa

To finance second-mortgage loans to borrowers with incomes at or below 120% of median family income with over half with incomes at 90% or below in specific counties in California.

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.

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.

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

Fannie Mae Pool 9010416A

Rating: AAA

Freddie Mac Pool A13278

Rating: AAA

Freddie Mac Pool A19761

Rating: AAA

Freddie Mac Pool A60750

Rating: AAA

Freddie Mac Pool C76858F

Rating: AAA

Freddie Mac Pool C74732

Rating: AAA

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.

Idaho Housing and Finance Association

Single-Family Mortgage Bonds,

2007 Series K

Rating: Aaa

To finance the purchase of single-family, owner-occupied housing for low-income persons within the State of Idaho.

Michigan State**Housing Development Authority**

Single-Family Mortgage Revenue Bonds

2007 Series C

Rating: Aa+

To finance Down Payment Assistance Loans for low- and moderate-income households.

Nebraska Investment Finance Authority

Single-Family Revenue Bonds

Series 2007 K

Rating: AAA

To finance mortgage loans for the purchase or improvement of homes by low- and moderate-income people.

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.

Urban Residential Finance Authority of the City of Atlanta, Georgia

Taxable Revenue Bonds

(Housing Opportunity Program)

Series 2007A

Rating: Aaa

To finance 3,000 units of new affordable workforce housing for municipal, health care, and service industry workers in the City of Atlanta.

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.

MARKET-RATE PRIVATE EQUITY**Genesis Workforce Housing Fund, LLC**www.phoenixrg.com

Los Angeles, CA

\$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.



Rural Advancement Foundation International – USA (RAFI)

RAFI's Tobacco Communities Reinvestment Program helps farm families transition from tobacco dependence. One Jones County family has brought profitability back to their farm that has been in the family since 1835. They market organic produce from this roadside stand and to area restaurants and distributors. Heron has provided grant support to RAFI since 2004.

Photographer: Rebecca Scott



GRANTS

alt.Consulting

www.altconsulting.org

Pine Bluff, AR \$60,000
General support to provide assistance in small business development to entrepreneurs and communities in the Delta. *Second payment of a two-year \$120,000 grant approved in 2006.*

Appalachian Center for Economic Networks, Inc.

www.acenetworks.org

Athens, OH \$60,000
General support to expand opportunities for business ownership and employment through network- and sector-based strategies. *Second payment of a two-year \$140,000 grant approved in 2006.*

Corporation for Enterprise Development

www.cfed.org

Washington, DC \$175,000
General support to promote enterprise development and asset-building in low-income communities and project support for the evaluation of a manufactured housing program. *First payment of a two-year \$300,000 grant approved in 2007.*

Great Neighborhoods Development Corporation

www.aindc.com

Minneapolis, MN \$30,000
General support to promote economic development through commercial real estate development in distressed Minneapolis neighborhoods. *First payment of a two-year \$60,000 grant approved in 2007.*

Initiative for a Competitive Inner City, Inc.

www.icic.org

Boston, MA \$75,000
Project support for Inner City Capital Connections' events and research activities that bring venture capital to companies located in inner core urban neighborhoods.

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

www.kent.edu/oeoc

Kent, OH \$75,000
General support of the Ohio Employee Ownership Center to provide outreach, information, and technical assistance to employees and business owners on employee ownership. *First payment of a two-year \$150,000 grant approved in 2007.*

Loyola University

www.marketumbrella.org

New Orleans, LA \$75,000
General support to Marketumbrella.org to initiate and promote ecologically sound economic development for small-scale farmers and producers. *First payment of a two-year \$150,000 grant approved in 2007.*

Neighborhood Development Center, Inc.

www.ndc-mn.org

St. Paul, MN \$75,000
General support to provide training, working capital, and incubator facilities to entrepreneurs and commercial real estate development in the inner core neighborhoods of Saint Paul and Minneapolis. *First payment of a two-year \$150,000 grant approved in 2007.*

New York Industrial Retention Network

www.nyirn.org

New York, NY \$40,000
General support to assist manufacturing firms employing entry-level workers and/or located in lower-income communities in New York City.

Paraprofessional Healthcare Institute, Inc.

www.PHInational.org

Bronx, NY \$125,000
General support to expand and strengthen worker-owned enterprises in the home health care industry. *Second payment of a two-year \$250,000 grant approved in 2006.*

PeopleFund

www.peoplefund.org

Austin, TX \$50,000
General support for commercial enterprise development in East and South Austin. *Second payment of a two-year \$100,000 grant approved in 2006.*

The Progress Fund

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 southeastern Ohio. *Second payment of a two-year \$90,000 grant approved in 2006.*

Rural Advancement Foundation International – USA

www.rafiusa.org

Pittsboro, NC \$50,000
General support to help North Carolina's farmers preserve and improve the earning power of their farms. *First payment of a two-year \$100,000 grant approved in 2007.*

Shorebank Enterprise Detroit

Detroit, MI

\$50,000
General support to provide financing and technical assistance to small businesses in Detroit.

Shorebank Enterprise Group Pacific

www.sbpac.com

Ilwaco, WA \$100,000
General support to provide financing and technical assistance for small business development in low-income communities of the Pacific Northwest. *Second payment of a two-year \$200,000 grant approved in 2006.*

Valley Economic Development Center, Inc.

www.vedc.org

Van Nuys, CA \$75,000
General support for technical assistance, financing, and training programs for small businesses and entrepreneurs. *Second payment of a two-year \$150,000 grant approved in 2006.*



Jacobs Center for Neighborhood Innovation

Heron made a program-related investment in the development of Market Creek Plaza to revitalize this San Diego neighborhood. This investment enables local and national businesses at the Plaza to bring important goods and services to the community and supports business training for residents. A portion of the project is owned by local residents.



PROGRAM-RELATED INVESTMENTS

Adena Ventures, LP

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.org

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, CA. \$300,000 7-year senior loan approved in 2000.

East Bay Asian Local Development Corporation

www.ebaldc.org

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, CA. \$100,000 6-year senior loan approved in 2000.

Enterprise Corporation of the Delta

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

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

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

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.

Pacific Community Ventures Investment Partners III, LLC

www.pacificcommunityventures.org

San Francisco, CA \$500,000
Non-managing member interest in a community-development venture capital fund to promote economic development in disadvantaged communities in California.

Penn Venture Partners, LP

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

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

The Reinvestment Fund, Inc.

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

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

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, LP

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

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.

**Pacific Community Ventures (PCV)**

Heron has made a program-related equity investment in PCV which develops and invests in companies in low-income communities in California. Workers at this PCV-portfolio company participated in PCV's financial literacy workshops, which were delivered to them on the job.

**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

ADFA 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: A

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

City of Little Rock, Arkansas

Taxable Industrial Development

Revenue Bonds

Rating: A

To acquire, construct and equip a manufacturing facility located in the Pulaski, AR Empowerment Zone creating 300 new jobs.

City of Minneapolis, Minnesota

Taxable Limited Tax Supported Development

Revenue Bonds

Series 2007-2B

Rating: A+

To acquire, renovate and equip a manufacturing facility in the Minneapolis, MN Empowerment Zone.

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.

Eastern Iowa Community College (Merged Area IX), State of Iowa

Taxable Industrial New Jobs Training

Certificates

Series 2007-1A

Rating: Aaa

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

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.

Mississippi Development Bank

Taxable Special Obligation Bonds,

Series 2007

Rating: AAA

To finance the acquisition and improvements to property to be used for a regional economic development alliance project with Toyota Motor Corporation employing 2,000 production workers.

United States Small Business Administration Pools #507190 and #507841

Rating: AAA

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

MARKET-RATE PRIVATE EQUITY**Bay Area Equity Fund I, LP**

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 in, 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, LP

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

Yucaipa Corporate Initiatives Fund II, LP

Los Angeles, CA

\$7,500,000

Commitment to two private equity funds established to invest in corporate partnerships that relocate to or expand their operations in underserved rural and urban communities throughout the United States.

**Low Income Investment Fund (LIIF)**

LIIF has received a Heron program-related investment and grants since 1993 to promote economic advancement and self-sufficiency for the very poor by leading private-sector capital into low-income neighborhoods. With help from LIIF, this child-care center received a \$400,000 construction loan and a \$20,000 planning grant which enables the center to provide quality and affordable child care.

**GRANTS****Associated Early Care and Education, Inc.**

www.associatedearlycareandeducation.org
Boston, MA \$75,000
General support to expand the number of nationally accredited child care programs serving low-income children in the metropolitan Boston area. *Second payment of a two-year \$150,000 grant approved in 2006.*

Child Care Services Association

www.childcareservices.org
Chapel Hill, NC \$50,000
General support for technical assistance to help child care homes and centers in North Carolina achieve national accreditation. *First payment of a two-year \$100,000 grant approved in 2007.*

Down East Partnership for Children

www.depc.org
Rocky Mount, NC \$50,000
General support to provide child care scholarships to low-income parents who work or attend school in Nash and Edgecombe Counties and to assist local child care centers and family homes achieve accreditation. *First payment of a two-year \$100,000 grant approved in 2007.*

Easter Seals, Inc.

www.easter-seals.org
Chicago, IL \$100,000
Project support for the Easter Seals Child Development Network to promote inclusionary child care services and national accreditation among its affiliates across the country. *First payment of a two-year \$200,000 grant approved in 2007.*

Educational Enrichment Systems, Inc.

www.educ-enrichment.org
San Diego, CA \$35,000
General support for early care and educational programs for children from low-income families.
\$5,000
One-time supplemental grant to respond to needs resulting from the 2007 California wildfires.

The Family Conservancy

www.thefamilyconservancy.org
Kansas City, KS \$125,000
To help community-based child care centers in Kansas City achieve nationally accredited quality care. *First payment of a two-year \$250,000 grant approved in 2007.*

First Childrens Finance

www.firstchildrensfinance.org
Minneapolis, MN \$30,000
General support to build the business infrastructure of quality child care programs through lending, technical assistance, and equity investments. *First payment of a two-year \$60,000 grant approved in 2007.*

Friends of the Children of Mississippi, Inc.

Jackson, MS \$50,000
General support to expand quality and nationally accredited childcare in the Delta.

Kidango, Inc.

www.kidango.org
Fremont, CA \$60,000
General support for early care and education programs for children from low-income families. *Second payment of a two-year \$120,000 grant approved in 2006.*

National Association for the Education of Young Children

www.naeyc.org
Washington, DC \$75,000
Project support to revise accreditation standards. *First payment of a two-year \$150,000 grant approved in 2007.*

The Sheltering Arms

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. *Second payment of a two-year \$200,000 grant approved in 2006.*

United Way of New York City

www.unitedwaynyc.org
New York, NY \$50,000
Project support for the Quality New York child care initiative. *First payment of a two-year \$100,000 grant approved in 2007.*

PROGRAM-RELATED INVESTMENTS**Community Loan Fund of New Jersey**

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
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.

IMPACT ACROSS THE MISSION-RELATED INVESTMENT PORTFOLIO

Heron's mission impact—the positive changes in people's lives that result from owning a home or business financed with fairly priced capital, for example—is not easily summed up in metrics or ratios alone. Instead, qualitative and quantitative data come from each investment in the mission-related investment (MRI) portfolio and tell a story derived from its individual mission objective and investment strategy. These disparate data demonstrate clear mission impact that cannot be measured in any one variable or simple aggregation. It is tempting to try, but, even with the expenditure of great amounts of time, money, and effort, it is not clear how the social impact associated with investments coming from a range of asset classes, each with its own set of benchmarks and characteristics, could be usefully aggregated or distilled to a single metric. Instead, close examination of individual investments has served Heron in assessing the impact of its mission-related investment activities. We offer these highlights from Heron's MRI portfolio as examples, featuring each asset class and presented in increasing degrees of risk as one moves to either side of the continuum, to illustrate the potential power of using mission-related investments to achieve mission goals.

PROGRAM-RELATED

GRANTS

EQUITY

SUBORDINATED LOANS

SEN

GRANTS

Grants reside on the charitable distribution side of the MRI continuum. Take the work of the **Neighborhood Development Center (NDC)** in St. Paul, MN, a community-based nonprofit that works with “emerging entrepreneurs to develop successful businesses that serve their community, and build a stronger neighborhood economy.” Heron provides general support to NDC that allows it to provide technical assistance, real estate services, and patient financing to entrepreneurs located in low-income communities to deliver impact in the form of: job creation for neighborhood residents (1,320) with average wages above minimum wage (\$10/hour); dollars returned to the community from payroll, taxes, and sales (\$25.1MM annually); business expansions (13% opened additional locations; 30% increased number of employees by an average of eight); increases in monthly revenues (67%, average \$3,000); business longevity (average five years); and those occupying formerly vacant or rehabbed buildings (125 businesses). These numbers give an indication of NDC’s success in the difficult work of creating markets in underserved communities in order to connect them to the wider, local economy

PROGRAM-RELATED INVESTMENTS

EQUITY

As the holding company of a community development bank, **Native American Bancorporation** addresses one of the fundamental developmental tasks in Indian Country—to establish the financial infrastructure and market mechanisms that support wealth creation for Native Americans. Heron invests in Native American Bank (NAB) through preferred stock to provide the capital needed to maintain regulatory capital adequacy, to provide an equity and equity-like platform to leverage growth of its commercial lending to unbanked and underserved Native American tribes and tribal businesses, and to promote and support the development of tribal economies. Its core banking activities provide Indian Country with a commercial bank that is expert in the unique cultural and financial aspects of doing business in Indian Country. Over the last three years, NAB has doubled its assets to \$100 million and grown its loan portfolio by over 100% while increasing profitability and maintaining asset quality. NAB’s success not only allows it to pay dividends to its equity holders, but represents the unprecedented pooling of resources from a broad coalition of tribes to create the first and largest wholesale bank owned and controlled solely by Native Americans.

SUBORDINATED LOANS

Since its inception in 1989, the **Community Reinvestment Fund (CRF)**, located in Minneapolis, MN, has purchased more than 2,100 loans worth almost \$1 billion from community development corporations and other community development lenders whose portfolios are not large enough to attract institutional investors directly. Using subordinated debt as credit enhancement, it has packaged and pledged those loans as collateral for nineteen separate private placements that are sold to institutional investors at market rates of return with the three most recent issuances rated “investment grade” by Standard and Poor’s. Heron chose to make a subordinated loan structured with equity-like features in order to help build CRF’s balance sheet, allowing it to attract additional debt capital needed to increase its activities. CRF’s securitization activity provided liquidity for loans that have generated or retained over 35,000 jobs, financed almost 600 women or minority-owned businesses, and built over 16,000 housing units.

D INVESTMENTS

SENIOR LOANS

DEPOSITS

GUARANTEES

DEPOSITS

M

SENIOR LOANS

Self-Help Enterprises (SHE), working in the San Joaquin Valley of California, brings the idea of “helping people and communities to help themselves” to life. SHE provides technical assistance, financing and support to hardworking, low-income families as they contribute “sweat equity” in building their own homes. Heron’s senior loan to SHE provides capital for its Washburn Fund. The Fund provides families with low-interest construction loans to build their homes, with the takeout being a traditional mortgage at closing. Over the last 23 years, SHE has helped 5,600 families build homes, another 5,600 improve their homes, and another 1,200 reach home ownership through its homebuyer counseling program. With a current loan portfolio of over 1,500 loans, SHE reports that less than 1% of families have lost their homes to foreclosure.

DEPOSITS

Credit unions play an important role in the financial services sector providing members with ownership opportunities and consumer-driven products and services. Often, the over 1,000 low-income designated credit unions across the country are the only alternative to check cashers and pawn shops. To secure a low-income designation from the National Credit Union Administration (NCUA), the majority of a credit union’s membership must be from households earning less than 80% of the area’s median household income. To support their work, the **National Federation of Community Development Credit Unions (the Federation)** acts as an intermediary to deliver below-market deposits to small or emerging community development credit unions. Heron works through the Federation’s Nominee Deposit program to provide lending capital to credit unions that are building their mortgage lending capacity.

MARKET-RATE INVESTMENTS

DEPOSITS

ShoreBank is the oldest and largest community development bank in the country with assets of \$2.2 billion and full-service banking centers in Chicago, Cleveland and Detroit. The bank’s affiliates include an SBA-licensed small business investment company, a real estate development company that builds and rehabilitates for-resale residential properties for low- and moderate-income families, a consulting practice that promotes development strategies in distressed communities worldwide, and an environmentally focused bank in the Pacific Northwest. Supported by market-rate, FDIC-insured deposits, ShoreBank has outstanding loans of more than \$1.3 billion, and over three-fourths are loans to residents, businesses, and non-profit organizations in low- and moderate-income communities. The bank’s management operates ShoreBank with the philosophy that its financial success demonstrates that it is good business to provide financial and information services to underinvested communities in ways that create wealth for customers, strengthen neighborhoods and preserve natural resources. Through the Certificate of Deposit Account Registry Service® (CDARS), FDIC insurance covers deposits up to \$30 million.



FIXED INCOME

PUBLIC EQUITY

PRIVATE EQUITY

MARKET-RATE INVESTMENTS

FIXED INCOME

Not all manufacturing jobs are moving overseas. In 2007, Toyota announced that it would build a \$1.3 billion facility near Tupelo, Mississippi. The plant will be the first in the U.S. to produce the Prius hybrid. At full production, the plant will create 2,000 jobs at \$20/hour plus benefits and generate another 8,000 jobs at supporting companies. The **Mississippi Development Bank** issued an insured AAA-rated Taxable Special Obligation Bond to finance the acquisition and development of the property. In exchange, Toyota agreed to set aside 15% of the construction budget to work with local, minority-owned firms and to donate \$50 million to local school districts. These bonds, at first glance, may seem like a traditional economic development financing vehicle. The scale of the job creation in an underinvested region of the country along with the investment in local minority companies and school systems, however, made these bonds attractive for Heron's market-rate fixed income portfolio.

PUBLIC EQUITY

As Heron built up its mission-related investment portfolio, the one asset class in which it initially remained uninvested was public equity. Socially responsible screens existed for many other issues, but none fit Heron's commitment to community development in low-income communities. So, we set out to create one. Working with Innovest Strategic Advisors as a research partner, Heron developed a methodology for screening, in a positive way, companies in the S&P 900. Those with "best-in-class" performance on three fundamentals of community investment—strategic intent, workforce development and wealth creation, and philanthropic engagement—became part of the **U.S. Community Investing Index (CII)**. After a two-year beta test using \$10MM of Heron's large-cap equity allocation, the CII has delivered competitive results and is now available to other investors through investment products being marketed by Lehman Brothers and Neuberger Berman.

PRIVATE EQUITY

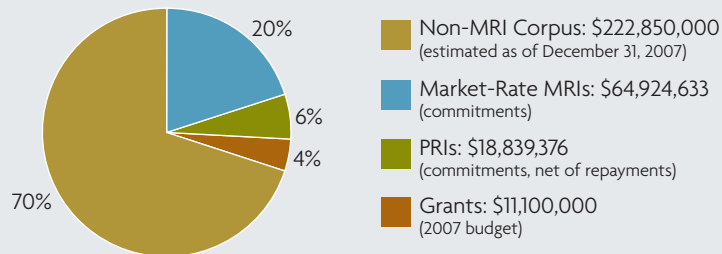
UrbanAmerica, L.P., a private real estate investment partnership, has built a nationwide portfolio of urban retail and office properties. Its strategy is to provide investors with risk-adjusted, market-rate returns while also creating jobs and fueling economic and community redevelopment efforts, a "double-bottom line." According to company President and Chief Executive Officer Richmond McCoy, "We recognized that low-income communities have a critical need for equity investments to stimulate economic development." The company raised \$450 million for investment in urban communities, creating over 2,000 new jobs for low-income community residents in the Detroit, Atlanta, Kansas City, Washington, DC, Las Vegas, and New York City areas and in several Florida cities. In addition, UrbanAmerica attracts national retailers to inner city shopping centers and office buildings, increasing each property's value and improving the choices for neighborhood residents. Local and minority company vendor contracts for janitorial, landscaping, security and other services at 70% of Urban America's properties create local wealth.

MISSION-RELATED INVESTING

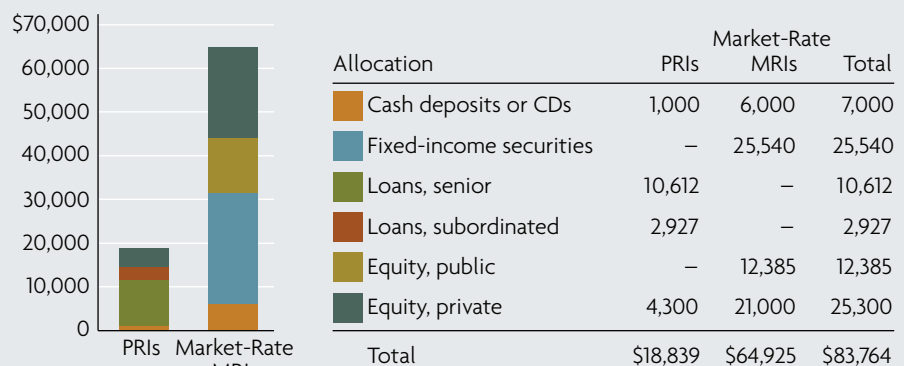
The goal of mission-related investing at the F.B. Heron Foundation is to put the assets of the Foundation to work to increase wealth-creation opportunities for low-income people and communities in the United States. We particularly seek opportunities that leverage our resources with those of other investors.

- ▶ The use of 26% of the Foundation's assets for mission (30% including grants) places it in the top tier of private foundations and other institutional investors.
- ▶ The Foundation's total return for the three years ending December 31, 2007 placed it in the second quartile of the Mellon All Foundation Total Fund Universe.
- ▶ The Foundation was selected as the "Small Nonprofit of the Year" in 2006 by "Foundation & Endowment Money Management," an *Institutional Investor* publication.
- ▶ 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 78% 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 outstanding PRIs of \$18.8MM (net of repayments) and market-rate, mission-related investments of \$64.9MM, including \$6MM in insured deposits in community development banks and credit unions.

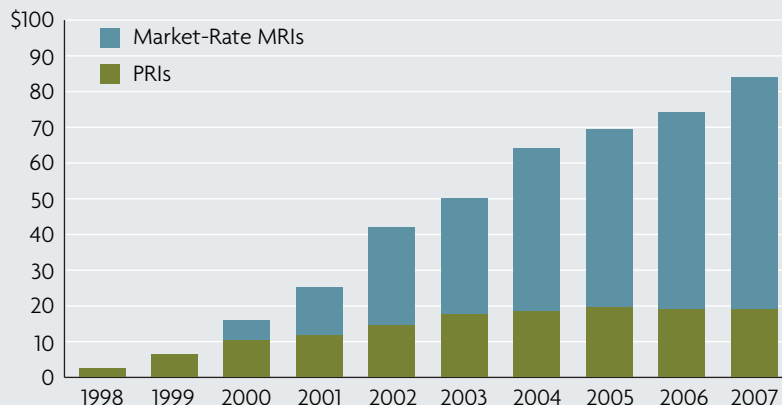
OVERALL ASSET DEPLOYMENT



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



GROWTH IN MISSION-RELATED INVESTMENT PORTFOLIO, 1998-2007 (\$ in millions)



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 and preservation strategies noted below. We particularly seek organizations with a clear commitment to and track record of using data to improve impact.

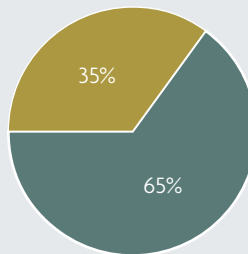
QUICK FACTS

- ▶ **Website:** www.heronfdn.org
- ▶ **Total Assets as of 12/31/07:**
\$317 million
- ▶ **Grantmaking in 2007:**
Number of grantees: 156
Total grants paid: \$10.8 million
Grants for General Support: 65%
- ▶ **First-time Grant Range:**
\$25,000–\$50,000
- ▶ **Annual Grant Range:**
\$25,000–\$125,000
- ▶ **Mission-Related Investments as of 12/31/07 including commitments:**
Total PRIs: \$18.8 million
Other MRIs: \$64.9 million
Total MRIs: \$83.8 million

WHERE THE FOUNDATION FUNDS

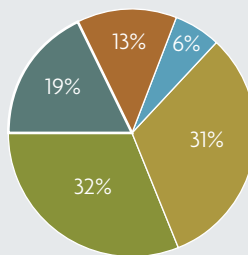
- ▶ Going forward, the Foundation will concentrate the majority of our grants in the areas listed here. We will also continue to support organizations with a national focus and, in some cases, regional focus where those organizations are advancing solutions that have broad application for the Foundation's selected wealth-creation strategies. Our mission-related investments, however, will not be restricted geographically, but will remain nationwide in scope.
- ▶ Appalachia
- ▶ Michigan
- ▶ Mississippi Delta
- ▶ New York City
- ▶ Texas

2007 NET CHARITABLE DISTRIBUTIONS BY SUPPORT TYPE



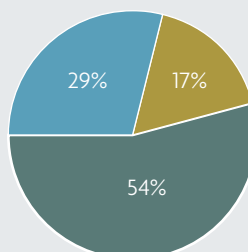
Core Support	65%
Project Support	35%

2007 NET CHARITABLE DISTRIBUTIONS BY PROGRAM AREA



Combined Charitable Distribution	Grants	Net PRIs
Home Ownership	19%	0%
Enterprise Development	9%	4%
Child Care	6%	0%
Access to Capital	21%	10%
Comp. Comm. Development	28%	4%
Total	82%	18%

2007 NET CHARITABLE DISTRIBUTIONS BY POPULATION SERVED



Combined Charitable Distribution	Grants	Net PRIs
Urban	29%	0%
Rural	17%	0%
Both Urban & Rural	36%	18%
Total	82%	18%

**Community Reinvestment Fund (CRF)**

Heron has provided grants and four program-related investments to CRF. CRF has transformed the community development finance system by assisting local development lenders to access capital markets. Local businesses like this now have access to affordable capital to grow.

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

www.aspeninstitute.org
Washington, DC \$125,000
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 Coalition

www.calreinvest.org
San Francisco, CA \$35,000
General support to help low-income communities in California use the Community Reinvestment Act and related strategies to gain access to capital. *First payment of a two-year \$70,000 grant approved in 2007.*

Community Loan Fund of New Jersey

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.

The Community Reinvestment Association of North Carolina

www.cra-nc.org
Durham, NC \$75,000
To build and protect wealth for low-income people by improving the services and practices of North Carolina's financial institutions. *First payment of a two-year \$150,000 grant approved in 2007.*

Community Reinvestment Fund, Inc.

www.crfusa.com
Minneapolis, MN \$250,000
Project support of \$250,000 per year over three years for a total of \$750,000 for Phase One of the Community Reinvestment Fund's Capital Campaign.

Consumer Federation of America

www.consumerfed.org
Washington, DC \$50,000
Project support for wealth-building initiatives, including the America Saves campaign. *First payment of a two-year \$100,000 grant approved in 2007.*

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

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. *First payment of a two-year \$80,000 grant approved in 2007.*

Earned Asset Resource Network, Inc.

www.sfearn.org
San Francisco, CA \$100,000
General support to implement Individual Development Accounts, other wealth-building programs, and the Asset Policy Initiative of California. *Second payment of a two-year \$200,000 grant approved in 2006.*

Enterprise Corporation of the Delta

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. *Second payment of a two-year \$250,000 grant approved in 2006.*

The Financial Innovations Center, Inc.

www.cfsinnovation.com/index.php
Chicago, IL \$50,000
General support to identify, develop and implement innovative asset-building opportunities to the under-banked market. *First payment of a two-year \$100,000 grant approved in 2007.*

First Nations Development Institute

www.firstnations.org
Longmont, CO \$100,000
Project support to build the capacity of new and emerging native reservation-based nonprofit development organizations through the Little Eagle Staff Fund. *First payment of a two-year \$200,000 grant approved in 2007.*

First Nations Oweesta Corporation

www.oweesta.org
Rapid City, SD \$65,000
General support to assist tribes and tribal communities through loans, investments, technical assistance, training, and financial literacy education. *First payment of a two-year \$130,000 grant approved in 2007.*

Innovest Strategic Value Advisors, Inc.

www.innovestgroup.com
New York, NY \$50,000
Project support to beta test a "positively screened" portfolio of S&P 900 companies with superior records in community investing.

Lenders for Community Development

www.opportunityfund.org
San Jose, CA \$75,000
General support to provide financing and technical assistance for small business development, home-ownership opportunities, and Individual Development Accounts for low-income people in Silicon Valley. *First payment of a two-year \$150,000 grant approved in 2007.*

Low Income Investment Fund

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. *Second payment of a two-year \$250,000 grant approved in 2006.*

**Opportunity Finance Corporation (OFC)**

OFC has received a program-related investment and grants from Heron since 1993. OFC provides capital that increases resources and opportunities for families and businesses in economically disadvantaged communities. An OFC-institutional member provided flexible financing to this successful family-owned organic seed company that needed capital to add new staff.

**Minnesota Campus Compact**

www.mncampuscompact.org

Saint Paul, MN \$30,000

Project support for the Community Investment Initiative to leverage institutional assets through investments that provide social and financial returns throughout Minnesota.

National Community Investment Fund

www.ncif.org

Chicago, IL \$30,000

Project support for an analysis of the impact of community development banking institutions on low-income communities and dissemination of findings to practitioners and potential investors.

National Community Reinvestment Coalition, Inc.

www.ncrc.org

Washington, DC \$200,000

General support to expand small business lending, combat predatory lending, and provide access to capital. *First payment of a two-year \$400,000 grant approved in 2007.*

National Federation of Community Development Credit Unions, Inc.

www.cdccu.coop

New York, NY \$50,000

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

\$50,000

Project support for the New York Community Development Financial Institutions Coalition.

New America Foundation

www.newamerica.net

Washington, DC \$75,000

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

New Hampshire Community Loan Fund, Inc.

www.nhclf.org

Concord, NH \$100,000

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

New York City Financial Network Action Consortium, Inc.

www.nycfnac.org

Brooklyn, NY \$30,000

General support to help credit unions meet the needs of unbanked New Yorkers for credit and financial services.

North Carolina Minority Support Center

www.ncmsc.org

Durham, NC \$25,000

Project support for an executive transition and strategic plan.

Northcountry Cooperative Foundation

www.ncdf.org

Minneapolis, MN \$35,000

General support for the Northcountry Cooperative Development Fund and its affiliated credit union to promote and finance cooperative home ownership and commercial enterprises. *Second payment of a two-year \$70,000 grant approved in 2006.*

Oakland Livingston Human Service Agency

www.olhsa.org

Pontiac, MI \$5,000

To support a meeting of the Asset Learning Circle, a practitioner coalition, to advance effective asset-building policies and programs.

Opportunity Finance Corporation

www.opportunityfinance.net

Philadelphia, PA \$50,000

Project support for the Community Development Financial Institution Assessment and Rating System (CARS). *Second payment of a two-year \$100,000 grant approved in 2006.*

The Reinvestment Fund, Inc.

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. *Second payment of a two-year \$250,000 grant approved in 2006.*

Rockefeller Philanthropy Advisors, Inc.

www.rockpa.org

New York, NY \$75,000

Project support for the production and distribution of a Mission-Related Investment Handbook for foundation trustees and other trustee initiatives.

Southern Good Faith Fund

www.southerngoodfaithfund.org

Pine Bluff, AR \$40,000

General support for asset-building efforts, including Individual Development Accounts and public policy programs. *First payment of a two-year \$80,000 grant approved in 2007.*



Latino Community Credit Union (LCCU)

LCCU provides accessible, affordable financial services to immigrants and other underserved people in North Carolina. Heron has made a market-rate deposit and a program-related investment to provide secondary capital to support LCCU's growth in deposits and lending.



Southern New Hampshire University

www.snhu.edu/ced

Manchester, NH \$35,000

Project support for the Financial Innovations Roundtable.

\$100,000

Project support for Wall Street Without Walls for the preparation of a private placement memorandum and related start-up costs for Community Development Assurance, LLC.

\$50,000

Project support for Wall Street Without Walls.

Trustees of Boston College

www.bc.edu

Chestnut Hill, MA

\$20,000

Project support for The Institute for Responsible Investment to publish a "Handbook on Responsible Investment Across Asset Classes."

University of North Carolina at Chapel Hill

Chapel Hill, NC

\$25,000

Project support for research on the American Dream Demonstration Project to assess the long-term impact of participation in an Individual Development Account program for low-income individuals. *First payment of a two-year \$50,000 grant approved in 2007.*

Washington University

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. *Second payment of a two-year \$200,000 grant approved in 2006.*

Woodstock Institute

www.woodstockinst.org

Chicago, IL

\$100,000

General support for research and technical assistance to help meet the capital and credit needs of low-income neighborhoods. *First payment of a two-year \$200,000 grant approved in 2007.*

World Institute on Disability

www.wid.org

Oakland, CA

\$25,000

Project support for the Access to Assets project that helps people with disabilities acquire assets. *Second payment of a two-year \$50,000 grant approved in 2006.*

PROGRAM-RELATED INVESTMENTS

Alternatives Federal Credit Union

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

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

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.*

Community Reinvestment Fund, Inc.

www.crfusa.com

Minneapolis, MN

\$1,000,000

Subordinated loan to provide credit enhancement for Community Reinvestment Notes, thereby increasing the capital available to low-income communities for small business development, affordable housing, and community facilities. *\$1,000,000 10-year senior loan approved in 2006.*

Latino Community Credit Union

www.cooperativalatina.org

Durham, NC

\$250,000

Secondary capital to support deposit growth and subsequent lending for home mortgages, used and new vehicles and consumer loans.

National Federation of Community Development Credit Unions, Inc.

www.cdcd.coop

New York, NY

\$1,000,000

Nominee deposits in community development 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

Denver, CO

\$300,000

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

Northwest Louisiana Community Development Fund I, LLC

www.kennedywilson.com/investments.php?id=34

Shreveport, LA

\$500,000

Non-managing member interest in a private equity real estate fund targeting mixed-use development in low-income communities in 10-parish area of Northern Louisiana.



Opportunities Credit Union

www.oppsvt.org

Burlington, VT \$250,000

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

Opportunity Finance Corporation

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.

Shorebank

www.shorebankcorp.com

Chicago, IL \$1,000,000

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

MARKET-RATE INSURED DEPOSITS

Deposits in excess of \$100,000 are made through the Certificate of Deposit Account Registry Service® (www.cdars.com).

Albina Community Bank

www.albinabank.com

Portland, OR \$300,000

Appalachian Federal Credit Union

www.appalachianfederal.coop

Berea, KY \$100,000

ASI Federal Credit Union

www.asifcu.org

Harahan, LA \$100,000

Bank 2

www.bank2.biz

Oklahoma City, OK \$100,000

Bank of Cherokee County

www.bankofcherokeecounty.net

Hulbert, OK \$100,000

Carver Federal Savings Bank

www.carverbank.com

New York, NY \$500,000

Central Bank of Kansas City

www.centralbankkc.com

Kansas City, MO \$200,000

Citizens Trust Bank

www.ctbatlanta.com

Atlanta, GA \$200,000

City First Bank of DC

www.cityfirstbank.com

Washington, DC \$200,000

City National Bank of New Jersey

www.citynatbank.com

Newark, NJ \$100,000

Community Choice Federal Credit Union

www.communitychoicecreditunion.com

Indianapolis, IN \$100,000

Dakotaland Federal Credit Union

www.dakotalandfcu.com

Huron, SD \$100,000

Delta Southern Bank

www.deltasouthernbank.com

Ruleville, MS \$100,000

Douglass National Bank

www.douglassbk.com

Kansas City, KS \$100,000

Elk Horn Bank & Trust

www.ehbt.com

Arkadelphia, AR \$100,000

First American International Bank

www.banking.state.ny.us/sibank.htm

Brooklyn, NY \$100,000

First Bank of the Delta, N.A.

www.firstbankdelta.com

West Helena, AR \$100,000

First Delta Federal Credit Union

www.qcdo.org

Marks, MS \$100,000

Generations Community Credit Union

www.gencomcu.org

Durham, NC \$100,000

The Harbor Bank of Maryland

www.theharborbank.com

Baltimore, MD \$100,000

Hope Community Credit Union

www.hopecu.org

Jackson, MS \$100,000

Latino Community Credit Union

www.cooperativalatina.org

Durham, NC \$100,000

Legacy Bank

www.legacybancorp.com

Milwaukee, WI \$200,000

Liberty Bank and Trust Company

www.libertybank.net

Baton Rouge, LA \$100,000

Mechanics and Farmers Bank

www.mfbonline.com

Durham, NC \$100,000

Mission Community Bank

www.MissionCommunityBank.com

San Luis Obispo, CA \$100,000

Native American Bank, NA

www.nabna.com

Denver, CO \$100,000

Neighborhood National Bank

www.mynnb.com

National City, CA \$100,000

North Star Community Credit Union

www.northstarccu.com

Maddock, ND \$100,000

Opportunities Credit Union

www.oppsvt.org

Burlington, VT \$100,000

Park Midway Bank

www.parkmidwaybank.com

Saint Paul, MN \$100,000

Santa Cruz Community Credit Union

www.scrucuu.org

Santa Cruz, CA \$100,000

Self-Help Credit Union

www.self-help.org

Durham, NC \$100,000

ShoreBank

www.shorebankcorp.com

Chicago, IL \$1,000,000

South Carolina Community Bank

www.sccommunitybank.net

Columbia, SC \$100,000

Syracuse Cooperative Federal Credit Union

www.syrcoopfcu.org

Syracuse, NY \$100,000

T&C Federal Credit Union

www.tcfcu.org

Bloomfield Hills, MI \$100,000

University National Bank

www.universitybank.com

St. Paul, MN \$300,000

**Abyssinian Development Corporation (ADC)**

Heron has supported ADC with general support grants since 1993 for their work to develop housing for residents with diverse incomes; improve human services; foster economic vitality; and support civic engagement. Here, ADC is shown breaking ground on The Renaissance Complex which will add housing, performance and community space to a neighborhood that ADC has helped to revitalize.

**GRANTS****Abyssinian Development Corporation**

www.adcorp.org

New York, NY \$75,000
General support to develop and implement comprehensive community development strategies, including home ownership and commercial development. First payment of a two-year \$150,000 grant approved in 2007.

African Federation, Inc.

New York, NY \$10,000
General support to assist in organizing African diaspora communities within the U.S.

Avenue Community Development Corporation

www.avenuecdc.org

Houston, TX \$35,000
General support for home ownership and commercial real estate development in the Near Northside neighborhood of Houston. First payment of a two-year \$70,000 grant approved in 2007.

Brandeis University

<http://iasp.brandeis.edu>

Waltham, MA \$50,000
General support for the Institute on Assets and Social Policy. Second payment of a two-year \$100,000 grant approved in 2006.

The Brookings Institution

www.brookings.edu

Washington, DC \$75,000
Support for the "Revitalizing America's Weak Market Cities" project of the Metropolitan Policy Program. First payment of a two-year \$150,000 grant approved in 2007.

California Community Economic Development Association

www.cceda.com

Los Angeles, CA \$40,000
General support for its members' home-ownership, enterprise development, and access to capital efforts. First payment of a two-year \$80,000 grant approved in 2007.

Calvert Social Investment Foundation, Inc.

www.nrfc.org

Bethesda, MD \$150,000
To support the National Rural Funders' Collaborative that seeks to expand resources and improve grantmaking in low-income rural areas. Second payment of a two-year \$300,000 grant approved in 2006.

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

www.clccrul.org

Chicago, IL \$50,000
Project support for the Community Economic Development Law Project which provides and coordinates pro bono legal assistance to community groups seeking to strengthen Chicago's neighborhoods. First payment of a two-year \$100,000 grant approved in 2007.

Chicanos Por La Causa, Inc.

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. First payment of a two-year \$200,000 grant approved in 2007.

CHWC INC

www.chwconline.com

Kansas City, KS \$50,000
For home ownership and commercial real estate development in low-income neighborhoods. First payment of a two-year \$100,000 grant approved in 2007.

City Futures, Inc.

www.nycfuture.org

New York, NY \$40,000
General support to provide information and analysis to practitioners and policymakers concerned with the quality of life in New York City neighborhoods.

City Vision Ministries

www.cityvisionministries.org

Kansas City, KS \$50,000
General support for home ownership, commercial real estate development, and housing counseling in low-income neighborhoods. Second payment of a two-year \$100,000 grant approved in 2006.

Coastal Enterprises, Inc.

www.ceimaine.org

Wiscasset, ME \$125,000
General support for a comprehensive approach to asset building in New England. First payment of a two-year \$250,000 grant approved in 2007.

Community Development Corporation of Long Island

www.cdcli.org

Centereach, NY \$75,000
General support to develop and implement home-ownership and small business assistance programs. First payment of a two-year \$150,000 grant approved in 2007.



Community Development Corporation of Long Island (CDCLI)

CDCLI was formed thirty-five years ago to address the lack of affordable housing on Long Island. CDCLI also supports home-ownership preservation and offers business counseling and credit. With the assistance of CDCLI, this homeowner was able to participate in a Weatherization Assistance Program to make much-needed repairs to her home. She said, "I no longer have to wear my overcoat in the house to keep warm." Heron has provided general-support grants to CDCLI since 2004.



Covenant Community Capital Corporation

www.covenantcapital.org

Houston, TX \$25,000

Project support to develop a comprehensive statewide asset-building agenda and to foster economic independence through asset-based remedies to poverty

Cypress Hills Local Development Corporation, Inc.

www.CypressHills.org

Brooklyn, NY \$50,000

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

Detroit Catholic Pastoral Alliance

Detroit, MI \$45,000

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

The Development Training Institute

www.dtinational.org

Ellicott City, MD \$50,000

General support for programs to strengthen the capacity and emerging leadership of community-development organizations. Second payment of a two-year \$100,000 grant approved in 2006.

East Bay Asian Local Development Corporation

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.

East Side Neighborhood Development Company, Inc.

www.esndc.org

St. Paul, MN \$75,000

General support for community revitalization efforts including home ownership and business development on the east side of St. Paul.

Fifth Ward Community Redevelopment Corporation

www.fifthwardcsrc.org

Houston, TX \$60,000

General support for home ownership and commercial development in Houston's Fifth Ward.

The Greater Southwest Development Corporation

www.greatersouthwest.org

Chicago, IL \$50,000

General support for the residential, commercial, and industrial revitalization of Chicago's southwest side communities. First payment of a two-year \$100,000 grant approved in 2007.

Housing And Community Development Network of New Jersey

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. Second payment of a two-year \$150,000 grant approved in 2006.

\$25,000

Project support for the National Alliance of Community Economic Development Associations (www.naceda.org), a new organization that supports the work of community economic development associations, local community development corporations, and practitioners nationwide.

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.

Isles Inc.

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 sustainable development. Second payment of a two-year \$150,000 grant approved in 2006.

La Casa de Don Pedro

www.lacasanwk.org

Newark, NJ \$40,000

General support for comprehensive community development, primarily in Newark's North Ward. First payment of a two-year \$80,000 grant approved in 2007.

Lawndale Christian Development Corporation

www.lcdc.net

Chicago, IL \$20,000

General support for neighborhood revitalization efforts including home ownership and economic development.

Lawyers Alliance for New York

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. Second payment of a two-year \$70,000 grant approved in 2006.



Mercy Housing California

Heron provides grant support to Mercy for its work in developing self-help homes for families earning between 40-60% of area median income as well as rehabilitating homes and helping families with down-payment-assistance loans. Here, a family is installing the front-entry door to their new home.



Lawyers' Committee for Civil Rights Under Law

www.lawyerscomm.org
Washington, DC \$25,000
Project support for the Community Development Initiative which brings pro bono legal assistance to Delta community development corporations.

Louisiana Disaster Recovery Foundation, Inc.

www.louisianahelp.org
Baton Rouge, LA \$50,000
General support for recovery and rebuilding efforts related to Hurricanes Katrina and Rita. *Second payment of a two-year \$100,000 grant approved in 2006.*

Mercy Housing California

www.mercyhousing.org
San Francisco, CA \$75,000
Project support for the Affordable Homeownership Program which includes a significant self-help housing component. *First payment of a two-year \$150,000 grant approved in 2007.*

Metro IAF, Inc.

www.industrialareasfoundation.org
Rego Park, NY \$90,000
General support for large-scale homeownership programs and other neighborhood development activities. *First payment of a two-year \$180,000 grant approved in 2007.*

Metropolitan Consortium of Community Developers

www.mccdmn.org
Minneapolis, MN \$30,000
General support for an association of community development organizations working to increase wealth and resources in Twin Cities' neighborhoods through housing and economic development and regional policy work.

Mission Economic Development Association

www.medasf.org
San Francisco, CA \$50,000
General support to promote enterprise development and home-ownership opportunities in San Francisco's Mission District. *Second payment of a two-year \$100,000 grant approved in 2006.*

Mountain Association for Community Economic Development

www.maced.org
Berea, KY \$75,000
General support for enterprise development and sustainable community-based economic development in Appalachian Kentucky. *Second payment of a two-year \$150,000 grant approved in 2006.*

National Housing Institute

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

Native American Community Development Corporation

www.nacdc.org
Browning, MT \$50,000
General support for home ownership, financial literacy, and business development programs on Native American Reservations. *First payment of a two-year \$100,000 grant approved in 2007.*

Neighborhood Funders Group, Inc.

www.NFG.org
Washington, DC \$51,500
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. *First payment of a two-year \$90,000 grant approved in 2007.*

Neighborhood Reinvestment Corporation

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. *Second payment of a two-year \$450,000 grant approved in 2006.*

New Jersey Citizen Action Education Fund, Inc.

www.njcitizenaction.org
Newark, NJ \$75,000
General support for home ownership, access to capital, financial literacy, and organizing efforts in low- and moderate-income neighborhoods in New Jersey. *First payment of a two-year \$150,000 grant approved in 2007.*

New York Regional Association of Grantmakers

www.nyrag.org
New York, NY \$10,000
Project support for the Asset Funders Network to increase both the amount and impact of philanthropic funding on asset-building activities.

Nonprofit Finance Fund

www.nonprofitfinancefund.org
New York, NY \$75,000
Project support for the Nonprofit Business Analysis program.



Mountain Association for Community Economic Development (MACED)

Since 1996, Heron has provided grant support to MACED for its work with people in Kentucky and Central Appalachia. MACED creates economic opportunity and supports the sustainable use of natural resources. Here, MACED is surveying the forest land of their first enrollee in the carbon credits program of their Forest Opportunities Initiative which will facilitate landowners' carbon-credit earnings of \$800,000.



North Carolina Community Development Initiative, Inc.

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. *Second payment of a two-year \$200,000 grant approved in 2006.*

Oakland Livingston Human Service Agency

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. *Second payment of a two-year \$100,000 grant approved in 2006.*

President & Fellows of Harvard College

www.ksg.harvard.edu/hpaied

Cambridge, MA

\$25,000

To support The Harvard Project on American Indian Economic Development's research, advisory services, and awards program that honor nations and promote sound social and economic development on American Indian Reservations.

Quitman County Development Organization, Inc.

www.qcdo.org

Marks, MS

\$75,000

General support for access to capital, home ownership, and enterprise development in the Mississippi Delta. *Second payment of a two-year \$150,000 grant approved in 2006.*

The Resurrection Project

www.resurrectionproject.org

Chicago, IL

\$100,000

General support for comprehensive community development strategies, including expanding home-ownership opportunities and commercial development in Chicago's Pilsen community. *First payment of a two-year \$200,000 grant approved in 2007.*

Sargent Shriver National Center on Poverty Law

www.povertylaw.org

Chicago, IL

\$10,000

Project support for the Community Investment Unit and its work in the Illinois Asset Building Network. *Second payment of a two-year \$20,000 grant approved in 2006.*

Southern Financial Partners

www.southernfinancialpartners.org

Helena-West Helena, AR

\$75,000

General support for lending and technical assistance to small businesses and comprehensive community development in the Delta region. *First payment of a two-year \$150,000 grant approved in 2007.*

Southern Mutual Help Association, Inc.

www.southernmutualhelp.org

New Iberia, LA

\$75,000

General support for community development work in rural and southern Louisiana including home ownership and small business development. *First payment of a two-year \$150,000 grant approved in 2007.*

Southern New Hampshire University

www.snhu.edu/ced

Manchester, NH

\$75,000

For a Best Practices in Community Economic Development award program.

The State of the USA

www.stateoftheusa.org

Washington, DC

\$150,000

General support to develop publicly accessible, credible, and relevant data on key indicators, developed in cooperation with the National Academy of Sciences, that measure the position and progress of the U.S. across a wide set of issues (e.g. assets, household income, energy, education, employment, population).

Texas Association of Community Development Corporations

www.tacdc.org

Austin, TX

\$25,000

General support to strengthen community development corporations that improve the lives of low- and moderate-income Texans.

Texas Rio Grande Legal Aid, Inc.

www.texascbar.org

Austin, TX

\$35,000

Project support for legal assistance to non-profits that promote access to capital, quality child care, and economic development. *Second payment of a two-year \$70,000 grant approved in 2006.*

Washington Interfaith Network

www.windc-iaf.org

Washington, DC

\$75,000

General support for comprehensive community development efforts in Washington, D.C. *First payment of a two-year \$150,000 grant approved in 2007.*

**Southern Mutual Help Association (SMHA)**

Heron has provided general support to SMHA since 1994. SMHA works with families and businesses to develop strong, healthy, prosperous rural communities in Louisiana. Approximately 250 employees at this seafood company benefit from SMHA's flexible capital products for businesses that operate in seasonal cycles.

**PROGRAM-RELATED INVESTMENTS****Chicago Community Loan Fund**

www.cclfcchicago.org

Chicago, IL \$250,000
Senior loan for real estate development, small business lending, and working capital for non profits serving low-income communities. \$250,000 6-year senior loan approved in 2001.

New Hampshire Community Loan Fund, Inc.

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.

Nonprofit Finance Fund

www.nonprofitfinancefund.org

New York, NY \$500,000
Senior loan to finance facility and working capital loans for nonprofit organizations that create assets and build wealth for low- and moderate-income people and communities. \$500,000 9-year senior loan approved in 2007.

Rural Community Assistance Corporation

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.

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 jobs.

Community Reinvestment Revenue Notes

Fifteenth and 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.

Mississippi Development Bank

Taxable Special Obligation Bonds Series 2005B

To provide working capital for Harrison County's disaster recovery and rebuilding activities relating to Hurricane Katrina.

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.

Public Facilities Financing Authority of the City of San Diego, California

Pooled Finaning Bonds, Series 2007 A
Rating: Aa3

To finance the redevelopment and revitalization of blighted areas and to provide business, employment, and recreational opportunities to community residents.

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.

U.S. Department of Housing and Urban Development

Section 108 Government Guaranteed Participation Certificates Series HUD 1999-A
Rating: AAA

To finance the guarantee of loans made through the Community Development Block Grant Program to seed economic revitalization projects in low- and moderate-income communities.



The Brookings Institution

The Metropolitan Policy Program was launched by Brookings to provide research and policy analysis to decision-makers on cities and metropolitan areas to improve the performance and quality of U.S. public policies. This panel is discussing a diagnostic of state policies affecting older industrial cities and reform recommendations involving transportation; economic development; workforce development; and neighborhood revitalization.

Photo credit: Levin College of Urban Affairs, Cleveland State University



MARKET-RATE PRIVATE EQUITY

Bay Area Smart Growth Fund I, LLC

www.bayareafamilyoffunds.org

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.

California Smart Growth Fund IV, LP

www.pccpllc.com

San Francisco, CA \$2,000,000

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

Canyon-Johnson Urban Fund II, LP

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.

UrbanAmerica, LP I

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, LP II

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.

NON-PORTFOLIO GRANTS

NON-PORTFOLIO GRANTS

BoardSource	\$2,500
Council on Foundations, Inc.	\$32,100
Council on Foundations, Inc.	\$5,000
Funders' Network for Smart Growth and Livable Communities	\$5,000
Grantmakers for Effective Organizations	\$2,000

Independent Sector	\$10,000
New York Regional Association of Grantmakers	\$11,000
Nonprofit Coordinating Committee of New York, Inc.	\$2,000
Philanthropic Research, Inc.	\$10,000
The Foundation Center	\$5,000

Matching Grants	\$32,195
Community Service Grants	\$19,000
Board- and Staff-Directed Grants	\$128,500
Total Non-Portfolio Grants	\$264,295

STATEMENTS OF FINANCIAL POSITION

December 31, 2007 and 2006

Assets	2007	2006
Cash and cash equivalents	\$ 1,514,657	\$ 2,500,912
Traditional investments	245,111,104	238,664,076
Mission-related investments (see Note 1)	69,733,542	65,093,288
Other assets	714,601	435,234
Property and equipment, net	111,567	164,803
Total assets	<u>\$ 317,185,471</u>	<u>\$ 306,858,313</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 233,297	\$ 152,838
Grants payable (see Note 2)	8,826,500	4,540,000
Deferred Federal excise tax payable	380,383	417,648
Total liabilities	<u>9,440,180</u>	<u>5,110,486</u>
Unrestricted net assets	<u>307,745,291</u>	<u>301,747,827</u>
Total liabilities and net assets	<u>\$ 317,185,471</u>	<u>\$ 306,858,313</u>

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 8%, generally payable on March 31 and September 30 of each year. Six PRIs are limited partnership interests in community development venture funds and two are preferred stock in regulated community development banks. The Foundation expects to hold all PRIs to maturity.

At December 31, 2007 and 2006, mission-related investments consisted of the following:

	2007		2006	
	Fair value	Cost	Fair value	Cost
Invested cash and cash equivalents	\$ 316,618	\$ 316,618	\$ 1,237,528	\$ 1,237,528
Insured deposits in low-income designated Credit Unions and Community Development Banks	6,000,000	6,000,000	5,800,000	5,800,000
Fixed-income securities	25,152,545	25,175,855	19,926,436	20,072,130
Common and preferred stock	12,153,259	10,501,035	11,681,563	10,193,999
Limited partnership interests	7,771,744	7,141,984	7,492,867	6,260,731
Program-related investments	18,339,376	18,339,376	18,954,894	18,954,894
	<u>\$ 69,733,542</u>	<u>\$ 69,474,868</u>	<u>\$ 65,093,288</u>	<u>\$ 62,519,282</u>

At December 31, 2007 and 2006, the Foundation had capital commitments of approximately \$7,716,000 and \$4,752,000, to mission-related limited partnerships.

STATEMENTS OF ACTIVITIES

Years ended December 31, 2007 and 2006

Net investment income:	2007	2006
Interest and dividends	\$ 9,215,645	\$ 7,953,753
Investment expenses	(1,589,083)	(1,448,409)
Current Federal excise tax	(482,000)	(336,836)
Net investment income	<u>\$ 7,144,562</u>	<u>\$ 6,168,508</u>
Expenses:		
Program services:		
Grants (see Note 2)	\$ 11,209,295	\$ 10,623,610
Program expenses	2,069,108	1,941,194
Total program services	13,278,403	12,564,804
Administrative expenses	493,225	444,427
Total expenses	13,771,628	13,009,231
Change in net assets before appreciation in fair value of investments and net of deferred excise tax	(6,627,066)	(6,840,723)
Net appreciation in fair value of investments, net of deferred Federal excise tax	12,624,530	32,009,207
Change in net assets	5,997,464	25,168,484
Net assets at beginning of year	301,747,827	276,579,343
Net assets at end of year	<u>\$ 307,745,291</u>	<u>\$ 301,747,827</u>

NOTE 2. GRANTS PAYABLE

The following summarizes changes in grants payable as of December 31, 2007 and 2006:

	2007	2006
Balance at beginning of year	\$ 4,540,000	\$ 3,017,500
Grants authorized	11,209,295	10,623,610
Grants paid	(6,922,795)	(9,101,110)
Balance at end of year	<u>\$ 8,826,500</u>	<u>\$ 4,540,000</u>

A

AAFE Community Development Fund, Inc.	7
Abyssinian Development Corporation	25
ACORN Institute Inc.	7
Adena Ventures, LP	12
Affordable Housing Corporation of Lake County	7
Affordable Housing Resources, Inc.	9
African Federation, Inc.	25
Alabama Incentives Financing Authority	13
Albina Community Bank	24
alt.Consulting.	11
Alternatives Federal Credit Union	23
Appalachian Center for Economic Networks, Inc.	11
Appalachian Federal Credit Union	24
Arkansas Development Finance Authority	13
ASI Federal Credit Union	24
Aspen Institute, Inc., The	21
Associated Early Care and Education, Inc.	14
Avenue Community Development Corporation	25

B

Bank 2	24
Bank of Cherokee County	24
Bay Area Equity Fund I, LP	13
Bay Area Smart Growth Fund I, LLC	30
BoardSource	30
Boston Community Loan Fund, Inc.	23
Boynton Beach (Florida) Community Redevelopment Agency	10
Brandeis University	25
Bridge Housing Corporation	7, 9
Brookings Institution, The	25, 30

C

Cabrillo Economic Development Corporation	7
California Community Economic Development Association	25
California Homebuyers Fund	10
California Reinvestment Coalition	21
California Smart Growth Fund IV, LP	30
Calvert Social Investment Foundation, Inc.	25
Canyon-Johnson Urban Fund II, LP	30
Carver Federal Savings Bank	24
Central Bank of Kansas City	24
Chicago Community Loan Fund	29
Chicago Lawyers' Committee for Civil Rights Under Law, Inc.	25
Chicanos Por La Causa, Inc.	25
Child Care Services Association	14
CHWC INC	25
Citizens Trust Bank	24
City First Bank of DC	24
City Futures, Inc.	25
City National Bank of New Jersey	24
City of Cleveland, Ohio	29
City of Little Rock, Arkansas	13
City of Minneapolis, Minnesota	13
City Vision Ministries	25
Coastal Enterprises, Inc.	9, 25

Colorado Housing and Finance Authority	10
Commonwealth of Pennsylvania Financing Authority	13
Community Choice Federal Credit Union	24
Community Development Corporation of Long Island	25, 26
Community HousingWorks	7
Community Loan Fund of New Jersey	14, 21
Community Reinvestment Association of North Carolina, The	21
Community Reinvestment Fund, Inc.	21, 23
Community Reinvestment Revenue Notes	29
Consumer Federation of America	21
Corporation for Enterprise Development	11
Council on Foundations, Inc.	30
Covenant Community Capital Corporation	26
Cypress Hills Local Development Corporation, Inc.	26

D

Dakotaland Federal Credit Union	24
Delaware State Housing Authority	10
Delta Southern Bank	24
Demos: A Network for Ideas and Action, Ltd.	21
Detroit Catholic Pastoral Alliance	26
Development Training Institute, The	26
DHIC, Inc.	7
Douglass National Bank	24
Down East Partnership for Children	14
DuPage Homeownership Center, Inc.	7

E

Earned Asset Resource Network, Inc.	21
East Bay Asian Local Development Corporation	12, 26
East Side Neighborhood Development Company, Inc.	26
Easter Seals, Inc.	14
Eastern Iowa Community College (Merged Area IX), State of Iowa	13
Educational Enrichment Systems, Inc.	14
El Paso Credit Union HOAP Inc.	7
Elk Horn Bank & Trust	24
Energy Programs Consortium	7
Enterprise Community Partners, Inc.	7
Enterprise Corporation of the Delta	12, 21

F

Family Conservancy, The	14
Fannie Mae	10
Federation of Appalachian Housing Enterprises, Inc.	7, 9
Fifth Ward Community Redevelopment Corporation	26
Financial Innovations Center, Inc., The	21
First American International Bank	24
First Bank of the Delta, N.A.	24
First Childrens Finance	14
First Delta Federal Credit Union	24
First Nations Development Institute	21
First Nations Oweesta Corporation	21

Foundation Center, The	30
Freddie Mac	10
Friends of the Children of Mississippi, Inc.	14
Funders' Network for Smart Growth and Livable Communities	30

G

Generations Community Credit Union	24
Genesis Housing Development Corporation	7
Genesis Workforce Housing Fund, LLC	10
Grantmakers for Effective Organizations	30
Great Neighborhoods Development Corporation	11
Greater Minnesota Housing Fund	7
Greater Southwest Development Corporation, The	26
Greyston Foundation, Inc.	12
Gulf Coast Housing Partnership	7

H

Habitat for Humanity International, Inc.	10
Harbor Bank of Maryland, The	24
Home Ownership Made Easy	7
Hope Community Credit Union	24
Housing And Community Development Network of New Jersey	26
Housing Assistance Council	8, 9
Housing Finance Authority of Pinellas County, Florida	10
Housing Partnership Development Corporation	8
Housing Partnership Network	8

I

ICV Partners, LP	13
Idaho Housing and Finance Association	10
Illinois Facilities Fund	8
Independent Sector	30
Initiative for a Competitive Inner City, Inc.	11
Innovest Strategic Value Advisors, Inc.	21
Interfaith Education Fund, Inc.	26
Isles Inc.	26

J

Jacobs Center for Neighborhood Innovation	12
---	----

K

Kent State University Foundation, Inc./ Ohio Employee Ownership Center	11
Kidango, Inc.	14
Kirkwood Community College (Merged Area X), State of Iowa	13

L

La Casa de Don Pedro	26
Lake County Sponsors	8
Latin United Community Housing Association	8
Latino Community Credit Union	23, 24
Lawndale Christian Development Corporation	26
Lawyers Alliance for New York	26
Lawyers' Committee for Civil Rights Under Law	27

Lee County
Community Development Corporation, Inc. 8
Legacy Bank 24
Lenders for Community Development 21
Liberty Bank and Trust Company 24
Local Initiatives Support Corporation 8
Louisiana Disaster Recovery Foundation, Inc. 27
Low Income Investment Fund 14, 21
Loyola University 11

M

Manna, Inc. 8, 9
McAllen Affordable Homes, Inc. 8, 10
Mechanics and Farmers Bank 24
Mercy Housing California 27
Meritus Ventures LP 12
Metro IAF, Inc. 27
Metropolitan Consortium
of Community Developers 27
Metropolitan Planning Council 8
Michigan State Housing Development Authority 10
Minnesota Campus Compact 22
Mission Community Bank 24
Mission Economic Development Association 27
Mississippi Development Bank 13, 29
Mountain Association for
Community Economic Development 27, 28

N

National American Indian Housing Council 8
National Association for the
Education of Young Children 14
National Community Investment Fund 22
National Community Reinvestment Coalition, Inc. 22
National Federation of
Community Development Credit Unions, Inc. 22, 23
National Housing Institute 27
Native American Bancorporation 23
Native American Bank, NA 24
Native American
Community Development Corporation 27
Nebraska Investment Finance Authority 10
Neighborhood Development Center, Inc. 11
Neighborhood Funders Group, Inc. 27
Neighborhood Housing Services of Chicago, Inc. 8
Neighborhood Housing Services
of New York City, Inc. 8
Neighborhood Housing Services of San Antonio 8
Neighborhood National Bank 24
Neighborhood Reinvestment Corporation 27
New America Foundation 22
New Hampshire Community Loan Fund, Inc. 22, 29
New Jersey Citizen Action Education Fund, Inc. 27
New York City Acquisition Fund, LLC 10
New York City Financial Network
Action Consortium, Inc. 22
New York Industrial Retention Network 11
New York Regional Association of Grantmakers. 27, 30

Nonprofit Coordinating Committee
of New York, Inc. 30
Nonprofit Finance Fund 27, 29
North Carolina
Community Development Initiative, Inc. 28
North Carolina Minority Support Center 22
North Star Community Credit Union 24
Northcountry Cooperative Foundation 22
Northwest Louisiana
Community Development Fund I, LLC 23

O

Oakland Livingston Human Service Agency 22, 28
Opportunities Credit Union 24
Opportunity Finance Corporation 22, 24

P

Pacific Community Ventures
Investment Partners III, LLC 12, 13
Paraprofessional Healthcare Institute, Inc. 11
Park Midway Bank 24
Penn Venture Partners, LP 12
PeopleFund 11, 12
Peoples' Self-Help Housing Corporation 9
Philanthropic Research, Inc. 30
Pinole, California Redevelopment Agency 29
President & Fellows of Harvard College 28
Progress Fund, The 11
Proyecto Azteca 9
Public Facilities Financing Authority
of the City of San Diego, California 29

Q

Quitman County Development Organization, Inc. 28

R

Reinvestment Fund, Inc., The 12, 22
Resurrection Project, The 28
Rockefeller Philanthropy Advisors, Inc. 22
Rural Advancement Foundation International – USA ... 11
Rural Collaborative, Inc. 9
Rural Community Assistance Corporation 29

S

Saint Joseph's Carpenter Society 9
San Antonio Alternative Housing Corporation 9
Santa Cruz Community Credit Union 24
Sargent Shriver National Center on Poverty Law 28
Schenectady Metroplex Development Authority 29
Self-Help Credit Union 24
Self-Help Enterprises 9, 10
Self-Help Ventures Fund 12
Sheltering Arms, The 14
ShoreBank 24
Shorebank Enterprise Detroit 11
Shorebank Enterprise Group Pacific 11, 12
SJF Ventures II, LP 12
South Carolina Community Bank 24

Southern Appalachian Fund, LP, The 12
Southern Financial Partners 28
Southern Good Faith Fund 22
Southern Mutual Help Association 28, 29
Southern New Hampshire University 23, 28
State of the USA, The 28
Syracuse Cooperative Federal Credit Union 24

T

T&C Federal Credit Union 24
Texas Association of Community Development
Corporations 28
Texas Department of
Housing and Community Affairs 10
Texas Rio Grande Legal Aid, Inc. 28
Trustees of Boston College 23

U

U.S. Department of
Housing and Urban Development 29
United Cerebral Palsy Association of Texas, Inc. 9
United States Small Business Administration 13
United Way of New York City 14
University National Bank 24
University of North Carolina at Chapel Hill 23
University of Southern Mississippi 9
Urban Residential Finance Authority
of the City of Atlanta, Georgia 10
UrbanAmerica, LP I 30
UrbanAmerica, LP II 30
Utah Housing Corporation 10

V

Valley Economic Development Center, Inc. 11
Virginia Housing Development Authority 10
Visionary Home Builders of California, Inc. 9

W

Washington Interfaith Network 28
Washington University 23
Woodstock Institute 23
World Institute on Disability 23

Y

Yucaipa Corporate Initiatives Fund I, LP 13
Yucaipa Corporate Initiatives Fund II, LP 13

Editor

Patricia J. Kozu

Writers

Mary Jo Mullan, Kate Starr, Francie Zimmerman

Production Coordinator

Dorothy Pflager

Design

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Grants and IT Administrator

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Senior Program Officer

Mary Jo Mullan
Vice President, Programs

Dana Pancrazi
Program Officer

Christopher Perez
Senior Program Officer⁽⁴⁾

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

⁽¹⁾ Through December 5, 2007

⁽²⁾ Since December 5, 2007

⁽³⁾ Since June 25, 2007

⁽⁴⁾ Through May 16, 2008

