



Nonprofit financial and real estate resources
Where nonprofits come first

Five Year Financial Forecast
2011-2015

July 2011

IFF
2011 Financial Forecast

July 2011

Table of Contents

	<u>Page</u>
Overview	1 - 4
Summary	5 - 6
Statement of Position	7
Statement of Activities	8
Business Units	9 - 10
Allowance for Loan Losses	11
Financial and Operating Management	12

IFF
2011 Financial Forecast
2011 - 2015
Overview and Assumptions
July 2011

Introduction

The 2011 Financial Forecast continues to reflect the initiatives encompassed in IFF's 2008-2012 Strategic Plan, mainly to grow the core business units of Lending and Real Estate Services and to influence the landscape through our program of public policy leadership for specific nonprofit sectors and the CDFI Industry.

The vision statement adopted in the Strategic Plan continues to be a driving force behind achieving our goals:

IFF will be the provider of choice for the infrastructure needs of nonprofits serving low income communities in the Midwest and a national leader in transforming the operating environment for the nonprofit sector through innovation and public policy.

The 2011 Forecast reflects continued strong growth in IFF's managed loan portfolio, which includes IFF as well as off-balance sheet New Market Tax Credit LLCs. The Forecast anticipates growing from a 2010 year-end base of \$165 million to \$305 million by year-end 2015. The Forecast assumes that today's economic and political environment will remain relatively unchanged over the five year time horizon. The Forecast assumes net loan write-offs to total \$5 million over the five years, which is a reduction of equity. Equity is further reduced by \$2.7 million from increased loan loss allowance related to the growth in Loans Outstanding.

The consulting fee revenue from Real Estate Services continues to grow and will add to the equity as total revenues exceed expenses and overhead, thus providing a stable source of operating surplus through 2015.

It is forecast that investments (Loans Payable) will increase from diversified sources of funding. It is also assumed that the New Markets Tax Credit (NMTC) program will provide a significant level of funds to support growth. Although IFF was disappointed in not receiving an allocation in 2010, IFF projects awards of \$30 million in 2011 and again in 2013.

The Forecast also includes funding for housing loans through membership in the Federal Home Loan Bank of Chicago (FHLB). The application was submitted early 2011 and IFF was accepted for membership on May 5, 2011. The FHLB will provide a stable source of matched funding as the housing portfolio grows to \$29 million by year-end 2015. The Investor Consortium note program will continue to round out long term funding needs. The Forecast also assumes

a Small Bank Consortium to fund shorter tenure loans in the same structure as the current note program, allowing IFF to efficiently attract many more small banks as investors through a structure vehicle. This source is not shown separately in the financial statements.

Finally, the Forecast includes funding from the US Treasury through the 2010 Small Business Jobs Act program allowing CDFIs to borrow up to 5% of total assets for 8 years at 2%.

The Equity Ratio is maintained above 25% over the Forecast timeline - a result of positive net operating earnings, \$1.9 million of equity from the dissolution of IFFC II (a NMTC LLC) and the assumption to treat the US Treasury funds as equity.

Additional Commentary of Key Assumptions

New Markets Tax Credits Strategy and Impact - The Forecast assumes the continued use of NMTC-subsidized investments to provide capital for lending throughout the period. The NMTC program offers subsidized capital to make loans, as well as fee income and equity to help build IFF's net assets. Furthermore, because the NMTC loans are held in off balance sheet limited liability companies with tax credit equity, the use of these structures reduces the strain on IFF's net assets and leverage ratios.

IFF received a NMTC award in 2002 and used the \$10 million allocation to form off-balance sheet loan pools dedicated to lending in Illinois. As required by the NMTC program, IFF transferred its tax credits to two for-profit limited liability companies. IFFC (\$3 million) and IFFC II (\$ 7 million). These entities make loans to nonprofits located in NMTC qualifying low income communities. IFF is responsible for maintaining compliance with the NMTC program for the seven-year tax credit compliance period.

IFFC is capitalized by \$ 3 million of tax credit equity, which will be returned to investors less any losses at the end of the compliance period in 2011 and 2012. IFFC II is capitalized by \$2 million of tax credit equity and \$ 5 million of debt investments. Due to the subsidy provided by the tax credits, IFFC II can borrow at market rates and still offer below-market rates to its borrowers. At the end of the seven-year tax credit compliance period in 2014, IFF is projected to receive \$ 1.9 million of equity capital for the dissolution of IFFC II, as previously noted.

IFF will apply in 2011 for an NMTC allocation. The Forecast assumes a \$30 million allocation used to finance additional off-balance sheet loan pools with \$ 18 million financed through this structure in 2012 and the remaining \$12 million in 2013. The Forecast anticipates that a \$30 million allocation with loans made in 2012 and 2013 will generate \$ 1.5 million in fees for IFF after expenses. The Forecast also assumes an additional \$30 million allocation with loans made in 2014 and 2015.

Loans Receivable - The total managed loan portfolio (IFF plus NMTC LLC portfolios) will grow to \$305 million by year-end 2015.

As previously mentioned, the total managed loan portfolio is projected to grow from year-end 2010 of \$165.6 million to \$305.2 million by year-end 2015. IFF's signature loan product, the 15 year mortgage loan, continues to dominate in both number of new loans and overall volume. Housing loans, funded by borrowing from FHLB, will grow to \$29 million in 2015.

Write-offs - The Forecast provides for write-offs as a percentage of the loan portfolio at 0.46%, or \$5 million, based on IFF's historical low level of write-offs. The Loan Loss Allowance (LLA) of 2.87% in 2010 is maintained throughout the forecast period. Included in the LLA ratio is a reserve on Investor Consortium loans outstanding at 2% - this in addition to a cash reserve of 2% held by the trustee for the note program.

Loans Payable - An increase in investments from all sources and the continuation of the Investor Consortium throughout the period of the forecast are assumed. The overall cost of capital ranges from 3.39 to 3.67 percent.

The Investor Consortium, now a regional program, is projected to produce \$18 million in new funding in 2011 increasing to \$20 to \$30 million in the following years, with a total amount of funds raised of \$118 million. The Forecast also assumes borrowings from FHLB growing to \$29 million by year-end 2015 and \$10 million of funding through the Small Business Jobs Act.

As previously mentioned, NMTC awards will provide approximately \$60 million of funding. Institutional debt and foundation funds will round out IFF funding needs through the forecast period.

Equity grants - The Forecast assumes \$2 million each year in unrestricted equity grants. Additionally, as IFFC II winds down its operations in 2014, the dissolution will yield IFF \$1.9 million in new capital.

Real Estate Services (RES) - Consulting fees grow at a compound growth rate of 5% over the Forecast period.

Staffing - Staffing increases to 57 full time equivalent employees, adding three positions: a Project Manager and Senior Project Manager in RES and a Loan Officer in 2013 to support the volume generated by the NMTC award.

Leverage - Borrowing increases significantly in this forecast. The Net Asset ratio moves 25.04% at year-end 2010 to 29.81% at year-end 2015, (excluding the Investor Consortium and US Treasury Small Business Jobs Act borrowing). IFF Board policy is 25% at the time of this Forecast.

Loan growth is heavily dependent on the Investor Consortium as a funding source. This program has provided over \$104 million through 2010 since its inception through the sale of collateral trust notes to investor institutions. The Forecast assumes that IFF will add an \$118 million over the 2011-2015 timeline. To the extent that these funds do not materialize, and growth is funded through more conventional institutional debt, current policy for leverage ratios will not be met, but interest earnings will increase. IFF does not anticipate any change in the Consortium for the period of this Forecast.

Conclusion

The 2011 Financial Forecast, in line with the 2008 Strategic Plan, projects a doubling of the loan portfolio by 2015.

One of the strategic approaches to build financial resources and support funding the portfolio growth imbedded in the 2011 Forecast is the NMTC awards of \$30 million in 2011 and again in 2013. The forecast also includes continued funding through the Investor Consortium collateralized trust note program. New funding sources from the Federal Home Loan Bank and the equity debt from the US Treasury provide additional long term funding sources. There are several key funding sources that will provide resources for this growth. The Investor Consortium and Federal Home Loan Bank are confirmed; the New Markets and US Treasury program are not, but IFF believes these assumptions are reasonable.

It is imperative that IFF continue to raise additional equity throughout the Forecast period - both to grow the portfolio as well provide leverage to add incremental institutional debt when needed.

A notable use of equity - \$ 5 million - over the Five Year Forecast is an assumption, given the current economic and political environment, of loan write-offs continuing at current levels, higher than IFF's historical averages. To the extent that write-offs are lower than projected, the need for equity will be lessened. Another offset to equity is the loan loss reserves of \$ 2.7 million projected with the growth in the loan portfolio.

**IFF
Summary
Five Year Financial Forecast**

	12/31/2009	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015
Statement of Activity							
Revenue							
Net Financing Income	\$ 2,962,872	\$ 3,410,938	\$ 4,010,745	\$ 4,498,277	\$ 5,232,830	\$ 5,689,815	\$ 6,061,996
Fee Income	1,477,824	1,319,425	1,873,569	2,116,975	2,256,302	2,487,613	2,810,669
Contributed Income	2,538,063	2,394,207	12,121,440	1,559,106	1,632,211	1,757,531	1,843,535
Total	6,978,759	7,124,570	18,005,754	8,174,357	9,121,343	9,934,958	10,716,200
Expenses							
Salaries & benefits	4,192,500	4,268,760	5,151,916	5,293,204	5,536,000	5,702,081	5,945,143
Professional Fees	1,374,554	613,390	721,260	383,129	394,623	406,462	409,896
Occupancy & Other Operating Expenses	1,302,497	1,300,729	1,495,128	1,539,982	1,574,070	1,609,180	1,609,964
NSP Property Transfer	-	563,718	9,887,991	-	-	-	-
Total	6,869,551	6,746,597	17,256,295	7,216,315	7,504,693	7,717,722	7,965,003
Change in Unrestricted Net Assets - Operating	109,208	377,973	749,459	958,042	1,616,650	2,217,236	2,751,198
Change in Unrestricted Net Assets - Capital	-	750,000	750,000	2,000,000	2,000,000	3,900,000	2,000,000
Change in Temporarily Restricted Net Assets	(1,146,788)	234,919	(547,440)	(2,403,609)	(2,258,522)	(2,374,344)	(2,142,772)
Change in Net Assets	\$ (1,037,581)	\$ 1,362,892	\$ 952,019	\$ 554,432	\$ 1,358,128	\$ 3,742,892	\$ 2,608,426
Statement of Position							
Assets							
Cash, Investments, Consortium Reserves, FHLB Stock	\$ 12,806,585	\$ 10,338,118	\$ 11,889,618	\$ 8,789,940	\$ 10,280,380	\$ 12,504,733	\$ 15,413,420
Net Loans Receivable - IFF	129,628,434	151,690,733	166,061,218	198,433,469	217,853,677	237,184,980	244,724,537
Loans Receivable NMTC Program	9,530,939	9,476,872	8,055,013	23,448,444	34,051,653	43,232,865	53,214,077
Net Managed Loans & Investments	\$ 151,965,958	\$ 171,505,723	\$ 186,005,849	\$ 230,671,854	\$ 262,185,710	\$ 292,922,578	\$ 313,352,033
Other Receivables and Assets (Including DOE)	23,903,410	26,195,460	29,237,299	29,596,217	30,071,413	30,664,346	31,120,824
Total Assets	\$ 175,869,368	\$ 197,701,183	\$ 215,243,148	\$ 260,268,070	\$ 292,257,123	\$ 323,586,924	\$ 344,472,858
Liabilities							
Investor Consortium Notes	64,815,655	62,875,310	74,371,078	90,311,991	109,556,598	121,061,011	125,866,999
Federal Home Loan Bank Borrowings	-	-	3,596,239	9,191,156	15,964,575	22,405,405	28,502,172
Foundation Notes	18,761,438	20,010,299	20,466,980	17,762,334	10,932,017	8,706,684	7,073,684
Institutional Debt	36,372,236	57,996,978	56,892,688	60,206,977	60,801,218	63,260,391	62,079,473
US Treasury Bond	-	-	-	-	-	-	-
UST Equity Debt Issuance	-	-	3,333,333	10,000,000	10,000,000	10,000,000	10,000,000
NMTC Program Capital	9,530,939	9,476,872	8,055,013	23,448,444	34,051,653	43,232,865	53,214,077
Total Loans payable	129,480,268	150,359,459	166,715,332	210,920,902	241,306,061	268,666,357	286,736,405
Other Liabilities	3,389,776	3,432,206	3,666,279	3,931,199	4,176,965	4,403,578	4,611,038
Total Liabilities	132,870,044	153,791,665	170,381,611	214,852,101	245,483,026	273,069,935	291,347,443
Net Assets	42,999,324	43,909,518	44,861,537	45,415,969	46,774,097	50,516,989	53,125,414
Total Liabilities & Net Assets	\$ 175,869,368	\$ 197,701,183	\$ 215,243,148	\$ 260,268,070	\$ 292,257,123	\$ 323,586,924	\$ 344,472,858

**IFF
Summary
Five Year Financial Forecast**

	12/31/2009	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015
Business Unit Performance							
Loan Program							
Total Revenue	\$ 3,665,557	\$ 4,040,348	\$ 4,451,785	\$ 4,968,197	\$ 5,740,486	\$ 6,351,002	\$ 6,969,955
Total Operating Expenses	2,822,044	2,814,482	3,102,056	3,195,118	3,286,046	3,379,702	3,447,598
Operating Surplus	\$ 843,513	\$ 1,225,866	\$ 1,349,729	\$ 1,773,080	\$ 2,454,440	\$ 2,971,299	\$ 3,522,357
Real Estate Services							
Total Revenue	\$ 2,490,920	\$ 2,691,158	\$ 13,003,212	\$ 2,511,772	\$ 2,695,212	\$ 2,883,742	\$ 3,031,025
Total Operating Expenses	2,512,854	2,379,859	12,421,256	2,234,766	2,389,846	2,456,338	2,592,754
Operating Surplus	\$ (21,934)	\$ 311,299	\$ 581,956	\$ 277,006	\$ 305,366	\$ 427,404	\$ 438,271
Research							
Total Revenue	\$ 288,295	\$ 157,106	\$ 385,530	\$ 471,396	\$ 485,538	\$ 500,104	\$ 515,107
Total Operating Expenses	344,671	298,934	362,287	373,156	383,966	395,101	402,992
Operating Surplus	\$ (56,376)	\$ (141,828)	\$ 23,243	\$ 98,240	\$ 101,572	\$ 105,003	\$ 112,115
Supporting Organizations							
Total Revenue	\$ 533,987	\$ 235,958	\$ 165,227	\$ 222,992	\$ 200,107	\$ 200,110	\$ 200,114
Total Operating Expenses	1,189,982	1,253,322	1,370,696	1,413,276	1,444,835	1,486,581	1,521,659
Operating Surplus	\$ (655,995)	\$ (1,017,364)	\$ (1,205,469)	\$ (1,190,284)	\$ (1,244,728)	\$ (1,286,471)	\$ (1,321,546)

IFF
Statement of Position
Five Year Financial Forecast

	12/31/2009	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015
ASSETS							
Cash and Cash Equivalents	\$ 11,471,401	\$ 8,237,663	\$ 10,719,231	\$ 6,464,757	\$ 6,925,158	\$ 8,339,987	\$ 10,648,034
Investments, at FMV	261,056	251,032	251,032	251,032	251,032	251,032	251,032
FHLB Stock	-	-	187,500	487,500	862,500	1,237,500	1,612,500
UST Bond Reserve	-	-	-	-	-	-	-
Investor Consortium Reserve	1,074,128	1,849,423	731,856	1,586,651	2,241,690	2,676,214	2,901,853
Subtotal	12,806,585	10,338,118	11,889,618	8,789,940	10,280,380	12,504,733	15,413,420
Loans Receivable, Gross	133,694,244	156,172,352	171,134,088	204,296,787	224,290,824	244,193,329	251,955,664
Allowance for Loan Losses	(4,065,810)	(4,481,619)	(5,072,870)	(5,863,318)	(6,437,147)	(7,008,349)	(7,231,128)
Net Loans receivable	129,628,434	151,690,733	166,061,218	198,433,469	217,853,677	237,184,980	244,724,537
NSP Property Inventory	-	2,619,779	-	-	-	-	-
Affordable / Access Housing	-	-	5,535,938	5,702,016	5,873,077	6,049,269	6,230,747
Grants Receivable, Other Receivables and Deposits	1,403,981	1,155,216	1,205,216	1,255,216	1,305,216	1,355,216	1,405,216
Restricted Investments-Dept.of Education Grant, held by Trustee	18,785,416	18,667,457	18,618,137	18,610,977	18,690,112	18,856,853	18,856,853
Grants, NSP, Access Housing	20,189,397	22,442,452	25,359,291	25,568,209	25,868,405	26,261,338	26,492,816
Other Assets	3,714,013	3,753,008	3,878,008	4,028,008	4,203,008	4,403,008	4,628,008
TOTAL ASSETS	\$ 166,338,429	\$ 188,224,311	\$ 207,188,135	\$ 236,819,626	\$ 258,205,470	\$ 280,354,059	\$ 291,258,781
LIABILITIES AND NET ASSETS							
Loans payable							
Consortium Notes Payable	\$ 64,815,655	\$ 62,875,310	\$ 74,371,078	\$ 90,311,991	\$ 109,556,598	\$ 121,061,011	\$ 125,866,999
Federal Home Loan Bank Notes	-	-	3,596,239	9,191,156	15,964,575	22,405,405	28,502,172
Institutional Notes	36,372,236	57,996,978	56,892,688	55,323,631	53,615,689	49,140,000	48,915,000
Foundation Notes	18,761,438	20,010,299	20,466,980	17,762,334	10,932,017	8,706,684	7,073,684
US Treasury Bond - Consortium Refinance	-	-	-	-	-	-	-
US Treasury Bond - New Growth	-	-	-	-	-	-	-
UST Equity Debt Issuance	-	-	3,333,333	10,000,000	10,000,000	10,000,000	10,000,000
New Debt Issuance	-	-	-	4,883,346	7,185,529	14,120,392	13,164,473
Subtotal	119,949,329	140,882,587	158,660,319	187,472,458	207,254,408	225,433,492	233,522,328
Accounts Payable & Other Liabilities	3,389,776	3,432,206	3,666,279	3,931,199	4,176,965	4,403,578	4,611,038
Total Liabilities	\$ 123,339,105	\$ 144,314,793	\$ 162,326,598	\$ 191,403,657	\$ 211,431,373	\$ 229,837,070	\$ 238,133,366
<i>Net Assets</i>							
Total Net Assets	42,999,324	43,909,518	44,861,537	45,415,969	46,774,097	50,516,989	53,125,414
TOTAL LIABILITIES AND NET ASSETS	\$ 166,338,429	\$ 188,224,311	\$ 207,188,135	\$ 236,819,626	\$ 258,205,470	\$ 280,354,059	\$ 291,258,781
Liquidity / Leverage							
Net Assets +	42,999,324	43,909,518	44,861,537	45,415,969	46,774,097	50,516,989	53,125,414
Less DOE -	18,785,416	18,667,457	18,618,137	18,610,977	18,690,112	18,856,853	18,856,853
Plus Allowance Loan Losses +	4,065,810	4,481,619	5,072,870	5,863,318	6,437,147	7,008,349	7,231,128
Less Specific Reserved Loans -	710,071	860,717	860,717	860,717	860,717	860,717	860,717
Adjusted Net Assets	27,569,647	28,862,963	30,455,553	31,807,594	33,660,415	37,807,767	40,638,972
Total Assets +	166,338,429	188,224,311	207,188,135	236,819,626	258,205,470	280,354,059	291,258,781
Less DOE -	18,785,416	18,667,457	18,618,137	18,610,977	18,690,112	18,856,853	18,856,853
Less Consortium Notes -	64,815,655	62,875,310	74,371,078	90,311,991	109,556,598	121,061,011	125,866,999
Less Loan/equity to IFF Senior Lender -	-	-	6,725,102	6,725,102	6,725,102	6,725,102	6,725,102
Less UST Bond Program	-	-	-	-	-	-	-
Less UST Equity Like Debt	-	-	3,333,333	10,000,000	10,000,000	10,000,000	10,000,000
Plus Loan Guarantees +	4,984,699	4,984,700	4,984,700	4,984,700	4,984,700	-	-
Plus Allowance Loan Losses +	4,065,810	4,481,619	5,072,870	5,863,318	6,437,147	7,008,349	7,231,128
Less Specific Reserved Loans -	710,071	860,717	860,718	860,719	860,720	860,721	860,722
Total Adjusted Assets	91,077,796	115,287,146	113,337,337	121,158,855	123,794,785	129,858,720	136,180,232
Adjusted Net Assets / Total Adjusted Assets	30.27%	25.04%	26.87%	26.25%	27.19%	29.11%	29.84%
Covenant	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
	5.27	0.04	1.87	1.25	2.19	4.11	4.84

IFF
Statement of Activities
Five Year Financial Forecast

Changes in Unrestricted Net Assets:	2009	2010	2011	2012	2013	2014	2015
Revenue and Other Support - Operating							
Interest on Loans	6,538,727	8,058,086	9,205,500	10,480,703	12,133,244	13,360,257	14,241,561
Interest on Investments	17,242	(191,232)	17,002	17,986	18,924	19,861	20,799
Less: Interest Expense	(3,593,097)	(4,455,917)	(5,211,757)	(6,000,413)	(6,919,338)	(7,690,304)	(8,200,364)
Net Financing Income	2,962,872	3,410,938	4,010,745	4,498,277	5,232,830	5,689,815	6,061,996
NMTC Fees	-	107,958	253,032	204,595	229,039	366,463	601,404
Rental Income		22,772	65,814	67,788	69,822	71,917	74,074
Miscellaneous Fees	205,428	94,096	(40,409)	21,232	35,275	44,695	49,494
Consulting Contract Fees	1,272,396	1,094,599	1,595,132	1,823,360	1,922,166	2,004,538	2,085,697
Total Fee Income	1,477,824	1,319,425	1,873,569	2,116,975	2,256,302	2,487,613	2,810,669
Program and Operating Grants	179,551	115,000	150,000	200,000	200,000	200,000	200,000
Grants Released from Restrictions	2,358,512	2,279,207	11,971,440	1,359,106	1,432,211	1,557,531	1,643,535
Total Operating Income	6,978,759	7,124,570	18,005,754	8,174,357	9,121,343	9,934,958	10,716,200
Expenses - Operating							
Salaries and Benefits	4,192,500	4,268,760	5,151,916	5,293,204	5,536,000	5,702,081	5,945,143
Professional Fees	431,295	463,010	371,970	383,129	394,623	406,462	409,896
Occupancy and Office	508,164	540,884	628,779	647,642	667,072	687,084	690,441
Depreciation and Amortization	227,906	290,401	391,967	403,726	403,726	403,726	403,726
Other Operating Expense	566,427	469,444	474,382	488,613	503,272	518,370	515,797
Program Professional Fees	943,259	150,381	349,290	-	-	-	-
NSP Property Transfer	-	563,718	9,887,991	-	-	-	-
Total Expenses - Operating	6,869,551	6,746,597	17,256,295	7,216,315	7,504,693	7,717,722	7,965,003
Change in Unrestricted Net Assets - Operating	109,208	377,973	749,459	958,042	1,616,650	2,217,236	2,751,198
Capital Activity							
Loan Loss Allowance - Start	3,160,532	4,065,810	4,481,619	5,072,870	5,863,318	6,437,147	7,008,349
Net Loan Write-offs	880,304	963,528	756,949	940,237	1,031,647	1,119,414	1,150,260
Loan Loss Allowance - End	4,065,810	4,481,619	5,072,870	5,863,318	6,437,147	7,008,349	7,231,128
Provision for Nonperforming Loans	(1,785,582)	(1,379,337)	(1,348,200)	(1,730,685)	(1,605,476)	(1,690,616)	(1,373,039)
Unrestricted Capital Grants		750,000	750,000	2,000,000	2,000,000	3,900,000	2,000,000
Release of Loan Capital for Non Performing Loans	1,785,582	1,379,337	1,348,200	1,730,685	1,605,476	1,690,616	1,373,039
Change in Unrestricted Net Assets - Capital Fund:	-	750,000	750,000	2,000,000	2,000,000	3,900,000	2,000,000
Change in Unrestricted Net Assets	109,208	1,127,973	1,499,459	2,958,042	3,616,650	6,117,236	4,751,198
Changes in Temporarily Restricted Net Assets (TRNA):							
Program and Operating Grants	2,958,247	3,794,933	12,673,654	300,000	300,000	300,000	300,000
Capital Grants		75,000	75,000	200,000	200,000	200,000	200,000
Interest on Investments (DOE Grant Funds)	39,059	23,530	23,530	186,181	279,165	373,802	373,802
Net Assets Released from Restrictions							
Satisfaction of Program Restrictions for:							
Operating Grants	(2,358,512)	(1,715,489)	(2,083,433)	(1,359,106)	(1,432,211)	(1,557,531)	(1,643,535)
NSP Property Transfers	-	(563,718)	(9,887,991)	-	-	-	-
Capital Grants for Nonperforming Loans	(1,785,582)	(1,379,337)	(1,348,200)	(1,730,685)	(1,605,476)	(1,690,616)	(1,373,039)
Change in Temporarily Restricted Net Assets (TRNA)	(1,146,788)	234,919	(547,440)	(2,403,609)	(2,258,522)	(2,374,344)	(2,142,772)
Change In Net Assets	(1,037,581)	1,362,892	952,019	554,432	1,358,128	3,742,892	2,608,426

IFF
Five year Financial Forecast

Loan Program						
	Unaudited 2010	Budget 2011	Forecasted			
			2012	2013	2014	2015
Revenue						
Loan Interest Income	8,058,086	9,205,500	10,480,703	12,133,244	13,360,257	14,241,561
Investment Income (Net)	(192,707)	17,018	17,986	18,924	19,861	20,799
Financing Income	7,865,379	9,222,518	10,498,690	12,152,168	13,380,118	14,262,360
Gain on Discharge of Indebtness						
Less: Interest Expense	(4,455,917)	(5,211,757)	(6,000,413)	(6,919,338)	(7,690,304)	(8,200,364)
Net Interest Income	3,409,462	4,010,761	4,498,277	5,232,830	5,689,815	6,061,996
Consulting Fees from Loan Program	43,635	50,000	50,000	50,000	50,000	50,000
Loan Origination Fees	94,096	(40,409)	21,232	35,275	44,695	49,494
NMTC Fees	107,958	253,032	204,595	229,039	366,463	601,404
Total Fee Income	245,689	262,623	275,827	314,314	461,158	700,897
Program and Operating Grants			-	-	-	-
Grants Released from Restrictions - Non-DOE	362,425	178,401	7,127	-	-	-
Grants Released from Restrictions - DOE	22,772	-	186,967	193,342	200,029	207,061
Contributed Income	385,197	178,401	194,094	193,342	200,029	207,061
Total Net Revenue	4,040,348	4,451,785	4,968,197	5,740,486	6,351,002	6,969,955
Expenses						
Salaries and Benefits	1,830,424	2,071,127	2,133,261	2,197,259	2,263,176	2,331,072
Professional Fees	274,566	230,825	237,750	244,882	252,229	252,229
Occupancy and Office	277,541	267,468	275,492	283,757	292,270	292,270
Other Operating	267,410	373,247	384,444	395,978	407,857	407,857
Depreciation and Amortization	164,541	159,389	164,171	164,171	164,171	164,171
Total Operating Expenses	2,814,482	3,102,056	3,195,118	3,286,046	3,379,702	3,447,598
Operating Surplus	1,225,866	1,349,729	1,773,080	2,454,440	2,971,299	3,522,357
Provision for Loan Losses	1,379,337	1,348,200	1,730,685	1,605,476	1,690,616	1,373,039
Net Asset Change	(153,471)	1,529	42,395	848,964	1,280,684	2,149,318

Real Estate Services						
	Unaudited 2010	Budget 2011	Forecasted			
			2012	2013	2014	2015
Revenue						
RES Services	1,026,464	1,505,031	1,503,256	1,593,959	1,667,985	1,740,547
Rental Income	-	65,814	67,788	69,822	71,917	74,074
Grants Released from Restrictions	1,664,694	11,432,367	940,728	1,031,431	1,143,841	1,216,404
Affordable Housing Grants						
Total Revenue	2,691,158	13,003,212	2,511,772	2,695,212	2,883,742	3,031,025
Expenses						
Salaries and Benefits	1,292,055	1,649,794	1,684,559	1,828,336	1,883,186	2,019,602
Professional Fees	719,393	10,237,281	-	-	-	-
Occupancy and Office	149,340	233,844	240,859	248,085	255,528	255,528
Other Operating	151,476	131,955	135,914	139,991	144,191	144,191
Depreciation and Amortization	67,595	168,382	173,433	173,433	173,433	173,433
Total Operating Expenses	2,379,859	12,421,256	2,234,766	2,389,846	2,456,338	2,592,754
Operating Surplus	311,299	581,956	277,006	305,366	427,404	438,271

IFF
Five year Financial Forecast

Research						
	Unaudited 2010	Budget 2011	Forecasted			
			2012	2013	2014	2015
Revenue						
Consulting Fees	24,500	40,000	270,000	278,100	286,443	295,036
Program and Operating Grants	-	150,000				
Grants Released from Restrictions	132,606	195,530	201,396	207,438	213,661	220,071
Total Revenue	157,106	385,530	471,396	485,538	500,104	515,107
Expenses						
Salaries and Benefits	187,802	240,724	247,946	255,385	263,046	270,937
Professional Fees	32,722	36,380	37,471	38,596	39,753	39,753
Occupancy and Office	24,343	25,069	25,821	26,596	27,394	27,394
Other Operating	41,814	47,669	49,099	50,572	52,089	52,089
Depreciation and Amortization	12,253	12,445	12,818	12,818	12,818	12,818
Total Operating Expenses	298,934	362,287	373,156	383,966	395,101	402,992
Operating Surplus	(141,828)	23,243	98,240	101,572	105,003	112,115

Supporting Organization						
	Unaudited 2010	Budget 2011	Forecasted			
			2012	2013	2014	2015
Revenue						
Consulting Fees	-	101	104	107	110	114
Program and Operating Grants	115,000	49,988	200,000	200,000	200,000	200,000
Grants Released from Restrictions	120,958	115,138	22,888	-	-	-
Total Revenue	235,958	165,227	222,992	200,107	200,110	200,114
Expenses						
Salaries and Benefits	1,072,897	1,190,271	1,227,438	1,255,021	1,292,672	1,323,532
Professional Fees	104,765	104,765	107,908	111,145	114,480	117,914
Occupancy and Office	102,398	102,398	105,470	108,634	111,893	115,250
Other Operating	(78,489)	(78,489)	(80,844)	(83,269)	(85,767)	(88,340)
Depreciation and Amortization	51,751	51,751	53,304	53,304	53,304	53,304
Total Operating Expenses	1,253,322	1,370,696	1,413,276	1,444,835	1,486,581	1,521,659
Operating Surplus	(1,017,364)	(1,205,469)	(1,190,284)	(1,244,728)	(1,286,471)	(1,321,546)

IFF
Five Year Financial Forecast
Loan Portfolio & Loss Allowance Statistics

	2009	2010	2011	2012	2013	2014	2015
Gross Loan Portfolio							
Consortium Loan Portfolio	\$ 62,877,427	\$ 60,710,910	\$ 74,371,078	\$ 90,311,991	\$ 109,556,598	\$ 121,061,011	\$ 125,866,999
Specifically Reserved Portfolio	3,626,846	3,202,932	2,541,930	2,962,303	3,252,217	3,540,803	3,653,357
General Loan Portfolio	67,189,971	92,258,510	94,221,080	111,022,492	111,482,009	119,591,514	122,435,308
Gross Loan Portfolio	\$ 133,694,244	\$ 156,172,352	\$ 171,134,088	\$ 204,296,787	\$ 224,290,824	\$ 244,193,329	\$ 251,955,664
Loan Loss Allowance							
Consortium Loan Portfolio	\$ 1,622,238	\$ 1,214,218	\$ 1,487,422	\$ 1,806,240	\$ 2,191,132	\$ 2,421,220	\$ 2,517,340
Specifically Reserved Portfolio	710,071	860,717	1,154,545	1,184,921	1,300,887	1,416,321	1,461,343
General Loan Portfolio (1)	1,733,501	2,406,683	2,430,904	2,864,380	2,876,236	3,085,461	3,158,831
Total Loan Loss Allowance	\$ 4,065,810	\$ 4,481,619	\$ 5,072,870	\$ 5,863,318	\$ 6,437,147	\$ 7,008,349	\$ 7,231,128
Loan Loss Ratio							
Consortium Loan Portfolio	2.58%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Specifically Reserved Portfolio	19.58%	26.87%	45.42%	40.00%	40.00%	40.00%	40.00%
General Loan Portfolio	2.58%	2.61%	2.58%	2.58%	2.58%	2.58%	2.58%
Total Portfolio Ratio	3.04%	2.87%	2.96%	2.87%	2.87%	2.87%	2.87%
Net Charge-offs	\$ 880,304	\$ 963,528	756,949	940,237	1,031,647	1,119,414	1,150,260
Net Charge-offs / Total Loans	0.66%	0.62%	0.44%	0.46%	0.46%	0.46%	0.46%
Consortium Cash Reserve	\$ 1,074,128	\$ 1,060,531	\$ 1,299,850	\$ 1,586,651	\$ 2,241,690	\$ 2,676,214	\$ 2,901,853
Consortium Reserve Ratio	1.71%	1.75%	1.75%	1.76%	2.05%	2.21%	2.31%
Summary Recap							
Beginning Provision for Loan losses	\$ 3,160,532	\$ 4,065,810	\$ 4,481,619	\$ 5,072,870	\$ 5,863,318	\$ 6,437,147	\$ 7,008,349
Net Write-offs	(880,304)	(963,528)	(754,341)	(940,237)	(1,031,647)	(1,119,414)	(1,150,260)
Provision for Loan Losses	1,785,582	1,379,337	\$ 1,345,592	\$ 1,730,685	\$ 1,605,476	\$ 1,690,616	\$ 1,373,039
Ending Provision for Loan Losses	\$ 4,065,810	\$ 4,481,619	\$ 5,072,870	\$ 5,863,318	\$ 6,437,147	\$ 7,008,349	\$ 7,231,128
Provision Loan Losses/Loans	3.04%	2.87%	2.96%	2.87%	2.87%	2.87%	2.87%

**IFF
Five Year Financial Forecast
Financial and Operating Measurements**

These ratios and measures are the result of the Forecast Financial Statements. Several reflect IFF Board policy.

	2009	2010	2011	2012	2013	2014	2015
<u>I. Leverage</u>							
Net Assets / Total Assets (1)	25.9%	23.3%	21.7%	19.2%	18.1%	18.0%	18.2%
Adjusted Net Assets + Loan Loss Allowance/ Total Adjusted Assets - Consortium Notes + LG	30.3%	25.0%	26.9%	26.3%	27.2%	29.1%	29.8%
Adjusted Net Assets + Loan Loss Allowance/ Total Adjusted Assets + Loan Guarantees (2)	18.5%	17.0%	16.2%	14.6%	14.1%	14.8%	15.2%
Debt / Adjusted Net Assets (3)	4.95	5.58	6.05	6.99	7.38	7.12	6.81
<u>II. Earnings</u>							
Loan Interest Income / Average Loans Receivable	5.87%	5.56%	5.63%	5.58%	5.66%	5.70%	5.74%
Interest Expense / Average Total Debt (4)	3.59%	3.42%	3.48%	3.47%	3.51%	3.55%	3.57%
Net Interest Margin (5)	2.28%	2.14%	2.15%	2.12%	2.16%	2.15%	2.17%
Loan Interest Income/Interest Expense	1.82	1.81	1.77	1.75	1.75	1.74	1.74
Return on Average Financing Assets (6)	2.43%	2.24%	2.36%	2.34%	2.40%	2.38%	2.38%
<u>III. Asset Composition/Growth</u>							
Net Loans Receivable / Total Adjusted Assets	88.1%	89.5%	88.1%	90.9%	91.0%	90.7%	89.8%
Net Adjusted Asset Growth (7)	(895,119)	1,028,153	1,001,339	561,593	1,278,992	3,576,151	2,608,426
<u>IV. Loan Payable Composition</u>							
Consortium Notes / Gross Loan Receivable	48.5%	40.3%	43.5%	44.2%	48.8%	49.6%	50.0%
FHLB Borrowings / Gross Loan Receivable	0.0%	0.0%	2.1%	4.5%	7.1%	9.2%	11.3%
Institutional Notes / Gross Loan Receivables	27.2%	37.1%	33.2%	29.5%	27.1%	25.9%	24.6%
Foundation Notes / Gross Loan Receivables	14.0%	12.8%	12.0%	8.7%	4.9%	3.6%	2.8%
Debt / Gross Loan Receivables	89.7%	90.2%	92.7%	91.8%	92.4%	92.3%	92.7%

Notes:

- (1) Net Assets and Total Assets include Department of Education (DOE) - restricted funds.
- (2) Net Assets and Total Assets are adjusted to exclude Department of Education (DOE) - restricted funds.
- (3) Debt is Loans Payable, i.e. Consortium, Institutional, and Foundation notes.
- (4) Interest Expense / Average Total Debt is tantamount to cost of funds.
- (5) Net interest margin is Loan and Investment Interest Yield less Interest Expense Ratio.
- (6) Return on Avg. Financing Assets is Net Financing Income divided by average Cash, Investments and Consortium Reserves plus average Net Loans Receivable.
- (7) Net Adjusted Asset Growth includes CDFI and other Capital Grants.