



**Dear Friends,**

2009 was a year with an all-too-familiar drumbeat of challenges: An international recession...government stretched...communities in crisis...more demand for critical services...an ever-greater need for capital and operating support...decline in assets among nonprofits and foundations...and crises so large that they are taxing capacity for all. But our sector is nothing if not resourceful. And what we've seen is organizations not simply managing through this recession, but also adapting and changing. They are undergoing fundamental shifts so they will be stronger and more effective in the future.

Effectively supporting nonprofits through these changes is the reason we are in business, and we continue to improve in this area. This year our CARS rating (a three-year rating from the CDFI Assessment and Ratings System) improved from AA to AAA, which indicates that NFF is using its resources well to achieve positive impact related to its mission.

One way that we're doing this is by providing a customized and integrated continuum of services to help nonprofits navigate the shoals. These Tools for Nonprofit Success include financial workshops, scenario planning, program profitability analysis, merger and collaboration support—with an emphasis on mission, finance, and management impacts—and a full suite of lending and capital access services. We also added expertise in response to increased demand for financial counseling, including some nationally recognized voices.

It seems we struck a resonant (and responsive) chord. Last year, NFF provided financial education or customized consulting to over 1,500 nonprofits.

In 2009, we experienced increased lending activity over prior years. The number of approved loan applications rose significantly, and the number of closed loans rose a whopping 59% over 2008. Loan volume rose as well, with total loan disbursements in 2009 up 44% from the previous year, to \$24 Million. Like many CDFIs (and banks) in this environment, we paid special attention to the quality of our loan portfolio and have very few delinquencies in the mix. We are also assisting foundations who lack underwriting capacity to make loans to qualifying nonprofits.

Our own capability continues to be noticed and honored. NFF received an additional \$60 million in New Market Tax Credits in 2009, bringing our total awards to \$130 million. We continue to deploy our allocations as quickly as possible, making four transactions in 2009 for a total of \$40 million. We received \$1.9 million from the U.S. Department of Treasury's CDFI Fund to support our lending program. Our Philadelphia office was awarded \$1 million from the U.S. Department of Health and Human Services' Strengthening Communities Fund to improve the financial health and business acumen of local nonprofits. NFF will provide grants and technical assistance to Southeastern Pennsylvania nonprofits that work directly with community residents to promote economic recovery.

And we are sharing our message of linking mission to money with more people and organizations than ever:

- Our virtual presence is growing: We led our first-ever web chat forum, hosted by the *Chronicle of Philanthropy*, a popular eight-session series, covering such topics as conducting a capital campaign in times of recession, the changing role of foundations, and new ideas for arts organizations about how to finance their operations. More than 8,000 people participated in or downloaded these discussions. Our website has also

undergone a transformation, offering a new look and easier access to current and archived information.

- We're offering more workshops and participating in more events: The MetLife Foundation partnered with us to extend financial training to more than 2,000 arts organizations across the country. We have spoken at over 100 events across the nation, including the National Urban League Conference, the Alliance for Nonprofit Management Conference, and meetings of the League of American Orchestras and the Federal Reserve Bank Board of Governors.
- Our thought leadership is growing: I, along with other NFF executives, have written several articles this year, addressing fundraising in challenging times, scenario planning, merger myths, and new ways to think about financing nonprofit organizations over the long haul.

While we've successfully managed our expenses and stayed within budget, NFF has not been immune to the challenges imposed by the difficult economy. We have continued our own capital campaign, albeit more slowly than we had previously planned. The work we had started on next generation financial tools has been delayed, as we direct all of our attention to helping client nonprofits get through this difficult period.

We can be proud of 2009, and we are particularly grateful to all our supporters and friends. Our ability to respond with financial services in a year marked by deep financial challenges is due in large part to your generosity. We have found that 2010 is shaping up to be an important year, with financial challenges lengthening (and in many cases deepening) for those most in need, and for the creative and community-focused parts of our sector. Thank you for your continuing interest, partnership and support.

Sincerely,

Clara Miller  
Founder, President, and CEO  
Nonprofit Finance Fund



## 2009 Financials

Figures in thousands of dollars	2009	2008
<b>ASSETS</b>		
Cash (Operating)	9,221	9,876
Cash (Programs)	12,360	14,045
Investments	246	-
Loans Receivable	48,261	39,925
Loan Loss Reserve	(3,832)	(2,862)
Accounts Receivable	16,180	16,207
Other Assets	1,393	773
<b>Total Assets</b>	<b>83,830</b>	<b>77,965</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts and Accrued Expenses Payable	1,371	989
Grants Payable	381	192
Loans Payable	34,475	30,332
Program specific loans payable	1,000	-
<b>Total Liabilities</b>	<b>37,227</b>	<b>31,514</b>
<b>Net Assets</b>		
Unrestricted	3,182	2,895
Unrestricted, Board-Designated Reserve	2,177	2,177
<b>Temporarily Restricted</b>		
Program Fund	7,657	6,300
Grants Fund	20,073	21,396
Loan Fund Capital	12,058	10,825
Investment Capital	1,457	2,858
<b>Total Net Assets</b>	<b>46,603</b>	<b>46,451</b>
<b>Total Liabilities and Net Assets</b>	<b>83,830</b>	<b>77,965</b>
<b>REVENUE &amp; EXPENSES FOR PROGRAM OPERATIONS</b>		
<b>Revenue</b>		
Program Revenue	13,450	11,404
Investment Interest	22	269
<b>Total Revenue</b>	<b>13,473</b>	<b>11,673</b>
<b>Expenses</b>	<b>13,186</b>	<b>11,604</b>
<b>Surplus/Deficit</b>	<b>286</b>	<b>70</b>
<b>Grants to Nonprofit Organizations</b>	<b>6,047</b>	<b>3,896</b>