The Ford Foundation and Community Development

Part A

INTRODUCTION

As the plane reached cruising altitude, Ford Foundation trustee James Ellis leaned across the aisle to Mitchell Sviridoff and asked, “If you had $25 million to spend on poverty in American cities, what would you do with it?” It was 1979, and a group of Ford officers and trustees were returning from a visit to community development projects in Baltimore. Sviridoff, Ford’s VP of National Affairs, had served in the 1960s as head of Community Progress, Inc., a nonprofit anti-poverty agency in New Haven.

After World War II, the suburbanization of America, encouraged in part by federal policy, sent many cities into an intergenerational spiral of decline. Middle- and upper-class whites fled urban centers, followed by employers and retailers. Left behind were new immigrants to the U.S. and migrants from rural areas who were often poorly educated, underskilled, and increasingly impoverished. As housing decayed, crime and unemployment rose, education broke down, economic opportunity waned, and the social fabric of neighborhoods eroded. Public policy responses often failed to solve these complex problems. In the 1940s and ’50s, the federal Urban Renewal Program prioritized commercial development of inner cities by clearing slums and relocating the urban poor to large, troubled public housing complexes. At the beginning of the 1960s, the Kennedy Administration shifted emphasis from clearing slums to improving them but did not succeed in establishing large-scale solutions. Though progressive in intent, the expansion of federal “War on Poverty” welfare programs under the Johnson Administration overreached and overloaded the capacity of government agencies to implement them.

A growing number of social scientists, policy makers, and foundations began to focus on the systemic causes of poverty and integrated approaches to opportunity and empowerment within struggling inner cities. The Ford Foundation, America’s largest philanthropy, played a leadership role by facilitating the innovation and growth of new approaches to urban community development. Ironically, Ford funded its work with wealth created by Ford Motor Co., which helped create the automobile culture that suburbanized America. In the 1960s, under Ford Foundation presidents McGeorge Bundy and Paul Ylvisaker, the Gray Area program fostered local independent community agencies that sought to coordinate a range of social services and development efforts in several cities. Then, through grants and program-related investments in the late 1960s and ’70s, Ford spearheaded the successful evolution of the community development corporation (CDC), supporting 14 such CDCs as they integrated an of array social and economic programs with government funds and private sector support.
Yet by 1979, there were still few large-scale, effective CDCs relative to the needs of America’s cities and looming social welfare budget cuts expected from the Reagan Administration. Barriers persisted to strengthening the CDC field and securing private investment in community development. Franklin Thomas, a Ford trustee and former head of the prototype CDC, the Bedford-Stuyvesant Restoration Corporation, became the Foundation’s president in 1979. Sviridoff and Thomas saw the need for a second generation of CDCs. Since Ford had become a national and international philanthropy in 1950, the Foundation pursued its mission to “advance the public welfare” through a variety of strategies beyond traditional grant making, including building institutions, generating new knowledge, catalyzing other resources, and shaping public policy. In response to Ellis’s question, Sviridoff answered that he agreed with a suggestion by Franklin Thomas that Ford should identify capable leaders of promising CDCs in 50 to 100 U.S. communities, then give them as much funding and support as possible. But how?

HENRY FORD AND THE FORD MOTOR COMPANY

Born in Springwells Township (now Dearborn), Michigan, in 1863, Henry Ford founded the Ford Motor Company in 1903. Under the engineering and managerial leadership of its founder, Ford Motor pioneered the assembly-line method of mass production, paid higher-than-average wages, made cars affordable for middle-class consumers, and catalyzed the advent of the automobile culture in America and beyond. From 1908 to 1928, the company sold 17 million of its popular Model-T’s.

In 1915, Henry Ford led a privately sponsored peace trip to Europe in a failed effort to end World War I. After the United States entered the war, his company became the leading producer of ambulances, airplanes, munitions, and tanks for the U.S. military. After a financial crisis in 1921, Ford began producing higher-priced vehicles and founded subsidiaries in Europe. Opposed to trade unionism, Ford vigorously resisted organizing in his factories by the United Automobile Workers until 1941. His paternalistic attitude toward employees and controversial statements on political and social issues garnered significant antagonism. A staunch isolationist before World War II, Ford again converted his factories to war production after 1941. Retaining the leadership of the company within his family, Henry Ford retired in 1945 and died in 1947.

THE FORD FOUNDATION

Established in 1936 by Henry Ford and his son Edsel in Michigan, the Ford Foundation would become one of America’s largest and most influential philanthropic institutions. According to its charter, the Foundation was founded “to receive and administer funds for scientific, educational and charitable purposes, all for the public welfare.”¹ The mission of the Foundation was to “strengthen democratic values, reduce poverty and injustice, promote international cooperation, and advance human achievement.”²

In 1948, the Board of Trustees convened a Study Committee of independent consultants to recommend how the Ford Foundation could “most effectively and intelligently put its

resources to work for human welfare.”³ The Committee was chaired by H. Rowan Gaither, who later served as Ford Foundation President and board chair.

Informed by “data from hundreds of interviews and conferences and from thousands of pages of written materials,”⁴ the Committee produced its 1949 Report of the Study for the Ford Foundation on Policy and Program, known as the Gaither Report. The report defined the term human welfare, examined the major problems besetting humanity, and proposed programs for addressing the problems. Proceeding from the conviction that “the real hope for the advancement of human welfare lies in the reaffirmation in practice of democratic principles,”⁵ the report outlined five program areas:

- The Establishment of Peace: Activities that promise significant contributions to world peace and to the establishment of a world order of law and justice.
- The Strengthening of Democracy: Activities designed to secure greater allegiance to the basic principles of freedom and democracy in the solution of the insistent problems of an ever-changing society.
- The Strengthening of the Economy: Activities designed to advance the economic well-being of people everywhere and to improve economic institutions for the better realization of democratic goals.
- Education in a Democratic Society: Activities to strengthen, expand, and improve educational facilities and methods to enable individuals more fully to realize their intellectual, civic, and spiritual potentialities; to promote greater equality of educational opportunity; and to conserve and increase knowledge and enrich our culture.
- Individual Behavior and Human Relations: Activities designed to increase knowledge of factors that influence or determine human conduct and to extend such knowledge for the maximum benefit of individuals and of society.⁶

Last, the Committee defined “the organization and operating procedures most appropriate for programs of the kind proposed and for a modern foundation with resources as large as those of the Ford Foundation.”⁷ Approved by the Board, the plan “signaled the transformation of the Foundation from a local philanthropy to one of national and international scope.”⁸

Prior to 1950, Ford engaged mainly in local philanthropic activities, giving approximately $1 million annually to Michigan nonprofits such as Henry Ford Hospital in Detroit and the Edison Institute of Dearborn. After receiving the bulk of the estates of Henry Ford, his wife, and Edsel, the Ford Foundation after 1950 became the largest foundation in America and undertook broader philanthropy from its new headquarters in New York City. In 1951, Ford made $30 million in grants (equivalent to $228 million in 2005 dollars). In the 1960s,

---

Ford alone held one-third of all the assets owned by the top 33 foundations.9 In 2003, grants totaled $489 million10 with assets of $9.8 billion.11

Other Strategies at the Ford Foundation
In a retrospective of the Ford’s first 25 years of national and international activities, Ford officer Richard Magat outlined the various strategic approaches the foundation employed, which included:

- Building and improving institutions
- Generating and disseminating knowledge and information
- Developing individual talents
- Stimulating support from other sources
- Providing an independent contribution to public policy

Magat went on to describe the Foundation’s history of flexible and varied approaches to addressing problems of human welfare:

The amount of money we pit against problems through straightforward grants is not necessarily the best measure of our effort. An informal conference that we assemble or a report that we commission can yield as much as a grant. The same may be said of individual consultations with government officials or of a joint venture with other foundations or international organizations. Occasionally, we use a new tool (e.g. program-related investment) or assume a novel role, but we also continue to employ long-established means, such as the creation of new institutions. Our efforts toward a particular objective also may be seen as a spectrum—from grants to individuals to institutional support, or from support of fundamental research to more operational activities, such as joint funding with public agencies or establishing organizations plainly committed to influencing public policy. It is difficult to state flatly that one strategy or mode of operation works better than another. Thus, it sometimes seems wiser to help an existing institution overcome its weaknesses than to mint a new one, but at other times it seems best to do the reverse. Also, the choice may be dictated by the stage of an effort.

The way we do business also includes such internal activities and mechanisms as monitoring, technical assistance, evaluation, staff research, and use of consultants, advisory panels, task forces, and coordinating committees. A whole network of strategies, procedures, and instruments has grown in response to the enormous problem of selection faced by a grant-giving agency with a broad charter.12

URBAN DECAY & RENEWAL IN POSTWAR AMERICA

Suburbanization and the Decline of America’s Cities
While cities had always known poverty in the United States, urban decay became particularly acute after World War II, as massive migrations altered the composition and function of urban

neighborhoods. In contrast to prior generations, America’s cities were no longer assimilating poor and low-skilled immigrants and rural migrants into the social and economic mainstream. Upper- and middle-class whites fled the inner cities for burgeoning suburbs offering improved quality of life, lower taxes, and social homogeneity.

Those urban whites and minorities who remained or were newly immigrated from rural areas or outside the U.S. were increasingly impoverished and often poorly trained and educated. Caught in an intergenerational spiral of poverty, these populations—especially African-Americans from the rural South—faced housing abandonment and decay, breakdowns in public education, decreasing needs for unskilled labor, increasing crime, declining purchasing power, lack of economic opportunity, and a fraying of the social and community fabric. Racial tensions increased as low-income minorities moved into traditionally white city neighborhoods. Exacerbating the disinvestment in housing was the practice of “red-lining,” through which lenders prohibited residents in certain neighborhoods from obtaining home improvement or financing loans, regardless of individual credit-worthiness. Postwar federal public policy contributed to this urban crisis, having “subsidized and certainly encouraged the ‘cult of the suburb’ through federally underwritten mortgage insurance, the mortgage-interest tax deduction, [and] the mammoth interstate highway program.”


from a “law-and-order conservative” and “cold warrior” to a “soulful champion of the downtrodden” and a “poverty warrior.” By the mid-1960s, the federal Model Cities Program, influenced by the Ford Foundation, shifted government response toward fixing up slums rather than clearing and tearing them down. However, the proliferation of 1960s poverty programs during President Lyndon Johnson’s “War on Poverty” had mixed results, “overwhelmed the administrative capacities of state and local government,” and “failed to realize the Great Society LBJ envisioned.”

The Ford Foundation and Community Development

During Ford’s first decade as an international philanthropy, the Foundation’s domestic Public Affairs program supported Urban Renewal policy, seemed “weak and rudderless,” failed to acknowledge class and racial conflicts in America, and appeared content to support incremental improvements rather than catalyze structural change or “redistribution of wealth, power, or opportunity.” But after 1960, addressing the challenges and poverty faced by disadvantaged urban communities became a priority for the Ford Foundation. By the late 1970s, Ford had invested over $220 million in its broad Poverty and the Disadvantaged program area. An initial emphasis on academic knowledge-building and commissions eventually was replaced by a preference for direct action and experimental interventions that were driven by two Ford staff members. Public Affairs program officer David Hunter established a close relationship with the Kennedy Administration and the President’s Committee on Juvenile Delinquency. Also critical was the leadership of Paul Ylvisaker, who became Ford’s Director of Public Affairs from 1961 to 1967 after a career in academia and work for the mayor of Philadelphia. Optimistic that American society valued equal opportunity, Ylvisaker favored reform of existing institutions and provided an important mix of moral commitment and pragmatism to the Foundation’s community development efforts. According to Ylvisaker, however, one constraint imposed by Ford’s trustees and top executives was to avoid dealing with the issue of race directly.

From 1960 to 1978, the Ford Foundation invested in three major Poverty and the Disadvantaged programs: the Great Cities School Improvement Program, the Gray Areas programs, and the Community Development program. Described by the Foundation as “Philanthropy as Social Reform,” these programs influenced public policies and pursued “an action-oriented rather than research-style, with emphasis on local demonstration projects; a willingness to test the outer edges of advocacy and citizen participation; and a conviction that effective philanthropy requires a great deal of continuing interaction between staff and grantee.” Increasingly, the approach to disadvantaged communities became comprehensive, activist, and interventionist.

Although Ford’s earliest responses to juvenile delinquency had focused on psychological causes, the Foundation’s work now became driven by “opportunity theory.” In their 1960 book, Delinquency and Opportunity: A Theory of Delinquent Gangs, Richard Cloward and Lloyd Ohlin argued that deviant behavior “was an adaptive (albeit dangerous) response . . . of the alienated poor and minority youth to a society that did not offer them sufficient opportunity to fulfill socially approved goals (e.g. mobility) in socially approved ways.”
From 1960 to 1962, the Ford Foundation provided $11.5 million to the Great Cities School Improvement Program, which was established in 1956 by school superintendents and school boards in 14 large cities with substantial numbers of schools in depressed neighborhoods. The program was designed to “meet the special needs of children in these neighborhoods” and “stimulate the involvement of other community resources—social, health and welfare agencies; urban-renewal and housing bodies; the courts and police; and civic and religious organizations—to strengthen the family and educational environment.”

In housing, the Ford Foundation in the 1960s and ’70s also funded Neighborhood Housing Services, founded in Pittsburgh, to demonstrate its model in several dozen cities and then support its transformation into the Neighborhood Reinvestment Corporation, an independent national agency receiving direct federal appropriations. During this period, the Foundation also financed the demonstration of the Tenant Management Corporation in St. Louis, a program intended to improve the supply and quality of low-income public housing by empowering tenants to manage all aspects of their facilities and have final say on evictions and rentals. In 1976, the federal HUD agency granted $20 million for expansion into six other cities.

The Gray Areas Program

Informed by this work, Ford in 1961 formally entered the field of community development through its “Gray Areas Program.” Gray Areas were deteriorating blue-collar neighborhoods located between commercial centers and new suburbs, and were characterized by increasing crime, middle-class out-migration, physical decay, poverty, educational and vocational underachievement, and influxes of migrants from rural areas.

Calling its approach the “social application of jujitsu,” Ford brought “small amounts of resources to bear at points of leverage to capture larger resources.” Although de-emphasizing individual citizen participation and oppositional activism, Ford’s emphasis on locally-driven “community action” was a “rejection of the top-down approach to social change that had been epitomized, for reformers, by the magisterial ravaging of Urban Renewal.” Allocating $26.5 million to Gray Areas, the Foundation selectively chose communities for its investments, each of which provided $2 million to $7 million for a demonstration project. Services included education (pre-school, remedial reading, after-school tutoring), recreational activities, health services, legal assistance, and job training and placement. In each city, a new type of institution – the independent community agency – would integrate and improve the capacity of a city’s existing but fragmentated, uncoordinated, and sometimes competitive public and private agencies in order to augment delivery of housing and welfare programs. These nonprofit corporations were charged with facilitating coordinated and comprehensive services to the poor, as well as

unfreezing of whole tangled networks of authority responsible for housing, social services, and employment for the poor; the mobilization of public/private coalitions; and the stimulation of creativity and innovation when searching for the answers to the problems of the inner cities. In every [Gray Area] community, the community agency would develop a plan for addressing poverty in the neighborhood by enlisting and redirecting efforts of city government, schools, social welfare agencies, and neighborhood leaders. The plan, and the independent

---


22 Cohen, *Inventing Community Renewal*, pp. 30-31
agency itself, was meant to catalyze, coordinate, and rationalize—but not replace—the work of official public authorities. That plan, along with Ford seed money, would then be invoked to induce financial commitments from other agencies—public and private, local and national.  

Because partnership with government and other agencies was considered critical, sites were chosen “in which political and business leaders were prepared to commit themselves to cooperation in almost every respect.” Demonstrations were funded by Ford in Boston, New Haven, Oakland, Philadelphia, the District of Columbia, and North Carolina.

Less about the substance of social welfare programs, the Gray Areas initiatives were more about improving the process for community development. Critics saw paternalism, arguing that local residents, especially African-Americans, were not encouraged to participate. Others viewed the program as lacking clarity about target populations, specific intended outcomes, or measurable results. Ford itself evaluated the program by concluding that “it worked well in some cities, less well in others. Even in the cities where it was most successful, some parts of the program did not fare so well as others.” According to the Foundation, the most important outcome of the Gray Areas program was the direct influence its model had on the War on Poverty and Great Society programs initiated under President Johnson, but observers concluded that, when nationalized by government, the Gray Areas approach was diluted by bureaucracy. In response to the increased role of government, Ford gradually phased out its Gray Areas program and replaced it with other community development efforts. The pilot Gray Area agencies were taken over by the federal Office of Economic Opportunity through its unsuccessful Community Action Program. Nevertheless, the idea of the independent community agency as an antipoverty solution was a distinctive innovation by the Ford Foundation’s Gray Area program and became the progenitor of community development corporations in the decades to follow.

In 1966, McGeorge “Mac” Bundy joined the Ford Foundation and served as President until 1979. Prior to working at Ford, Bundy served as a Special Assistant for National Security Affairs to presidents Kennedy and Johnson and played a crucial role in policy decisions on the Bay of Pigs Invasion, the Cuban Missile Crisis, and the Vietnam War. Before joining the White House, Bundy was a noted professor of government at Harvard and its youngest ever dean of arts and sciences. While some liberals viewed officers at Ford and other major foundations as conservatives in the power elite establishment, Bundy’s tenure at Ford included defending the Foundation from right-wing attacks for supporting liberal causes. Bundy’s decision to “spend down” and not to cut grant making during the 1972-74 bear market contributed to the loss of a billion dollars of Ford’s endowment and led him to later manage a 50 percent downsizing of the Foundation’s programs.

**New Haven and Mitchell Sviridoff**

New Haven, Connecticut, had seriously deteriorated in the post-World War II period. In the 1950s and ‘60s, its mayor, Richard Lee, pursued an aggressive agenda of urban redevelopment. By 1958, New Haven had “attracted more Federal Urban Renewal money per citizen than any other city.” But Lee and others saw that the building focus of Urban Renewal

---

uncovered but failed to solve interconnected economic and social problems that called for integrative “human renewal” and “people programs.”

In 1962, the Ford Foundation gave $2.5 million to New Haven to incorporate an independent community anti-poverty agency, Community Progress, Inc. (CPI), which became one of the best-known Gray Areas initiatives. CPI’s first executive director was Mitchell Sviridoff, a New Haven native who had graduated from high school and vocational school but not college. Working in an aircraft parts plant, he became a labor leader, regional director of the United Auto Workers, and president of the Connecticut AFL-CIO. He had also served as president of the New Haven Board of Education. In the early 1960s, Sviridoff administered aid to Latin America for the State Department before returning to New Haven. Under Sviridoff, CPI’s reform effort and war on poverty became a nationally recognized model for community development and the Johnson administration’s War on Poverty. CPI coordinated and expanded the roles of over 25 existing agencies, channeling a third of its funds to job training, a fourth to education, and the rest to other services. In each target community, CPI established Neighborhood Services Divisions that served as holistic service centers for residents.

However, it was unclear in the end whether CPI actually reduced poverty. Some “community leaders in target neighborhoods contended that nothing had really changed,” and Sviridoff himself later viewed New Haven as a less than successful effort, recalling that “we didn’t even have any clear benchmarks on how to measure success.” Nevertheless, CPI did contribute much of the “conceptual apparatus . . . and the specific program models that became prototypes for and mainstays of anti-poverty work in the decades thereafter.”

**FIRST-GENERATION COMMUNITY DEVELOPMENT CORPORATIONS**

In 1966, New York mayor John Lindsay hired Sviridoff to manage a challenging set of welfare, employment, and youth programs under the Human Resources Administration, but Sviridoff left after nine months of frustration in 1967 to join the Ford Foundation as vice president for National Affairs. There he oversaw a number of initiatives, including the Vera Institute for Criminal Justice, the Manpower Demonstration Research Corporation (a social policy research organization), and the Police Foundation. The evolution of the community development corporation began at the Ford Foundation with “its prime mover, Paul Ylvisaker.” But feeling a lack of support from new Ford President Bundy, Ylvisaker resigned. Going forward, Bundy and Sviridoff chose to concentrate more on affordable housing and small business development, and less on social and educational services.

Beginning as a “classic social-science experiment,” the community development corporation model would be “one of the few inner-city strategies of the 60’s to succeed and thrive,” and would demonstrate “phenomenal growth, broad political support, and continuing ability to attract substantial public and private investment.” CDCs are private, nonprofit organizations in urban and rural areas that administer broad, government-funded social and economic programs and serve as vehicles for private sector participation and investment in the communities they serve. While Ford’s Gray Areas programs typically “served as an adjunct to government and focused on social service programs, community development corporations

instead are a proxy for local government and also include economic development and residential and commercial building and renewal."\textsuperscript{33}

In the late 1960s and ’70s, the Ford Foundation made grants totaling $50 million to community development corporations, supplemented by another $13 million in program-related investments.\textsuperscript{34} (Program-related investments are capital assets—in the form of loans or guarantees—provided by a foundation for investment in an organization aligned with the foundation’s program interests.)

During this period, Ford provided grants to the following community development corporations, which, along with other organizations like them, represented the first generation of CDCs in the U.S.\textsuperscript{35}

- Bedford-Stuyvesant Restoration Corporation (Brooklyn)
- Chicanos Por La Causa (Phoenix)
- East Bay Asian Local Development Corporation (Oakland)
- East Los Angeles Community Union (Los Angeles)
- Home Education Livelihood Program (New Mexico)
- Mississippi Action for Community Education (Greenville)
- Mexican American Unity Council (San Antonio)
- Southeast Alabama Self-Help Association (Tuskegee)
- Southeast Development, Inc. (Baltimore)
- Southern Development Foundation (Lafayette, La.)
- Spanish Speaking Unity Council (Oakland)
- Watts Labor Community Action Corporation (Los Angeles)
- The Woodlawn Organization (Chicago)
- Zion Non-Profit Charitable Trust (Philadelphia)

In evaluating progress in 1979, the Foundation concluded:

It is still too early to render a definitive judgment on CDCs, but not too soon to make some observations about their capabilities. They have demonstrated their ability to manage large projects and large amounts of money effectively, responsibly, and imaginatively, and they have developed skills in a broad range of activities, from job training to crime control.\textsuperscript{36}

Some critics voiced concerns that the CDC model overemphasized specific projects at the expense of strategic, citywide policy.\textsuperscript{37}

In another report that reflected Ford’s increasing role as a broker between inner-city activist groups and local government, the Foundation explained that community-based organizations and CDCs “represent a critical mass of development and programming potential more available and accountable to community people than the traditional public or private sectors. And most important in the case of urban

\textsuperscript{33} Magat, \textit{The Ford Foundation at Work}, p. 122.
\textsuperscript{34} Ford Foundation, \textit{LISC}, p. 184.
\textsuperscript{35} Ford Foundation, \textit{LISC}, p. 21.
\textsuperscript{36} Ford Foundation, \textit{LISC}, p. 5.
revitalization, nonprofit community groups are prepared to take development risks in areas long since abandoned by business and industry.  

In addition to direct grants to CDCs, Ford had begun funding trade associations and national organizations that supported and advocated for CDCs and other community-based organizations. Other changes in the community development field in the 1970s included the anti-redlining movement and new regulations that pushed banks to reform inner-city lending policies and look to CDCs as partners to help achieve compliance. In 1974, Congress established the Community Services Administration to replace the Office of Economic Opportunity and provide more flexible financial and technical assistance to community organizations through new Community Development Block Grants. Under the Carter Administration, however, economic stagnation and inflation led to a reduction in this funding.

**The Bedford-Stuyvesant Restoration Corporation**

The Bedford-Stuyvesant Restoration Corporation was the prototype community development corporation. The “Bed-Stuy” neighborhood of Brooklyn, New York, was a classic case of postwar urban decline. Once a stable working- and middle-class community with a mix of residential and manufacturing areas, Bed-Stuy suffered from the flight of homeowners and manufacturers to the suburbs. Robert Kennedy’s famous walking tour of the neighborhood in the early 1960s brought it national attention. Along with a group of civic leaders, Kennedy helped launch the Bedford-Stuyvesant Restoration Corporation. For a summary of BSRC’s innovative efforts during the 1960s and ’70s in housing, job creation through business development, and social development, see Exhibit B.

**The Need for a Second Generation of CDCs**

By the end of the 1970s, the tremendous needs for urban revitalization continued to dwarf the resources and other support flowing to community development efforts. The incoming administration of President Ronald Reagan already major cutbacks to federal social service and urban development programs. Reagan would declare, “We fought a war on poverty and poverty won.” Another generation of CDCs was needed. Assessing the challenges of American cities in 1979, the Ford Foundation concluded that without more private sector support and citizen initiative, government programs would continue to fall short:

Experience shows that the federal government finds it hard to select and work flexibly with the sensitive, creative, and tenacious local organizations that do the job of revitalization best. The government’s ability to be selective is limited because it must accommodate political pressure to spread resources evenly. . . . It is hard for the government to deliver through its complex administrative procedures the kinds, quality, and timing of technical assistance essential to such programs if local organizations are to launch substantial developments in housing, commerce, or real estate. . . . Government faces such impediments in the two main targets of any effective national urban revitalization strategy: Low-income communities that are badly deteriorated but show some potential for reclamation, and working-class and

---


39 Domhoff, *The Ford Foundation in the Inner City*.

40 Quoted in Domhoff, *The Ford Foundation in the Inner City*. 
middle-class areas that sense their own decline and are intent on self-help. . . . It is clear that government resources, though they are substantial, will not be enough. The private sector, however, shows encouraging signs that there are funds available, expertise to apply them creatively, and considerable readiness and experience to invest them.  

Franklin Thomas advocated the formation of public-private partnerships as a strategy for solving the nation’s challenges, observing that “corporations will be stimulated into assuming an expanded role less by appeals to conscience or moral imperatives than to their pragmatic instincts, by bringing to them a wide array of actionable, ready-to-go social investment opportunities.”

On a 1979 visit by Ford Foundation officers and trustees to community development projects in Baltimore, Ford Foundation trustee James Ellis asked Mitchell Sviridoff what he would do with $25 million to spend on declining cities. Sviridoff said he agreed with Franklin Thomas that Ford should find the 100 best managed, high-potential CDCs around the country, then give the all the resources and support they needed to grow and measurably turn around their communities. But in responding, Sviridoff knew that the big question was How? Should Ford play the role directly, or encourage the creation of a new system or institution to do so? And who would lead it? How would it be all funded? How could Ford unlock business sector capital? How could such an approach best add value to the CDC field and achieve the ultimate goal of reducing poverty?

---

41 Ford Foundation, LISC, p.3.
EXHIBIT A

Overview of Ford Foundation Grant Making, 1936-1977

ANNUAL PROGRAM EXPENDITURES
(in millions of dollars)

EXPENDITURES BY FIELD
(in millions of dollars)

Higher Education (General)
University-based Programs:
  International Training and Research
  Engineering Education
  Humanitarian Scholarship
  Business Education

Early Learning and Secondary Education
Public Television
The Arts
Government Performance
Law and the Administration of Justice
Poverty and the Disadvantaged
Civil Rights, Civil Liberties, Race Relations
Women's Programs
Resources and the Environment
Economic and Social Research \(^1\)
International Affairs \(^2\)
The Less-Developed Countries \(^2\)

Limited Programs:
  Journalism
  Aging
  Science
  Hospitals and Medical Education
  Michigan Philanthropies
  Drug Abuse
  Philanthropy

\(^1\) United States and Europe.
\(^2\) Includes foreign activities outside the less-developed countries.

\(^3\) Includes population.
EXHIBIT B

Bedford-Stuyvesant Restoration Corporation: History

Historically, Bedford Stuyvesant in Brooklyn was a stable working and middle class neighborhood with a solid residential core of brownstone row houses. As recently as the early 1950s, it was a racially and economically mixed community with a comfortable standard of living. Many of its residents were employed in Brooklyn's thriving manufacturing and shipping industries. But when suburban homeownership and highway expansion programs began to lure white families and manufacturers out of the city, Bedford Stuyvesant underwent dramatic changes. Between 1940 and 1960, its population shifted from 75 percent white to almost 85 percent African American and Latino. Once the neighborhood’s racial composition began to change, banks undertook a policy of “redlining,” refusing to grant mortgages or loans to the area’s residents and businesses. At the same time, the neighborhood was ravaged by unscrupulous real estate speculators who played upon racial fears to convince white homeowners to flee the area by selling their houses at cut-rate prices. This led to the widespread exploitation of incoming African-American families, who were desperate for housing and were forced to pay exorbitant rents for overcrowded, substandard shelter. The neighborhood's deteriorated conditions were made worse by inadequate public services such as police protection, garbage collection, health care and education.

The Comprehensive Neighborhood Plan

Despite these seemingly hopeless conditions of poverty and urban decay, Bedford Stuyvesant had a strong base of neighborhood and block associations, churches, and other civic organizations that were dedicated to stemming the tide of decline. Over eighty of these community-based groups functioned under the umbrella of the Central Brooklyn Coordinating Council (CBCC), which served as one of the unifying forces for addressing neighborhood issues, particularly the needs of youth. During the early 1960s, CBCC became a leader in the War on Poverty, a national effort initiated by President Lyndon B. Johnson. By involving community residents in a participatory planning process, the group forged what was to become the blueprint for comprehensive physical, social, cultural and economic development in Bedford Stuyvesant. Through the efforts of CBCC’s staff and volunteers, prominent community activists such as Elsie Richardson, and technical assistance providers such as Pratt Institute, the plan won the grudging endorsement of key city officials. The most significant opportunity to make this comprehensive plan a reality arose in 1966, when New York Senator Robert F. Kennedy agreed to tour the neighborhood and enter into dialogue with community leaders.

More Than Studies Needed

Senator Kennedy’s famous tour of the neighborhood ended at a community-wide meeting at the local YMCA. Although Kennedy seemed sincerely concerned about the appalling conditions he saw, many residents of Bedford Stuyvesant were skeptical about the public sector's ability or commitment to take action. For too long, the neighborhood had been studied by a parade of academics, politicians and public officials. Judge Thomas R. Jones, a strong local leader and civil court judge, recalls challenging the Senator. “I’m glad you’re here,” stated. “But I want you to know that your late brother Jack Kennedy already had seen and understood these things, and we're tired of being studied, Senator.”

The Nation’s First Community Development Corporation
Senator Kennedy proved willing to take up the challenge. Impressed by the strength of civic life in Bedford Stuyvesant, he decided to use the neighborhood as a testing ground for a new federally-supported model of community development. Working with the civic leaders that had forged the comprehensive plan for Bedford Stuyvesant, he helped establish the Bedford Stuyvesant Renewal and Rehabilitation Corporation. Soon after it came into existence, however, the organization reached an impasse around programmatic and leadership issues, and consequently split into two independent entities. While one entity (which went by the original name) focused on housing development, a new entity known as the Bedford Stuyvesant Restoration Corporation (BSRC) was created in 1967. As the beneficiary of national legislation crafted by Senator Kennedy and Senator Jacob Javits, the organization became recognized as the nation's first community development corporation (CDC).

In order to fulfill one of the CDC’s primary goals—to strengthen the local economy and create jobs by bringing manufacturers and private investors into Bedford Stuyvesant—BSRC was assisted by a sister organization, the Development and Services Corporation (D&S). BSRC’s role was to set policy and carry out community development programs, while D&S’s role was to offer technical and fundraising assistance. This unusual dual structure was somewhat controversial. D&S; was managed primarily by representatives of the white power structure who were personally recruited by Senator Kennedy from the banking and corporate world. Restoration was directed mostly by African-American residents of the community who had long participated in Bedford Stuyvesant's rich civic life. Restoration's first chairman was Judge Jones, who was actively involved in community politics. The CDC’s founding president was Franklin A. Thomas, a former New York City Deputy Police Commissioner who was born and raised in the neighborhood. Because of the respect he had earned in Bedford Stuyvesant, as well as the public and private sectors, Thomas was able to bridge some of the divisions in the community. He was also able to provide strong leadership to the organization, despite its dual structure. Although it was sometimes criticized for being patterned on a “colonial” model, this structure was also praised for its ability to bring together two very separate worlds for a common purpose. As Ben Glascoe, a former organizer on BSRC’s staff recalls, “The legislation was unique in that it made for a marriage between the community and the business world. And in those days that meant the black world and the white world.”

The Fight Against Blight

In the spirit of the planning process that had led to its creation, BSRC undertook a comprehensive range of strategies to revitalize Bedford Stuyvesant. An essential part of this community development strategy was to improve the physical conditions of the neighborhood, with the aim of catalyzing numerous private and public revitalization efforts in the area. For instance, Restoration organized residents to pressure municipal agencies to improve basic services such as garbage collection and infrastructure maintenance, thereby fighting urban blight. One of the CDC’s most successful physical revitalization strategies was a facade improvement program that helped residents to weatherize and renovate the exteriors of their homes. These efforts not only built pride in the community, but also created desperately needed jobs. BSRC made a point of employing local youth in these projects so that they would acquire a job track record and have opportunities to enter construction trades. By 1992, Restoration had rehabilitated the facades of over 4,200 units of housing in a 150-block area, creating over 2,000 temporary and permanent jobs.

To address the consequences of redlining, the organization created a home mortgage pool in 1967, eventually attracting $65 million worth of investments from public and private sources. More than 850 loans totaling $17 million were granted within BSRC’s first five years of operation. The organization also created a subsidiary to rehabilitate deteriorated housing that had
been abandoned by private owners and had fallen into city ownership. By the early 1980s, Restoration had developed over 3,000 units of commercial and residential property. One of BSRC’s most noted physical development projects is a multi-purpose complex known as Restoration Plaza. This shopping center was created by rehabilitating an abandoned milk bottling factory that was prominently located on Fulton Street one of Bedford Stuyvesant's main commercial thoroughfares. Since its opening day in 1975, it has housed numerous businesses that help boost the local economy. Today, the complex accommodates BSRC’s headquarters, two commercial banks, utility companies, a 214-seat theater, an ice-skating rink, a supermarket, two underground parking garages and numerous retail franchises and community-based social service organizations. Over the years, Restoration Plaza has served as a steady commercial anchor and a powerful symbol of hope for the revitalization of Bedford Stuyvesant.

Creating Jobs through Business Development

Another part of BSRC’s comprehensive development strategy was to create jobs through business development. BSRC’s first successful attempt to locate a major employer in the heart of Bedford Stuyvesant was made possible by one of D&S’s board members, who was an executive at IBM. By locating one of its manufacturing plants in a vacant brick warehouse, IBM created 400 jobs for local residents. The plant continues to operate to this day, and is now worker-owned and managed.

Finding other large-scale manufacturers who were willing to locate in the area proved difficult. Restoration continued its business development strategy, however, by providing financial and technical assistance to small enterprises. Between 1969 and 1979, Restoration’s loan programs provided over $8.5 million in desperately needed capital to more than 125 local businesses. These enterprises have created and retained an estimated 1,000 jobs and have attracted nearly $13 million from conventional investment sources. Through a revolving loan fund established in 1984, Restoration continues to offer low-interest loans to small businesses. Over the years, BSRC has invested equity in a number of business ventures, including a for-profit real estate management company, a drug store, a fabric design shop, a supermarket, a fast food franchise, a clutch manufacturing firm and a recording company. During the economic recession of the 1980s, some of these ventures began to operate at a loss and were divested. Others have been quite successful, however. The Pathmark supermarket, for instance, thrives to this day in Restoration Plaza, and has become a significant source of revenue for the organization.

Addressing Social Needs

Another important dimension of BSRC’s work over the years has been social development. To combat high rates of unemployment and illiteracy in Bedford Stuyvesant, the organization offers job referral, educational and youth services to area residents. Up until the 1980s, BSRC ran numerous summer youth employment programs with funding under various federal programs, including the Comprehensive Employment and Training Act (CETA). This program provided opportunities for thousands of participants to acquire basic skills while working on BSRC’s revitalization projects. Today, BSRC’s youth programs are operated with private funds.

Restoration recognized early on that one of Bedford Stuyvesant’s most urgent social issues was a lack of preventative health care, which forced many residents to seek medical treatment in hospital emergency rooms rather than in doctors’ offices. Under the leadership of Dr. Vernal Cave, BSRC established a family health care center in 1976, making regular visits to the doctor possible for 55,000 patients a year.
Another part of BSRC’s social development mission is to foster a sense of pride and identity in the community’s heritage and culture, especially among youth. Thus, BSRC has an art gallery and offers classes in music, dance, and the visual arts. Through the Billie Holiday Theater in Restoration Plaza, it hosts numerous musical, dramatic, and educational productions.

The Ford Foundation and Community Development

Part B

Based on their experience in funding community development efforts through the late 1970s, Ford Foundation officers believed that a second-generation of community development corporations could emerge from the thousands of community organizations at work across America. They estimated that 200 to 300 organizations were “capable of moving from marginal to substantive development” and that, of those, some 100 needed to be identified and supported through “carefully tailored combinations of modest, flexible administrative support, technical assistance, and development financing such as loans and guarantees.” Concerned about credit-worthiness, private financial institutions had long avoided funding community development. What was lacking was a credible vehicle to connect private sector resources to progressive community development organizations. With federal cuts to community development programs on the horizon, Ford argued for foundation entrepreneurship rather than government intervention. Yet the Foundation decided to create a new institution instead of playing the needed role itself. Ford’s leadership noted that “the risks are perhaps best assumed and the burdens mitigated by private philanthropic approaches. . . . For these reasons, and so that private, industrial, commercial, and banking institutions can be properly represented in the governance of an effort that depends on their participation, a private intermediary development corporation is indicated.”

THE LOCAL INITIATIVES SUPPORT CORPORATION

Founding LISC

Synthesizing Franklin Thomas’s idea with Ford’s knowledge of community development and his own experience in New Haven, Mitchell Sviridoff conceived a new type of organization for the community development field. In an understated 1979 launch led by Sviridoff, the Foundation founded the Local Initiatives Support Corporation (LISC) with a grant of $4.8 million, equally matched by the combined donations of six other corporate partners: Aetna Life & Casualty Foundation, Atlantic Richfield Foundation, Continental Illinois National Bank & Trust Co. of Chicago, International Harvester Co., Levi Strauss & Co., and Prudential Insurance Co. of America.

“There is no way we could replace the billions of dollars government has provided in this area in the past,” Sviridoff commented, “but we do hope we can help community organizations make more effective use of what they will receive from government and in the process, help them increase their self-sufficiency and attract additional private dollars.”

46 Teltsch, Kathleen, “Funds are Packaged to Aid Communities.” New York Times, June 7, 1981.
In 1980, Sviridoff left the Ford Foundation to work full time for LISC and serve as its first president. Eighteen months earlier, Franklin Thomas had succeeded McGeorge Bundy as Ford’s president. Thomas undertook “an intensive reorganization of the foundation's internal structure as well as its grant-making activities.” As a result, Thomas announced that Sviridoff and two other vice presidents would leave the Foundation.47

As a trustee and as president, Thomas was a strong champion of LISC and brought personal experience to the post. Under his leadership, the Bedford-Stuyvesant Restoration Corporation “attracted $63 million in outside money and . . . established more than 100 businesses with 3,300 jobs, placed 7,000 residents in training programs and renovated exteriors of more than 3,300 dwellings with local residents doing the work.”48 Thomas began his tenure at Ford with a focus on urban poverty, self-help organizations, and bringing business resources into the Foundation’s work. In addition to supporting LISC, Ford continued to make substantial grants directly to community development organizations – particularly in the South Bronx, New York, and also granted over $9 million 1982 to 1991 to the Enterprise Foundation, another new intermediary institution similar to LISC that focused primarily on housing development.

**LISC’s Strategy**

A brand-new institution in the still young community development industry, LISC was a national nonprofit organization that, as an intermediary, helped local CDCs fight poverty and “transform distressed neighborhoods into healthy communities of choice and opportunity.” LISC fulfilled its mission through three strategies. First, LISC “provided direct assistance to individual CDCs” through financial resources as well as through technical and management assistance that built capacity and applied business discipline. Second, LISC worked to “improve local community development environments” by encouraging partnerships among local LISC programs, community organizations, local foundations, private industry, and state and local governments. Third, LISC sought to “strengthen national support for community development” by attracting national resources for local programs, by building knowledge about best practices across CDCs, and by influencing public policy decisions affecting the community development industry.49

Important, much of the financial resources provided by LISC came in the form of packages of commercial investment capital—below-market rate loans, loan guarantees, and equity investments—in addition to traditional grants. To receive funds raised by LISC, the CDC was required to match those funds with investments from local government and business institutions.50 In each location, an advisory committee, comprising primarily local funders and investors, was convened to build local stakeholdership and accountability.

Early on, LISC sought to work with well-run CDCs that had built solid relationships with local government, businesses, and financial institutions and that pursued a balanced mix of physical redevelopment, economic development, and social services that could produce tangible results. Although not expecting each CDC to be ideal in every category, LISC evaluated potential CDC partners on these issues, looking for:

- strong and sophisticated local leadership, headed by a proven “public entrepreneur”;
- staff with strong operational background;
- a solid base of community support and voluntary participation;

---

- effective relations with local government;
- a track record in managing social services and/or physical development programs, including the commitment and ability to use internal financial controls;
- appreciation of the complexity of neighborhood revitalization and the dynamics of the development process; and
- potential for local public- and private-sector backing and cooperation, with some demonstrated leveraging of key local funding sources.

Further, site selection “concentrated on neighborhoods rather than cities—on the nature, needs, capabilities, and approaches of communities and their organizations rather than on the citywide level of distress.”

LISC’s Impact

After a first year of operations that exceeded expectations, Sviridoff reported that, "we counted on maybe getting 20 ventures under way the first year, enabling neighborhood groups with proven track records to help rebuild their blighted communities. But we’re up to 40 in 18 cities, with 25 major corporations providing money and another 25 waiting on the back burner." In the first eighteen months, more than 600 neighborhood and community organizations applied to participate in the program, of which 80 qualified for support. After two years, LISC established advisory committees in 19 cities and held $35 million in assets, having attracted funding from 85 corporations and 30 foundations. By 1986, LISC had made 700 grants and loans of $43 million to over 400 community organizations—enabling them to leverage another $360 million from other funders. In that year, Chicago’s mayor Harold Washington called LISC a “shot of adrenalin,” while Philadelphia’s Mayor Wilson Goode announced that “what LISC has done has brought forth new resources, created hundreds of jobs, and made real impact.”

Further evidence of LISC’s influence came when several corporations and local foundations asked LISC to join them in establishing similar, but regional-level, community development funds in Boston, Chicago, Cincinnati, Cleveland, Philadelphia, Pittsburgh, the District of Columbia, California, and the Southeast—to which the Ford Foundation contributed $5 million.

During the 1980s, the Reagan and Bush administrations drastically cut federal funding of community development, making the work of LISC and CDCs to attract private investment even more critical. Conservatives ensured that the Community Services Administration was eliminated. By 1985, annual federal funding for community development had been reduced by $1 billion. From 1981 to 1992, federal aid to cities in inflation-adjusted dollars was cut by 60 percent and Department of Housing and Urban Development (HUD) funds for subsidized housing dropped by 80 percent. In response, the Ford Foundation created a Community Development Partnership Strategy in 1983 and continued to be a major funder of urban and community development.

---

51 Ford Foundation, LISC, p. 11.
52 Teltsch, Kathleen, “Funds are Packaged to Aid Communities.” New York Times, June 7, 1981.
LISC also used its growing reputation to successfully advocate for the Low-Income Housing Tax Credit, which was included in the 1986 Tax Reform Act and was designed to create market incentives for investment in affordable housing. Conservatives in Congress were more receptive to a tax reduction than they had been to the welfare spending programs of the previous decades. Under this program, the federal government provided $300 million of credits per year to be divided among states on a per capita basis. In turn, states identified development projects, many of which were oversee by CDCs. Equity investors in the projects earned a tax credit. After the legislation was passed, LISC created a syndication mechanism to link buyers and sellers. LISC’s affiliate, the National Equity Fund, purchased credits from developers, created a pool, and then—for a fee—sold portions to corporate investors attracted by the ability to spread risk over multiple projects.

**Conclusion**

In the decades since its founding, LISC has pursued its core strategy while adding new programs. (See Exhibit C for a summary of LISC’s national programs and affiliates.) By 2005, LISC had raised $6 billion from 3,100 investors, lenders, and donors; worked with 2,800 community development corporations in 300 communities nationwide; established offices in 34 cities and rural programs in 37 states; and channeled as much as $720 million per year to CDCs to help them “build or rehabilitate more than 160,000 affordable homes and almost 25 million square feet of retail, community, and educational space—totaling almost $14 billion in development.”\(^{56}\) See Exhibit D for a 2004 financial summary. LISC also offered CDCs in the field an on-line resource library of best practices and distance-learning on public policy issues, funding opportunities, affordable housing, and social and economic development. Beyond raising grants to fund community development projects, LISC by this time was also attracting large, multi-million dollar grants from corporations and foundations to fund its own “overhead” operations. Having concluded that the CDC field was well entrenched, the Ford Foundation no longer supported CDCs directly but continued to provide moderate funding—annual six-figure grants—to a range of intermediary organizations including LISC.

---

EXHIBIT C
LISC National Programs in 2005

Affordable Housing Preservation Initiative
This initiative supports LISC local program offices and their nonprofit, governmental and private sector partners in their efforts to preserve the affordability of federally-assisted, multi-family properties. The staff consults on underwriting issues in preservation transactions and assists with new development techniques and policies.

AmeriCorps
Members are engaged in community service projects related to affordable housing, community organizing, and after-school activities for under-achieving students. Since 1994, the program enrolled over 1,000 members Boston, Chicago, NY, Newark, Providence, LA, San Francisco, Jacksonville, Palm Beach, Kalamazoo and Lansing.

Center for Commercial Revitalization
LISC’s commercial corridor revitalization program is designed to assist local offices and the CDCs they work with to stimulate development and renewal of neighborhood business districts. Participating communities have access to a wide variety of resources that enhance their efforts to improve their neighborhoods.

Community Investment Collaborative for Kids
Through innovative financing, training, and ongoing technical support, CICK helps neighborhood groups create child care facilities, establishing safe, high quality environments where children from low-income families can thrive while their parents work.

Community Safety Initiative
CSI builds formal, long-term partnerships among police departments, CDCs, and other key stakeholders in troubled neighborhoods to reduce persistent

Knowledge Sharing Initiative
KSI shares case studies, best practices, and other program information among LISC staff and other community development practitioners via LISC’s Online Resource Library, publications, training, and an eNewsletter.

Organizational Development Initiative
ODI supports the capacity-building work of LISC programs by providing a broad array of products, services, and technical assistance designed to increase the effectiveness and operational expertise of our CDC partners.

Rural LISC
Rural LISC builds the capacity of rural CDCs, increases their production and impact, demonstrates the value of investing in and through rural CDCs, and coordinates Stand Up for Rural America, a national coalition campaign helping rural community developers gain the support their work deserves. Currently, Rural LISC supports 77 CDCs in 36 states.

Youth Development and Recreation
LISC’s Youth Development and Recreation program concentrates on creating physical spaces where young people learn and play. The program manages the NFL Grassroots Program, a partnership between LISC and the NFL Youth Football Fund, to assist neighborhood groups in improve the quality, safety, and accessibility of youth football fields.

AFFILIATES

National Equity Fund, Inc. (NEF, Inc.)
NEF, Inc. utilizes federal Low Income Housing Tax Credits to raise capital and provide equity to affordable rental housing developments.

New Markets Support Company, LLC (NMSC)
crime, disorder, and fear.

**Educational Facilities Financing Center**
EFFC pools low-interest loans and leverages them for investment in charter and other alternative school facilities to create new or renovated school buildings for underserved children, families, and neighborhoods.

**Housing Authority Resource Center**
HARC helps revitalize neighborhoods with concentrations of public housing, by creating working partnerships among LISC local programs, CDCs, and local housing authorities.

NMSC makes New Markets Tax Credits available to investors in order to raise private capital for low-income, neighborhood-based economic development projects.

**The Community Development Trust**
CDT is a new Real Estate Investment Trust (REIT) specializing in equity and debt for affordable housing and community development properties.
EXHIBIT D

LISC Financial Summary, 2004


\[
\begin{array}{|c|c|}
\hline
\text{REVENUE BY SOURCE} &  \\
\hline
\text{Grants} & 26\% \\
\text{Investment income} & 15\% \\
\text{Investment losses} & 3\% \\
\text{Foundations} & 32\% \\
\text{Corporations} & 21\% \\
\hline
\end{array}
\]

\$63 million in contributions from private sector sources

\$110 million in loans made to CDC projects

\$584 million in equity invested

\$30 million in grants to CDCs

\[
\begin{array}{|c|c|}
\hline
\text{CONDENSED STATEMENT OF FINANCIAL POSITION} &  \\
\text{As of December 31, 2004} &  \\
\hline
\text{Assets} &  \\
\text{Cash and investments} & $124,684,465 \\
\text{Grants receivable} & 56,654,941 \\
\text{Loans to community development corporations and affiliates, net} & 129,095,983 \\
\text{Other assets} & 69,397,162 \\
\hline
\text{TOTAL ASSETS} & $379,552,583 \\
\hline
\text{Liabilities and Net Assets} &  \\
\text{Grants payable} & 12,452,166 \\
\text{Loans and bonds payable} & 188,294,636 \\
\text{Other liabilities} & 36,545,479 \\
\text{Total liabilities} & 237,282,281 \\
\text{Net assets} & 142,250,260 \\
\hline
\text{TOTAL LIABILITIES AND NET ASSETS} & $379,552,583 \\
\hline
\end{array}
\]

\[
\begin{array}{|c|c|}
\hline
\text{CONDENSED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS} &  \\
\hline
\text{Revenue} &  \\
\text{Contributions} & $69,426,673 \\
\text{Government contract revenue, interest, investment income and fees} & 73,755,807 \\
\hline
\text{TOTAL REVENUE} & $143,182,480 \\
\hline
\text{Expenses} &  \\
\text{Program services} & $95,435,745 \\
\text{Management and general} & 12,205,590 \\
\text{Fundraising} & 4,943,030 \\
\hline
\text{TOTAL EXPENSES} & $112,584,365 \\
\hline
\text{Change in net assets before investments} & $24,576,115 \\
\text{Realized and unrealized gains on investments} & 1,775,247 \\
\text{Change in net assets} & 26,351,362 \\
\text{Net assets, beginning of year} & 116,198,704 \\
\text{Net assets, end of year} & 142,550,260 \\
\hline
\end{array}
\]

The statement of financial position of Local Initiatives Support Corporation as of December 31, 2004, and the related statement of activities and changes in net assets and of cash flows for the year then ended were audited by KPMG LLP. The condensed financial statements have been derived from the audited financial statements. Copies of the audit reports and the complete financial statements are available upon request to Elizabeth Pugh, CFO, at LISC, 501 Seventh Ave., New York, NY 10018.