COMMUNITY FOUNDATION FIELD GUIDE *to* IMPACT INVESTING

REFLECTIONS *from the* FIELD *and* RESOURCES FOR MOVING FORWARD

MISSION INVESTORS EXCHANGE

September 2013

FROM THE DESKS *of* PETER BERLINER *and* VIKKI N. SPRUILL

Mission Investors Exchange and the Council on Foundations are thrilled to welcome you to the *Community Foundation Field Guide to Impact Investing: Reflections from the Field and Resources for Moving Forward*. We are delighted that you are reading this Field Guide and discovering all the resources and connections that it has to offer community foundations interested in learning about, designing, and activating an impact investing program.

Community foundations serve people who share a common interest—improving the quality of life in their local areas. Given their place-based focus and commitment to activate resources to meet their missions, more and more community foundations are adding impact investments to their toolbox. Unlike grants, impact investments intend to generate both targeted social or environmental benefit ***and*** a financial return. To date, much of the impact investing literature geared towards foundations has focused exclusively on private foundations. As a public charity, a community foundation both raises money from and makes grants to the community it serves through discretionary and donor advised assets. We are pleased to present this comprehensive guide for the field that can assist community foundations with their impact investing efforts.

In August 2012, the Council on Foundations convened a group of leaders in the impact investing and community foundation fields who share a common interest in figuring out how best to equip community foundations to embark upon and expand impact investing programs. After our first meeting, it became clear that the Council's network reach within and outside of philanthropy combined with the foundation impact investing expertise of Mission Investors Exchange would be the perfect combination to co-lead the working group in developing this *Field Guide*. We are so grateful to Kathryn Merchant, president and CEO of The Greater Cincinnati Foundation, and Stuart Comstock-Gay, president and CEO of The Vermont Community Foundation, for the conversations with them that led to this initial convening and their leadership, wisdom, resources, and connections that guided this work over the past year. We are also fortunate to have worked with fantastic impact investing leaders and others who contributed to discussions and wrote different chapters of the *Field Guide*:

- Arabella Advisors
- Calvert Foundation
- Enterprise Community Loan Fund
- Global Impact Investing Network
- The Greater Cincinnati Foundation
- GPS Capital Partners
- Imprint Capital
- Marin Community Foundation
- Nonprofit Finance Fund
- The Giving Practice
- The Philanthropic Initiative
- Silicon Valley Community Foundation
- The Greater Tacoma Community Foundation
- The Vermont Community Foundation

We hope that the content of the *Field Guide* helps you and your colleagues navigate the full range of considerations when launching and running an impact investing program at your community foundation. We look forward to continuing the conversation and connecting you to people and resources as your impact investing journeys continue.

Peter Berliner
Managing Director
Mission Investors Exchange

Vikki N. Spruill
President and CEO
Council on Foundations

This flipbook works well with all browsers except Firefox, as well as with iPads and tablets and even smartphones. Let us know if you have problems. Though you can print from the flipbook here, you may prefer to print—or to use and view the entire guide by visiting www.missioninvestors.org/CommunityFoundationFieldGuide to download a PDF made for that purpose.

FROM THE DESKS *of* KATHY MERCHANT *and* STUART COMSTOCK-GAY

Dear Community Foundation Colleagues,

It is our pleasure to share this new field guide on impact investing developed specifically for you.

In our respective journeys as impact investors in Cincinnati, Ohio and Vermont, we have discovered—often with hard knocks—that there are many ways in which place-based strategy and program design must be adapted to suit the particulars of a community and of a community foundation. Each of us has gained clarity that impact investing has become a permanent part of our philanthropic toolkit, leveraging our foundations' assets for the greater good of the communities we serve.

There was a problem that needed to be solved: none of the guidebooks written on "PRIs" or "mission investing" adequately helped us to address the full range of legal, structural, governance, programmatic, or investment decisions associated with place-based impact investing by community foundations. So we decided to jump in to help solve this problem.

With special thanks to the Council on Foundations and Mission Investors Exchange, a group of the best professional minds from around the country were convened a year ago to contemplate how we could all work together to help community foundations both better understand the value of impact investing in a place-based context, and be more effective impact investors. Out of that convening grew the idea to develop this field guide, which will be hosted and supported by Mission Investors Exchange. We also wish to thank all the foundation leaders listed on the next page for their individual and collective contributions to this guide.

Finally, we would like to thank our colleagues Brian Byrnes, Bob Eckardt, Sandra Hernández, Doug Kridler, Dr. Tom Peters, Marcia Rapp, and Steve Seleznow for helping to underwrite this project. They share our vision of the potential impact investing holds as a strong addition to the resources we can deploy to advance our communities.

Kathy Merchant
President/CEO
The Greater Cincinnati Foundation

Stuart Comstock-Gay
President & CEO
The Vermont Community Foundation

THE VISION FOR THIS *FIELD GUIDE* CAME FROM THE COLLECTIVE WISDOM OF A WORKING GROUP CONVENED by the Council on Foundations in August 2012. Guided by the community foundation leadership of Kathy Merchant at The Greater Cincinnati Foundation and Stuart Comstock-Gay at The Vermont Community Foundation and managed by Laura Tomasko at the Council on Foundations, the working group met throughout the past year to strategize on how best to move the community foundation field forward in impact investing. We would like to acknowledge and thank the following organizations for participating in the working group throughout the year.

Arabella Advisors
Council on Foundations
The Giving Practice
Global Impact Investing Network
The Greater Cincinnati Foundation
GPS Capital Partners
Imprint Capital
Initiative for Responsible Investment
Mission Investors Exchange
Nonprofit Finance Fund
The Philanthropic Initiative
The Vermont Community Foundation

We are grateful to these impact investing experts who shared their knowledge and time with Peter Berliner and Melanie Audette at Mission Investors Exchange, who aptly led and developed the *Field Guide* in strategic partnership with David Wood at the Initiative for Responsible Investment of the Hauser Institute for Civil Society at Harvard University.

Melanie Audette
Peter Berliner
Antony Bugg-Levine
Eleanor Clement Glass
Stuart Comstock-Gay
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Kristen Cox
Janet DeYoung
John Goldstein
Taylor Jordan
Cynthia Muller
Jeff Pritchard
Jennifer Pryce
Luther Ragin, Jr.
Ellen Remmer
Lisa Richter
Molly Roman
Liz Sessler
Christa Velasquez
Bud Walther
David Wood
Laura Winter

The *Field Guide* would not have been possible without the generous financial support of Kathy Merchant at The Greater Cincinnati Foundation and these community foundation leaders:

Steve Seleznow, Arizona Community Foundation
Bob Eckardt, The Cleveland Foundation
Doug Kridler, Margaret J. Bauermeister Fund of The Columbus Foundation
Marcia Rapp, Grand Rapids Community Foundation
Kathy Merchant, The Greater Cincinnati Foundation
Dr. Tom Peters, Marin Community Foundation
Sandra Hernández, The San Francisco Foundation
Brian Byrnes, Santa Fe Community Foundation
Stuart Comstock-Gay, The Vermont Community Foundation

In addition to our community foundation leaders, Kathy Merchant and Stuart Comstock-Gay, we would like to thank the following people whose inspiration, strategic guidance, and technical expertise made the working group and *Field Guide* possible.

Jeff Clarke
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Asha Hossain
Ryoko Nozawa
Annie Olszewski
Linh Preston
Ellie Heng Qu
Shannon Scott
Mark Sedway
Kyle Stewart
Lynn R. Wenger

COMMUNITY FOUNDATION FIELD GUIDE *to* IMPACT INVESTING

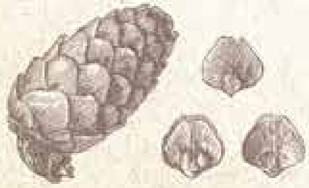
REFLECTIONS *from the* FIELD *and* RESOURCES FOR MOVING FORWARD

Welcome!
Through voices from the field and an overview of the work, you are invited on a journey through impact investing. Let the field guide just be the start of your exploration and activation of new capital tools you find are the right fit for your foundation.

3. ACTIVATE

2. DESIGN

1. LEARN



COMMUNITY FOUNDATION FIELD GUIDE *to* IMPACT INVESTING

REFLECTIONS *from the* FIELD *and* RESOURCES FOR MOVING FORWARD

The LEARN section is an introduction to the potential of impact investing. How can these tools serve your foundation's mission? What will you want to consider before moving forward? Find out here.

Basics of impact investing

- Speaking the Same Language, Clarifying Terms
  Q & A with Peter Berliner
- Why Impact Investing for Community Foundations?
- The Many Forms of Impact Investing
- The Unique Role of Community Foundations in Impact Investing
- The New Recycling: Loan Funds
  Q & A with Marc Rand

Is impact investing for you?

- The Potential of Community Foundation Impact Investing
  Q & A with Luther Ragin
- Making the Case for Impact Investing
  Q & A with Ellen Remmer
- Donor Engagement
- The Power of Donor Engagement
  Q & A with Kathy Merchant and Ellen Remmer

Identify and overcome barriers

- It Takes Commitment
- Questions for the Board
  Q & A with David Wood
- Community Foundation Case Examples

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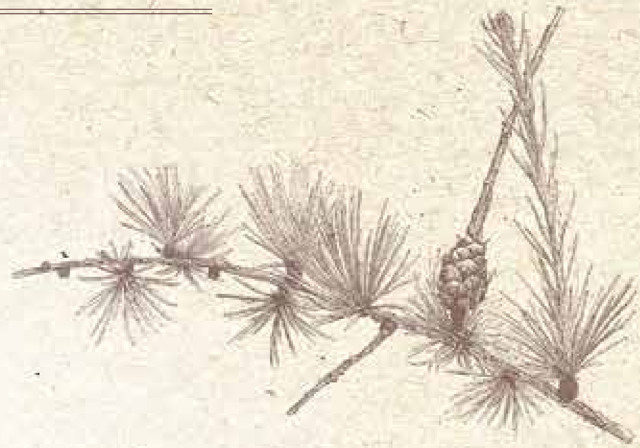

The DESIGN section covers the key elements a community foundation should consider when developing an impact investing strategy and program. Is impact investing the right tool for your foundation? How do you move from decision to building a program that can deliver results? Find out here.

Getting Started

Creating a plan, policies, and processes

Building Systems

COMMUNITY FOUNDATION FIELD GUIDE *to* IMPACT INVESTING

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The ACTIVATE section provides an overview of some key tools used in impact investing practice. Impact investing covers a wide array of types of investment across asset classes, risk/return profiles and investment structures.

The investment pipeline

- **Tools to Find Investments**
- **Building Capacity: Grant Support**
- **Deal Sourcing**
  Q & A with John Goldstein
- **Choosing Your Investments**
  Q & A with Cynthia Muller

Evaluating and securing the deal

- **The Review Process: Due Diligence**
- **Structuring Investments**
- **The Due Diligence Process**
  Q & A with Christa Velasquez

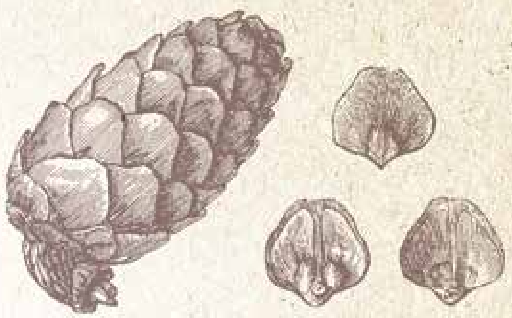
Monitoring investment performance

- **Impact Measures and Monitoring Tools**
- **Monitoring Your Portfolio**
  Q & A with Christa Velasquez
- **Managing Challenges: Workouts**

SPEAKING THE SAME LANGUAGE, CLARIFYING TERMS

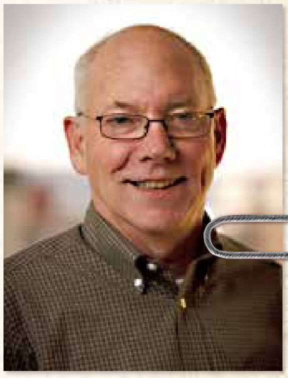
QUESTIONS & ANSWERS *with* PETER BERLINER

Impact investments are any type of investments intended and structured to generate both a financial return and a measurable social return. Note we use the term "social return" to be inclusive of positive social, economic, and/or environmental change. Impact investing includes capital deployed by all types of investors, including individuals, commercial investors, and institutions. It is the broadest term used to describe the investment of assets (rather than grants or distributions) for community change.



Q. What is the difference between impact investing and mission investing?

The term *mission-related investments (MRIs)* describes *impact investments* made by foundations, including community foundations, and other types of organizations established for charitable purposes and whose core purpose is to foster positive social, economic or environmental change. For these organizations, it makes eminent sense that their investments are aligned with and, to the greatest degree possible, designed to support their mission and goals.



PETER BERLINER
Managing Director
Mission Investors Exchange

MRIs are made primarily to diversify and enhance the foundation's investment portfolio and, at the same time, deliver some measurable social return.

No matter which term is used, and they are often used interchangeably, it is important to keep sight of the critical role that foundations play in the broader field of impact investing. Foundations have attributes that other investors do not. Due to their charitable purposes, many foundations are less constrained by return requirements than other types of investors. They can be more patient. Because of their commitment to mission and, like community foundations to a specific geographic location, they are better positioned to monitor and evaluate social returns and to hold investees accountable.

Furthermore, foundations—and especially community foundations—have a great deal of social capital, including knowledge, experience, and connections to communities. This social capital can be mobilized to influence others,

LEARN MAIN | MAP MAIN | CASE EXAMPLES | GLOSSARY

including policy makers and other capital providers, to attend to the interests of populations that markets have previously ignored.

Q. What is the difference between PRIs and MRIs? How do they relate to community foundations?

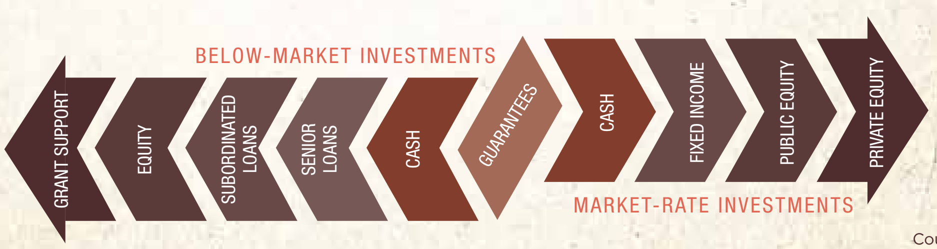
Both "impact investment" and "MRI" defines investments that may be intended to receive a financial return that is comparable to other types of investments (market-rate), but they may also be priced at a below-market rate to achieve a specific social return. These latter types of investments emphasizing social return are often called *program-related investments (PRIs)*, a term most often associated with private foundations that can meet payout requirements using this type of investment strategy, i.e., concessionary investments.

PRIs are generally structured for high social return and below-market financial returns expected, whereas MRIs are generally structured to generate significant expected financial returns and some social returns. PRIs result in a significant community benefit, and they are made primarily for program purposes (e.g., building affordable housing). Financial returns are expected to be minimal. The investment is expected to be repaid in full, and the risk-adjusted earnings on the investment are expected to be lower than what is considered to be market rate. These also can be referred to as program-driven or concessionary investments.

Since community foundations are unlike private foundations in that the IRS requires an annual five percent payout of private foundation assets, community foundations do not make PRIs in the strict sense of the term, but they can and do make concessionary investments that behave like PRIs made by private foundations.

Q. What are the general types of impact investments from a return standpoint?

Impact investments include both investments that are expected to earn significant rates of financial return and significant rates of social return, with many variations of the ratio of return between these two results. How your foundation invests (e.g., high social, low financial; high financial, some social) depends on your goals, the source of funds, the availability of investment opportunities, and your tolerance for risk.



Courtesy The F.B. Heron Foundation

Q. What are "social impact bonds"? Are they also a form of impact investing?

Community foundations and other investors are exploring innovative structures, including *social impact bonds (SIBs)* and *pay-for-performance contracts*, in order to carry out impact investing and scale the good work of successful nonprofits. SIBs are, oddly enough, not bonds but rather performance contracts between multiple entities, most often including the public sector, private sector investors, a nonprofit agency or agencies providing services, and an intermediary organization that manages the process. The idea behind SIBs originated in the United Kingdom. These complex investment vehicles are meant to be tools that align incentives to create more efficient delivery of social services—the investment mechanism is built on producing public sector cost savings that are then used to pay investors a return on their capital investments. In theory, SIBs should promote innovation and cross sector collaboration, and create mechanisms for upfront financing not always available in public sector budgets. But SIBs are in the experimental stage, and their effectiveness cannot yet be known. Community foundations may be particularly interested in place-based SIBs, as the foundations can play the role both of investor and coordinator of multi-stakeholder engagement necessary to make SIBs viable.

RESOURCES

Explore social impact bonds on the Mission Investors Exchange website here.

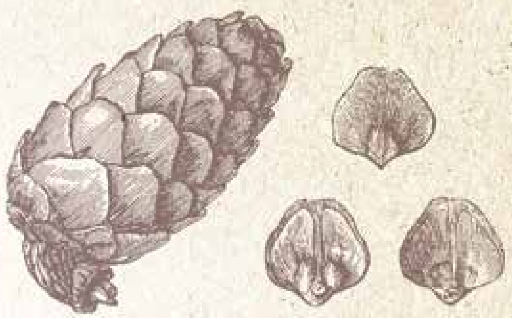
Read the latest SIB news collected by Mission Investors Exchange here.

AUTHOR BIO

Peter Berliner is the managing director of Mission Investors Exchange, a national network of foundations making investments to achieve their philanthropic goals. He previously served as program director for the Paul G. Allen Family Foundation and as chief executive officer of the Children's Alliance, a statewide advocacy organization based in Seattle. Peter is a co-chair of 501 Commons, a nonprofit support organization, and former president of the board of Philanthropy Northwest, a regional association of grantmakers. Mission Investors Exchange is a project of Philanthropy Northwest and is housed in its offices in Seattle.

WHY IMPACT INVESTING FOR COMMUNITY FOUNDATIONS?

Impact investing—also called mission investing or program-related investing—represents a set of powerful tools being used by foundations of all types and sizes to make a difference in communities and sectors. By investing in ways that generate both a targeted social or environmental benefit and a financial return, impact investing tools help foundations make the most of their capital assets.



The underlying purpose of impact investing is to provide investment capital in order to deliver specific social benefits to the community. The premise of impact investing is that by providing innovators and entrepreneurs from both the nonprofit and for-profit sectors greater access to capital, they will develop and create facilities, products, and services that will meet the needs of people and communities not adequately served by the existing marketplace. These enterprises must be complementary to the foundation's mission and goals.

Neither new nor novel, impact investing is a tried and true set of practical tools that can complement your established programs and strategies. Impact investments are being used by foundations of all types and sizes, national and regional, urban and rural.

Efforts to advance disadvantaged communities generally rely on governmental and philanthropic support in the form of grants. Given current constraints on public funding, greater pressure has been placed on foundations to provide the capital to meet a wide range of needs. But the fact of the matter is that, no matter the ups and downs of the markets and budgets, the demand for change capital far exceeds the supply, and grantmaking can't fill that gap.

When challenges and opportunities out-pace resources, it's time for foundations to expand their options. Community foundations throughout the country are doing just that by incorporating impact investing tools into their philanthropic toolbox.

Every community foundation seeks ways to maximize their resources in order to help the communities they serve. They invest their assets responsibly in order to remain dependable for the long term. They strategically grant a portion of those returns to charitable organizations making a difference in their community. Done well, impact investing combines stewardship and impact in ways that can responsibly and concurrently create both financial and social returns.

Neither new nor novel, impact investing is a tried and true set of practical tools that can complement your established programs and strategies. Impact investments are being used by foundations of all types and sizes, national and regional, urban and rural. Use of these tools (and their resulting financial return) can expand your options, make fuller use of your resources, and extend your impact.

By supplementing traditional grantmaking with impact investing, community foundations are able to:

- Deploy a greater proportion of their resources in support of mission and goals;
- Attract additional public and private resources to foundation-backed initiatives and projects;
- Increase the amount of capital available to address community needs; and
- Sustain and grow assets for future use.

The premise of impact investing is that by providing innovators and entrepreneurs from both the nonprofit and for-profit sectors greater access to capital, they will develop and create facilities, products, and services that will meet the needs of people and communities not adequately served by the existing marketplace.

Other compelling reasons for community foundations to engage in impact investing include the following:

BUILD STRONGER WORKING RELATIONSHIPS. Incorporating investment strategies into your work with community partners – both nonprofit and for-profit enterprises – can help strengthen existing relationships, as well as build new ones.

STRENGTHEN COMMUNITY CAPACITY. Your current grantees may be able to build their sophistication and capacity to become investees of your organization and/or others, resulting potentially in new or stronger programs or the ability to bring programs to scale.

SCALE COMMUNITY SOLUTIONS. Having the flexibility to go beyond traditional grantmaking can create opportunities for community foundations to play a larger role in collaborative efforts addressing large scale community challenges, such as job creation or affordable housing preservation. As co-investors, foundations can leverage their financial and non-financial assets and bring new attention and support to their own organizations.

DIVERSIFY INVESTMENT STRATEGIES. Impact investments can be made in a variety of ways and applied to a broad range of causes, e.g., loans, loan guarantees, cash deposits, bonds, or equity investments that support a wide variety of projects such as g community health centers, education and schools, access to the arts, and other causes. Read Tools to Find Investments to learn more.

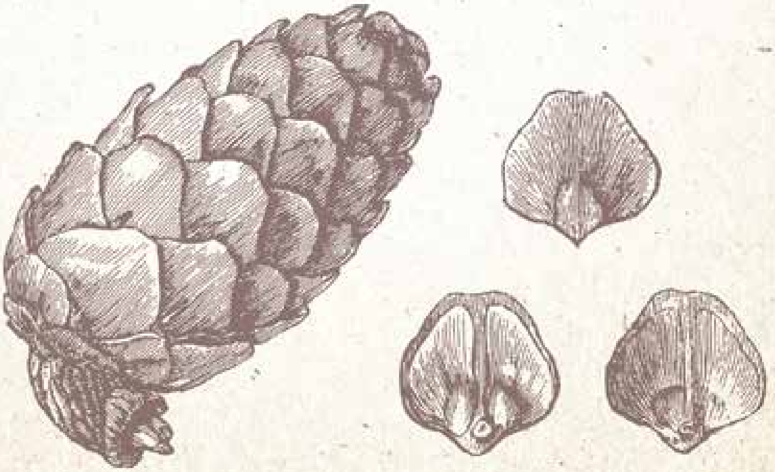
STRENGTHEN YOUR FOUNDATION'S INFLUENCE. Your own staff may become better community partners by learning how to use more complex investment tools. In recent years, the number of community foundations that are including impact investing as part of their philanthropy has been steadily growing. For these community foundations, impact investing creates new opportunities:

- Support projects and initiatives that are too large for grants alone.
- Collaborate with other public and private funders.
- Engage existing and potential donors.
- Build community capacity.
- Shape and influence the marketplace.

DIVERSIFY RISK AND RETURN. Impact investments can be as simple as purchasing a certificate of deposit at a community bank that in turn supports lending in under-served communities. Or they can be or as complex as an equity investment in a start-up company developing new technology to address a social or environmental challenge.

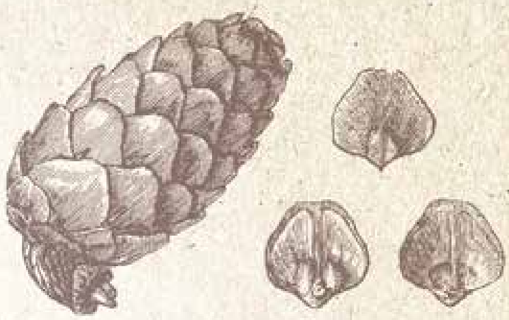
Use of these tools (and their resulting financial return) can expand your options, make fuller use of your resources, and extend your impact.

PROTECT STEWARDSHIP AND REPUTATION. Any community foundation, regardless of size, can become an impact investor – with thoughtful and careful planning and execution to ensure that your investing is done responsibly and effectively. Foundations often determine the types of investments they will make based on their expertise and internal capacity, the type of the problem they wish to address, and their comfort with risk or uncertainty. While some community foundations may have the internal capacity to manage these kinds of investments, most benefit from the services of external groups such as philanthropic partners, intermediary organizations, and strategic, legal and/or financial advisors. (Mission Investors Exchange members can access listings of attorneys, investment advisors, and philanthropic consultants.)



THE MANY FORMS OF IMPACT INVESTING

Impact investments come in many forms. They range across asset classes from deposits in community banks, to loans for affordable housing, to equity investments in small business and community development projects. They may target merely the return of capital, they may be below-market investments that target some specific social impact, or they may be market-rate investments that have a measurable social benefit.



In every case, impact investments have two characteristics: they are financial investments that target some specified return on investment; and they have a social purpose with defined goals for social impact.

The first consideration for impact investing by community foundations is how to match community needs with appropriate financial investments. Not all community investment situations will benefit from an impact investment that must be repaid and finite resources demand a close eye on the appropriate amount of subsidy for those organizations that can benefit from impact investments.

Examples of impact investments by community foundations include:

- Credit guarantees for projects or funds
- Deposits in community banks or credit unions
- Loans to community development financial Institutions for lending to community projects
- Angel investments or equity investments in funds that target start-up or high impact entrepreneurs
- Real asset investments in real estate or environmental conservation projects that have specified social benefits.

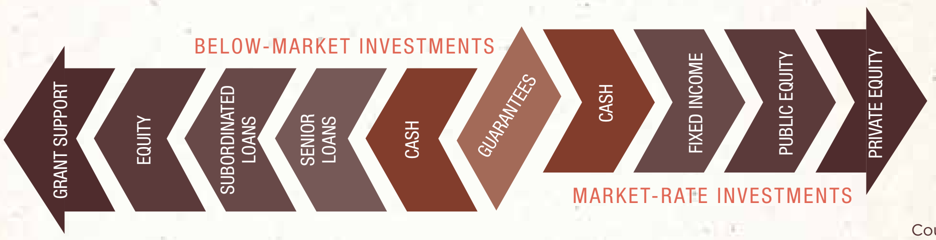
Please explore all community foundation case examples here.

THE MANY FORMS OF IMPACT INVESTING

Impact investments by foundations are most often made through financial intermediaries who specialize in the sector. But there are a number of cases where foundations themselves invest directly in specific projects. It is important for foundations to be aware of the specific skills needed either to identify appropriate intermediaries or (the potentially more difficult path of) underwriting direct investments on their own.

APPLY THIS!

Dig deeper into the spectrum of impact investments. The illustration below, developed by the F.B. Heron Foundation, is an often-used method of showing the spectrum of investment tools utilized by foundations. The continuum features below-market investments, beginning with grant support on the left, and proceeds to market-rate investments on the right end of the spectrum. But what does each one mean in layman's terms? A simple explanation follows.



Courtesy The F.B. Heron Foundation

In every case, impact investments have two characteristics:

1. They are financial investments that target some specified return on investment.
2. They have a social purpose with defined goals for social impact.

GRANT SUPPORT: A sum of money given by an organization, especially a philanthropy or a government, for a particular social or economic purpose. There is no financial return.

EQUITY (STOCK): A below-market equity investment example would be buying stock at a time when a company is first starting out and returns are much less certain or expected than buying at a time when the future of the company and its success is clearer.

THE MANY FORMS OF IMPACT INVESTING

SUBORDINATED LOANS: A loan repaid last (or later than other investors) ranks below other loans with regard to claims on assets or earnings in the event of a bankruptcy. In a default situation, creditors with subordinated debt would not get paid out until after the senior debt holders were paid in full. Foundations making subordinated loans can leverage other money to the project by taking on relatively more risk than commercial investors are willing or able to do.

SENIOR LOANS: A senior loan is returned first to the lender, before all other claims against a borrower. In the event of a bankruptcy, the senior loan is the first to be repaid, before all other parties receive repayment.

Confluence Philanthropy agrees with us that "one of the simplest steps a foundation can take to leverage its mission is to invest cash locally through community based financing. Cash deposits of $250,000 or less in community financial institutions, credit unions, or regional banks are low-risk FDIC insured investments that offer competitive rates of return while furthering philanthropic missions." Learn more about Confluence Philanthropy's Carrying Your Cash. And then check out our Good Deal Hunting page about National Community Investment Fund's BankImpact tool, perhaps the easiest way to find an appropriate community development banking institution in your area.

BELOW MARKET CASH DEPOSITS: Bank deposits at below-market rates are commonly carried out as deposits to small or emerging community development credit unions. Typically a foundation will provide a community development credit union with lending capital for mortgages or small business loans.

LOAN GUARANTEES: A foundation can co-sign a note if the borrower is not eligible for a conventional loan. It is a way for a foundation to mitigate risk for the lending financial institution for important community projects.

Not all community investment situations will benefit from an impact investment that must be repaid to some degree ... and finite resources demand a close eye on the appropriate amount of subsidy for those organizations that can benefit from impact investments.

MARKET-RATE CASH DEPOSITS: Market-rate FDIC-insured deposits are traditionally offered by full-service community development banks (CDBs). Most often these cash deposits serve as the backing for lending to low- and moderate-income communities.

FIXED INCOME: The most common type of fixed-income instrument is a bond typically issued by governments, municipalities, or corporations. They are contractual obligations of fixed interest payments to an investor with the additional expectation that principal will be repaid upon maturity of the bond.

PRIVATE EQUITY: Stocks in companies not traded publicly on the stock market can be used to fund new technologies, expand working capital within an owned company, make acquisitions, or to strengthen a balance sheet. Capital for private equity is raised from retail and institutional investors.

PUBLIC EQUITY (STOCKS): Public equity is an asset class where individuals and organizations can buy ownership in shares, or stock, of a company through a public market such as the New York Stock Exchange or NASDAQ. These investments are typically screened for fit with mission.

RESOURCES:

Expanding the Market for Community Investment in the United States, Lisa Wolf, David Wood, and Paul Irving. 2013.

Investing for Impact: Case Studies Across Asset Classes, The Parthenon Group, Bridges Ventures, and the Global Impact Investing Network. 2010.

Handbook on Responsible Investment Across Asset Classes, David Wood and Belinda Hoff. 2008.

Handbook on Climate Related Investing across Asset Classes, Valerie LaVoie and David Wood, Institute for Responsible Investment. 2009

Mission Investors Exchange members can browse the Investment Database, which consists of concessionary investments made by community and other foundations. (Non-members can learn more about joining Mission Investors Exchange by emailing us here.

The glossary on the Mission Investors Exchange website is a useful tool as you delve deeper into asset classes, contracting, and more.

THE UNIQUE ROLE OF COMMUNITY FOUNDATIONS IN IMPACT INVESTING

Community foundations have a particular capacity that distinguishes them in the broader world of impact investing. They are a natural point of connection between community needs, civic leaders, supporting nonprofits, the donor community, and important social issues. They have the ability to marshal their own and others' resources to deploy private capital for social impact.

As impact investors, community foundations face the challenge and opportunity of being place-based. This will likely limit the universe of impact investment options to them; but it also means they have close connections to place, and the capacity to identify, support, and generate investment opportunities that others might not.

APPLY THIS! WHAT ROLE CAN YOUR COMMUNITY FOUNDATION PLAY IN IMPACT INVESTING?

- [ ] **INVEST:** using impact investments to support financially ready providers of important social services or community development services that allow those providers to grow their organizations and extend their reach
- [ ] **PARTNER:** leveraging investments or grants to partner with other investors that lead to multiple sources of capital for important social goals
- [ ] **BUILD:** offering grants, technical assistance, and potentially investments that build capacity in community organizations and investment intermediaries to engage in impact investing in targeted areas

- [ ] **CONVENE:** drawing together appropriate investors, community advocates, public officials, important institutions, and other stakeholders to raise awareness about impact investing and the potential it offers
- [ ] **ENGAGE:** building awareness and offering opportunities to local donor communities for impact investing, providing a central point of entry to the field for donors
- [ ] **INFORM:** using their knowledge of community needs and intermediary (nonprofit and for-profit) capacity to inform potential impact investors of opportunities in their communities

RESOURCES:

The glossary on the Mission Investors Exchange website is a useful tool as you delve deeper into asset classes, contracting, and more.

Browse the Mission Investors Exchange website for written materials and on-demand streams to deepen your understanding of how community foundations can be savvy impact investors.

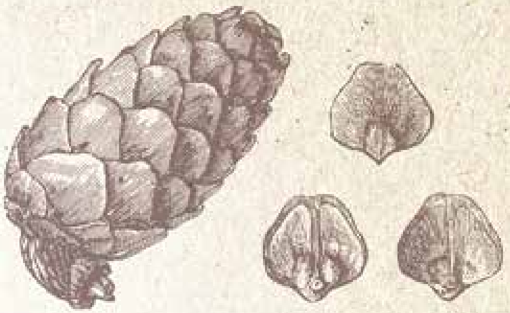
Northern New England Community Foundation Impact Investing: A Rural Community Foundation Case Study, GPS Capital Partners and The Philanthropic Initiative. 2013.

As impact investors, community foundations face the challenge and opportunity of being place-based. This will likely limit the universe of impact investment options to them; but it also means they have close connections to place, and the capacity to identify, support, and generate investment opportunities that others might not.

THE NEW RECYCLING: LOAN FUNDS

QUESTIONS & ANSWERS *with* MARC RAND

Community foundations are carrying out impact investing in a variety of ways, including forming loan funds for both emergency and more long-term, strategic purposes.



Q. Why did the Marin Community Foundation create a loan fund and what does it fund?

The Marin Community Foundation Loan Fund was created in 1989 to increase the Foundation's support of nonprofits in Marin County as a complement to its grant programs. The Loan Fund is an important resource for the community's nonprofits, since it provides capital to borrowers that are not served by the commercial banks due to the perceived risk of the nonprofit sector. The Loan Fund's low interest rate helps bring their projects and programs to fruition—something that the market rate would not allow.

The Loan Fund provides short- and long-term financing for a wide range of important endeavors in Marin County, including affordable housing, human needs, environmental protection, and education, among many others. For example, the Loan Fund has enabled the construction and/or rehabilitation of over 400 units of affordable and special-needs housing in Marin.

MARC RAND
Program Director
Marin Community Foundation

Q. Have you had defaults on any loans in the Loan Fund?

We currently have $20 million of lending capital and have loaned out $30 million to nonprofits in the last ten years alone with a 0% default rate.

Q. What does this experience tell you about impact investing generally?

Foundations can use impact investing in a number of ways, including providing low cost financing to organizations that may be experiencing growth or facing significant financial change, including merging with another organization. Investing in nonprofits provides a platform for a different relationship with nonprofit providers. Foundations become investors and strategic partners. Discussion topics change due to this role and may include long-term financial forecasting.

Q. What benefits have you seen to the Foundation from impact investing?

The benefits to foundations making investments are multiple. Investment dollars do not necessarily come from the grant distribution allocation, so foundations can achieve impact while preserving grant dollars for other programmatic functions. If the investment is structured properly, the funds are returned to the foundation, which can then make new investments into the community. This recycling of funds is a powerful tool. In the past 10 years, Marin Community Foundation has invested over $30 million into the local nonprofit community. The repayment rate over the past 20 years has been 100%. Funds have recycled several times and helped create more than 400 units of affordable housing, financed health care clinics, and provided space for a domestic violence organization.

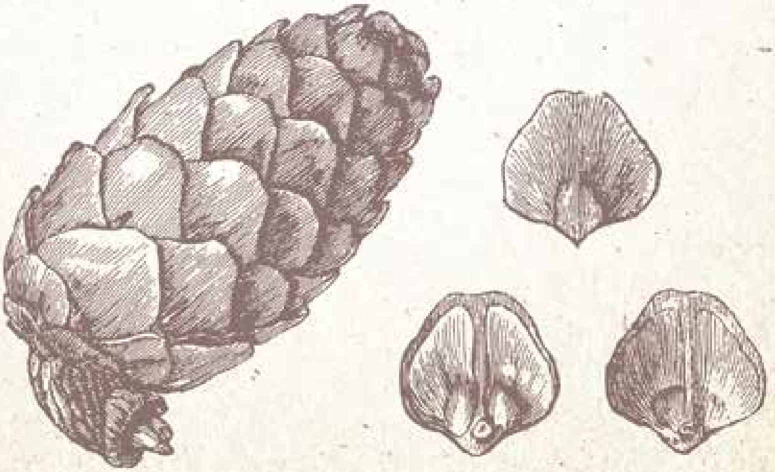
RESOURCES:

Mission Investors Exchange members can browse Loan Fund investments from our Investment Database. (Non-members can learn more about joining Mission Investors Exchange by emailing us here.)

Since its inception in 1989, the Loan Fund has made nearly $30 million in loans and has a zero percent default rate.

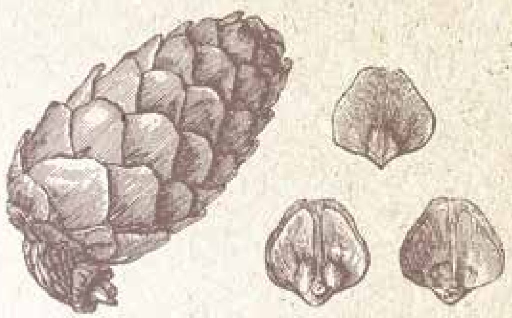
AUTHOR BIO

As program director for Loans and Affordable Housing for the Marin County Community Foundation, Marc Rand has managed the foundation's Loan Fund since 2003, providing financing to underserved nonprofits in Marin. He is responsible for all stages of the loan cycle, and developed the Foundation's lending manual, risk rating system, and loan evaluation processes. During his time at Marin Community Foundation, Marc has helped to finance more than $30 million into the community. Marc's responsibilities also include the $2 million Affordable Housing grant portfolio, in which he partners with nonprofit affordable housing developers to help create homes in Marin for low-income individuals and families. Prior to joining the Foundation, Marc served in the Peace Corps in Romania where he lead a team that developed five credit unions, providing microcredit loans to the underserved population. The project received awards from USAID and the World Bank. Prior to his service with the Peace Corps, Marc served as a Capital Markets Analyst with First Union National Bank (now Wells Fargo) in Philadelphia. As an analyst, he structured $100 million transactions for multinational firms. Marc has degrees in Business Administration and Spanish Language and Literature from the University of Delaware. He serves as the board chair for the Opportunity Fund, a community development financial Institution headquartered in San Jose.



THE POTENTIAL OF COMMUNITY FOUNDATION IMPACT INVESTING

QUESTIONS & ANSWERS *with* LUTHER RAGIN, JR.



Q. How does community foundation involvement in impact investing (either as an investor or as a convener) potentially help drive capital to create impact?

Impact investments generally are a way to put capital to use while preserving or even building the assets for future uses. But their value can extend even further. By directing money to certain types of enterprises or toward communities in which there are limited investments, community foundations can pave the way for investments from other public entities or from the private sector.

> *Investment by a community foundation often serves as an important "signal" to other potential investors that the project is high quality and shows strong potential to positively impact the community.*

By serving as an early investor or assuming a disproportionate amount of risk, community foundations can attract additional resources to a particular cause or market. For example, philanthropists have demonstrated the efficacy of investing in entrepreneurs in low-income communities through microfinance. They have used their investments to build a market for local, organic food as well as to revitalize neighborhoods and promote economic development. These types of investments are catalytic and in keeping with the role of community foundations as community leaders.

LUTHER RAGIN, JR.
President and CEO
Global Impact Investing Network

A distinctive advantage and core competence of a community foundation is its local knowledge, credibility and expertise. These advantages can be effectively leveraged by a community foundation to attract capital to local projects. This is often clear in the role of convener, but is equally important in cases where community foundations invest in local projects. Investment by a community foundation often serves as an important "signal" to other potential investors that the project is high quality and shows strong potential to positively impact the community.

Q. What are some of the specific strategies leaders in community foundations can use to play a role in moving capital in markets including and/or beyond community philanthropy? Is this an appropriate role for them?

Through their convening power and investments, community foundations can help identify local talent, particularly management talent, and help mobilize investor interest in supporting quality local partners and organizations through the signaling effect mentioned earlier. While investors ultimately make their own investment decisions and appropriately assume related risks, the ability of a community foundation to leverage its local knowledge and experience to influence others can generate significant benefits in the community, with reach beyond the scope of its grant-funded projects alone.

Q. What are some of the challenges or gaps in capital markets serving social or environmental good that community foundations might be able to fill?

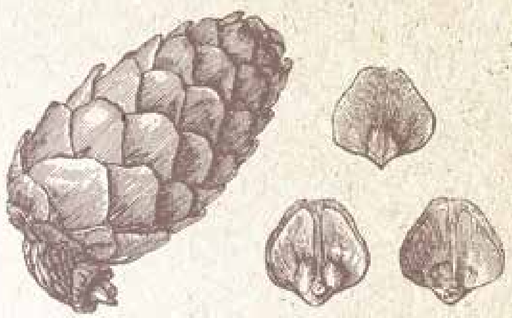
The principal "gap" is credible information on high quality local partners and investment opportunities. For both, credibility is enhanced and made concrete by a community foundation's willingness to co-invest alongside national or regional investors.

AUTHOR BIO

President and chief executive officer of the Global Impact Investing Network (GIIN), Luther M. Ragin, Jr. is dedicated to increasing the scale and effectiveness of impact investing. Through his leadership, the GIIN builds critical infrastructure and supports activities, education, and research that help accelerate the development of more robust impact investing industry. Prior to joining the GIIN, Luther served as vice president for Investments at F.B. Heron Foundation, where he oversaw the Foundation's endowment, building a portfolio of more than $260 million, steadily increasing the impact investing allocation to more than 40 percent. Prior to joining the Foundation, Luther was the chief financial officer of the National Community Capital Association, a trade association of community development financial institutions that provides access to capital in low-income communities. Luther spent eight years as Chief Financial Officer of Earl G. Graves, Ltd., and seven years with Chase Manhattan Bank, including three years as vice president of Syndications/Assets Sales for the North American Corporate Finance Sector. He holds a BA and Master of Public Policy from Harvard, and is a graduate of Columbia University's Executive Program in Business Administration. He is a member of the board of directors of Social Finance U.S., the GIIN, and the Threshold Group. He is an adjunct lecturer in public policy at the Harvard Kennedy School and a senior research fellow at the Hauser Center for Nonprofit Organizations.

MAKING THE CASE FOR IMPACT INVESTING

QUESTIONS & ANSWERS *with* ELLEN REMMER



Q. Why should community foundations explore impact investing?

Community foundations are uniquely qualified to build the capacity of their regions to grow and effectively deploy impact investing strategies for public good. They are naturally positioned to raise awareness of and provide credible information about the emerging field, and they can build on their position as a trusted "go-to" knowledge hub by providing information for interested investors. There are few other local or regional players that could serve this function.

Community foundations can help the donor community — especially next generation and younger donors — find their way through the often mysterious maze of impact investing, which has few guidebooks or expert advisors in local settings.

Q. What can community foundations do for their grantees through impact investing?

Given their strong knowledge and relationships with nonprofits, community foundations can play a role in ensuring that appropriate nonprofit organizations learn about the opportunities for receiving impact investing capital and build the technical skills for implementation. Community building can also connect with, support, and highlight the growing field of social enterprise and business accelerators, which are often focused on double bottom line businesses.

ELLEN REMMER
Senior Partner
The Philanthropic Initiative

Q. What are the key opportunities for community foundations around impact investing?

Donor engagement immediately comes to mind. Community foundations are increasingly working in close partnership with and supporting an active donor community. They have ramped up services and products to serve donors, engaged donors in collaborative initiatives and become regarded as a trusted guide, resource, and platform for helping donors effect their philanthropic aspirations. Community foundations can help the donor community find its way through the often mysterious maze of impact investing, which has few guidebooks or expert advisors in local settings. In particular, next generation and younger donors, who are coming of age in an era that expects full alignment of values, investments, work, and philanthropy, will be drawn to the community foundations that include impact investing in their portfolios.

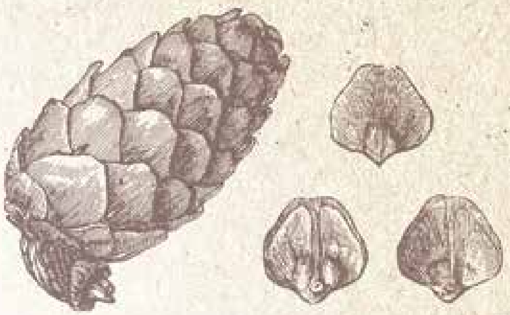
AUTHOR BIO

Senior partner of TPI (The Philanthropic Initiative), Ellen Remmer is a recognized leader in the field of strategic philanthropy. With TPI since 1993, Ellen has developed many of TPI's signature donor learning programs and speaks internationally on the subjects of strategic giving, family philanthropy, and women as donors. Ellen has worked directly with dozens of family, corporate, and community foundations, helping them develop powerful strategies for social impact and strong governance structures and practices. She has authored many publications, including *What's a Donor to Do? – The State of Donor Resources in America Today*; *Philanthropy for the Wise Donor-Investor: A Primer for Families on Strategic Giving*; *Raising Children with Philanthropic Values*; *Making a Difference: Evaluating Your Philanthropy*; and *Passion: Discovering the Meaning in Your Philanthropy*. Ellen currently serves as a board member of her family's foundation, which supports empowerment programs for girls. She serves on the board of directors of Associated Grantmakers and the board of visitors of the Indiana University Lilly Family School of Philanthropy, chairs the advisory council for the Women's Philanthropy Institute, and is a member of the Oxfam Leadership Council. Ellen holds a BA from Wesleyan University and an MBA from the Tuck School of Business at Dartmouth College.

DONOR ENGAGEMENT

by KATHRYN E. MERCHANT *and* ELLEN REMMER

Community foundations around the country are finding that many donors and prospective donors are intrigued by the opportunity to make a charitable investment with donor advised fund (DAF) assets and get the money back, possibly with interest. They can recycle charitable dollars and achieve a financial return as well as a social, economic and/or environmental return. National research has shown that 10 percent of "high net worth" or "high income" households are very interested in impact investing, and another 38 percent are interested but want to learn more, suggesting that the potential market is significant.[1]



KATHRYN E. MERCHANT
President/CEO
The Greater Cincinnati Foundation

ELLEN REMMER
Senior Partner
The Philanthropic Initiative

How a community foundation chooses to involve donors can range widely, from offering a socially screened investment option, to responding to donor requests to establish a low-interest revolving loan pool, to establishing a structured program of impact investing opportunities in which the community foundation co-invests its discretionary assets. To select the approach that works best for your community foundation, and to establish the capacity to execute on it, you can learn from other community foundations that have pioneered this approach to leveraging donor assets and enabling donors to make an even greater difference in multiple ways, right where they live!

DONOR ENGAGEMENT CAN INCREASE COMMUNITY FOUNDATION IMPACT

Grants are the main tools for community investment that donors know best. Good grants generate meaningful social return, but no financial return to the community foundation or DAF. Whether it is debt, equity, a loan guarantee or another market instrument, an impact investment adds to a donor's philanthropic toolbox, going beyond gifts and grants. Engaging donors is a way for community foundations to add value to individual donors' philanthropy and ramp up the potential for large-scale impact by aggregating, unleashing and focusing more capital into the community.

[1] Money for Good, Hope Consulting, May 2010, www.hopeconsulting.us/work/money-for-good. Survey sample included households with incomes greater than $80,000, with an oversampling of households with incomes greater than $300,000.

By educating the broader donor community about opportunities for impact investing, the community foundation will be positioned more prominently and favorably to a broader audience of prospective donors—next generation and entrepreneurs especially—who believe in the power of market discipline in community investments. As a consequence, community foundations can grow the population of local, social donors and investors.

The community foundation should structure its donor engagement strategy in a way that supports the foundation's overall strategy, suits the context in which they operate (e.g., investment opportunities, presence of intermediaries, donor demographics), and meets the interests of their donors and prospects. Some foundations have decided to offer local investment opportunities to donors who are passionate about specific issues such as healthcare, arts and culture, jobs and workforce, energy efficiency and affordable housing. Other foundations have established pooled funds, either focused on a specific theme of strategic importance such as economic and community development, or on a varied set of local opportunities. This diversity of options deepens a community foundation's ability to meet donor interests and make a significant difference.

Community foundations are perfectly positioned to add value to the experience of local philanthropy for individual donors who want to make a difference where they live.

WHY DONOR ENGAGEMENT EXCITES US AND WHY SHOULD YOU BE EXCITED, TOO

Community foundations are perfectly positioned to add value to the experience of local philanthropy for individual donors who want to make a difference where they live. Donors believe that their community foundations have the credibility and standing to educate them, define critical market and social needs, and facilitate and aggregate impact investing opportunities in their communities. Donors may make either permanent contributions or a recoverable transfer from a donor advised fund. Donors can use a percentage of their donor advised fund assets to invest directly in **local** projects instead of indirectly in the stock market. The rest of the DAF assets continue to be invested in a balanced portfolio, and donors can continue to use that portion of a donor advised fund to make grants to their favorite charities. DAF impact investing is a fresh new vehicle for attracting new donors to a community foundation who increasingly expect the same level of engagement from their community philanthropy as they do from their active lives and business ventures.

Q AND A WITH KATHY MERCHANT AND ELLEN REMMER

TOPIC: *THE POWER OF DONOR ENGAGEMENT*

There are multiple opportunities to engage donors in the impact investing process at your foundation and ways to attract donors to your foundation because of a strong impact investing program.

Q: What do you suggest to get started on engaging donors in impact investing?

- [ ] **BUILD ON A PROGRAM TRACK RECORD.**
Build a sound impact investing program in at least one sector that the community foundation knows well, developing a pipeline of "easy wins" and establishing a track record for both social and financial returns, using the community foundation's discretionary assets or a dedicated "evergreen" pool of funds from any source.

- [ ] **MAKE SURE BOARD AND CEO ARE "ON BOARD" FIRST.**
Before engaging donors, make sure the Board and CEO fully understand the risks and rewards. Ideally, some board members will participate in the impact investing program.

- [ ] **ASSESS AND CULTIVATE THE MARKET.**
Conduct focus groups and educational sessions with small groups of donors, including a mix of experienced impact investors, and those who are willing or eager to learn more. Use the focus groups as a motivational opportunity. Identify "donor leaders" and early investors who can provide feedback on strategy. Consider focus groups or individual meetings with professional advisors, too, recognizing that they are most interested in market-based returns.

- [ ] **DEVELOP DONOR-CENTRIC MESSAGES AND MATERIALS.**
Donors in focus groups have resonated with messages such as: recycling of funds, leverage, double bottom line, and investing in local community as an alternative to the stock market. Even if offering a pooled option, provide donors with tangible examples of specific investments and social/environmental impacts that are closely aligned with their interests. Before developing written materials, test them with donors.

- [ ] **ENGAGE AND TRAIN DONOR RELATIONS/DEVELOPMENT STAFF.**
Donor relations/development staff must understand impact investing so they can be part of the "sales team" and help identify and cultivate prospects.

- [ ] **MEET WITH DONORS ONE-ON-ONE DURING THE SALES PROCESS.**
  Offering a new and different product like this requires one-on-one meetings with prospective donors. Most community foundations have begun with donors who are willing to invest at least $25,000 and many donors have allocated over $100,000.

- [ ] **DEVELOP SOUND POLICIES AND PARAMETERS.**
  Donors want confidence that the foundation will conduct professional due diligence and manage the investment well. See the five articles on Creating a Plan, Policies, and Procedures in the Field Guide's Design section.

- [ ] **DEVELOP DISCLOSURE STATEMENTS AND WAIVER FORMS.**
  Have donors sign forms attesting to their understanding that returns are not guaranteed and assets are illiquid for the duration of the impact investment.

- [ ] **PRICE PRODUCTS AND DEALS SO THAT THE COMMUNITY FOUNDATION COSTS ARE COVERED.**
  Like intermediaries, many community foundations recover the administrative costs of working with donors by taking a percentage of the investment return to cover costs of due diligence, monitoring, reporting and administration.

- [ ] **REPORT FINANCIAL AND SOCIAL RETURNS.**
  Prepare templates to report financial and social returns to donors on a semi-annual basis, and consider in-person briefing sessions. Reports should include stories as well as numeric metrics.

- [ ] **MODIFY FUND STATEMENTS.**
  Make sure the back office is ready to modify fund activity statements, allocate principal and interest payments, and other stewardship/accounting elements.

Q: Would you please illustrate some examples of donor engagement?

Donor A is passionate about health care, and concerned about uncertainties surrounding implementation of the Affordable Care Act. With the help of a community foundation, which had set up a loan fund with an established intermediary, this donor decided to co-invest to provide low-cost capital to federally qualified health centers. These centers will use loans from the intermediary to expand facilities and add equipment to increase access to health care for low-income families.

Donor B, who is a venture capitalist, loves the concept of leverage. This donor was excited to invest in a community foundation's "Nonprofit Assistance Fund," which provides low-cost loans and technical assistance in several different sectors. She is thrilled that the community foundation is showing leadership in this area and eager to invest in their capacity to offer more impact investing products. The donor's DAF investment leveraged the community foundation's endowed assets even further. It also helped the borrowers to attract other philanthropic, government and market-rate capital for their projects.

RESOURCES:

Impact Investing for Community Foundations Webinar Series – Four Parts. Presented by Mission Investors Exchange, 2011.

Impact Investing: A 21st Century Tool to Engage Donors in Foundation Review 2012 (Vol 4:4). Amy Cheney, Robert Killins, and Kathy Merchant, The Greater Cincinnati Foundation, 2012.

Money for Good. Hope Consulting, 2010.

Gateways to Impact: Industry Survey of Financial Advisors on Sustainable and Impact Investing. Rockefeller Foundation, Calvert Foundation, Hope Consulting, Deutsche Bank, Envestnet, Veris Wealth Partners, 2012.

AUTHOR BIOS

Kathryn E. Merchant is President/CEO of The Greater Cincinnati Foundation. Prior to joining the Foundation in 1997, Kathryn was the director of The Pew Charitable Trusts' Neighborhood Preservation Initiative and a partner in the New Haven-based consulting firm Holt, Wexler & Merchant. Kathryn is presently Board Chair for the Center for Effective Philanthropy as well as a board member for several other nonprofit organizations. Past board service includes the Council on Foundations 2001-07, including vice chairperson 2006-07; the Community Foundations of America (Giving Net) 2000-2008, chairman 2003-06; Philanthropy Ohio (formerly Ohio Grantmakers Forum); SC Ministry Foundation; United Way of Greater New Haven; and United Way of Connecticut. She is a graduate of Leadership Cincinnati Class XXI. In 2012, Kathryn received the Kentucky Philanthropy Initiative Commonwealth Award and the Woman of the Year in Nonprofits at the Cincinnati USA Regional Chamber WE Celebrate Awards. She was honored with the Council on Foundations' Distinguished Grantmaker Award in 2011. In addition, she received a Career Women of Achievement Award from the YWCA of Greater Cincinnati (2005) and the Ohio Philanthropy Award from Philanthropy Ohio (2006). She was one of the "Top 50 Power & Influence" leaders selected by The NonProfit Times in 2008. Kathryn has a bachelor's degree from Indiana University and a master's degree from the University of Connecticut School of Social Work.

Ellen Remmer is a recognized leader in the field of strategic philanthropy. With TPI since 1993, Ellen has developed many of TPI's signature donor learning programs and speaks internationally on the subjects of strategic giving, family philanthropy, and women as donors. Ellen has worked directly with dozens of family, corporate and community foundations, helping them develop powerful strategies for social impact and strong governance structures and practices. She has authored many publications, including *What's a Donor to Do? The State of Donor Resources in America Today*; *Philanthropy for the Wise Donor-Investor: A Primer for Families on Strategic Giving*; *Raising Children with Philanthropic Values*; *Making a Difference: Evaluating Your Philanthropy*; and *Passion: Discovering the Meaning in Your Philanthropy*. Ellen currently serves as a board member of her family's foundation, which supports girls empowerment programs. She serves on the Board of Directors of Associated Grantmakers and the Board of Visitors of the Indiana University Lilly Family School of Philanthropy, chairs the Advisory Council for the Women's Philanthropy Institute, and is a member of the Oxfam Leadership Council. Ellen holds a BA from Wesleyan University and an MBA from the Tuck School of Business at Dartmouth College.

IT TAKES COMMITMENT

Impact investing requires commitment and support, both internally from foundation trustees and staff, and externally from investment consultants and managers who often are engaged to carry out the foundation's impact investing strategies. Careful consideration of the sorts of commitment and resources required to achieve your intended goals is necessary.

The potential payoff from impact investing is an expanded set of tools, a broader set of partners, and a more robust group of community service providers in your community. The resources it may take to achieve these benefits are neither insignificant nor insurmountable. The important thing is that you make an honest appraisal of what will be necessary as you build your program, and that you maintain the capacity to adjust as circumstances require.

APPLY THIS! DO YOU HAVE WHAT IT TAKES?

- [ ] **LEADERSHIP AND STRATEGIC DIRECTION.** Boards of trustees and foundation executives need to develop distinct, communicable goals and strategies to achieve them. These need to be clear enough to be understood by staff and service providers, and practicable enough to offer real opportunities for investment that achieves social goals.

- [ ] **CAPACITY FOR EXECUTION.** No matter what type of investments you choose, impact investing will likely involve developing new skill-sets among foundation staff, and perhaps among the consultants and investment managers with whom the foundation engages. In some cases, this may mean bringing on new staff or expanding the roles of staff in your organization.

You will likely need to take some risks and learn from mistakes along the way, although the growing number of foundations active in impact investing offers an increasing base of knowledge from which to build.

- **PROGRAM DESIGN.** Consistent processes for identifying potential investment opportunities, underwriting (performing due diligence) on deals, assuring legal compliance with IRS regulations and fiduciary duties, and assessing the potential (and later, the actual) social impact of impact investments.

- **CREATIVITY AND PATIENCE.** Impact investing may challenge the conventional understanding of how foundations manage their investment portfolios, engage grantees, and coordinate internally among staff and externally among service providers. You will likely need to take some risks and learn from mistakes along the way, although the growing number of foundations active in impact investing offers an increasing base of knowledge from which to build.

RESOURCES:

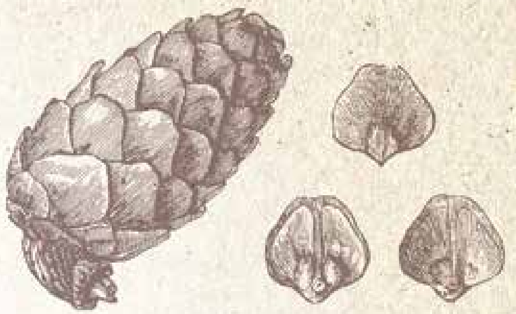
Mission Investors Exchange is the association for impact investors at foundations and philanthropic organizations using mission investments as a philanthropic tool. Please email or call us at 206-443-8463 at any time if we can help you locate resources, introduce you to kindred spirits at peer foundations, or to talk through your latest impact investing ideas and plans.

The potential payoff from impact investing is an expanded set of tools, a broader set of partners, and a more robust group of community service providers in your community. The resources it may take to achieve these benefits are neither insignificant nor insurmountable.

QUESTIONS FOR THE BOARD

QUESTIONS & ANSWERS *with* DAVID WOOD

There are a number of key questions such as those below that foundation board members should consider as they decide to explore and perhaps adopt impact investing as a foundation strategy.



Q. What are the sorts of questions that board members need to ask when considering impact investing?

1. HOW DOES IMPACT INVESTING HELP US ACHIEVE OUR GOALS?

Boards need to examine whether the issues on which they are focused are amenable to impact investing, and whether there is an opportunity pipeline of investments in existence or that could be developed.

They need to consider the kinds of investment that are available to them, their risks and rewards, and what they are willing to consider implementing.

It may be useful to think beyond your own investments to the larger system in the place you care about. How can impact investment help build a system that helps address core foundation goals?

2. HOW CAN IMPACT INVESTING HELP DEVELOP CAPACITY BEYOND THE FOUNDATION TO HELP CHANNEL PRIVATE CAPITAL TO IMPORTANT SOCIAL PURPOSES?

You may find that signaling market demand, or introducing the idea into the community, is among your most important impacts.

3. WHAT DO WE NEED IN PLACE TO BE SUCCESSFUL?

There are a number of considerations for boards. They need to understand how impact investing fits with their fiduciary responsibilities, and what does (and does not!) constitute a jeopardizing investment. Those are fairly easy technical questions to address.

DAVID WOOD
Director
Initiative for
Responsible Investment

LEARN MAIN | MAP MAIN | CASE EXAMPLES | GLOSSARY

More complicated questions will involve for instance, resources – what do we use in house staff for? What do we outsource? What are the skills we need to have in staff and service providers?

And boards, of course, need to think through governance of impact investing – where will oversight sit on the board, how staff and service providers will report on results, and so on.

4. WHAT ARE THE RISKS INVOLVED WITH IMPACT INVESTING?

Another obvious and fundamental question: there's no reason to exaggerate the risks, but they should be directly addressed. Among the things to consider: What will grantees think about mission investing? Will they be afraid that this will cannibalize grantmaking? More generally, what will this mean for stakeholder relations?

These kinds of questions will naturally lead to communications and engagement strategies that should be part of any new strategy development.

Will your grantees be afraid that impact investing will cannibalize grantmaking?

Q. What should boards be asking about investment risk?

On the investment side, the question of risk is closely linked to portfolio management, and the questions the board already asks of staff and consultants will cover much of what needs to be explored about underwriting impact investments—relating them to the rest of the portfolio, determining what to do when things do not turn out as planned, and so on.

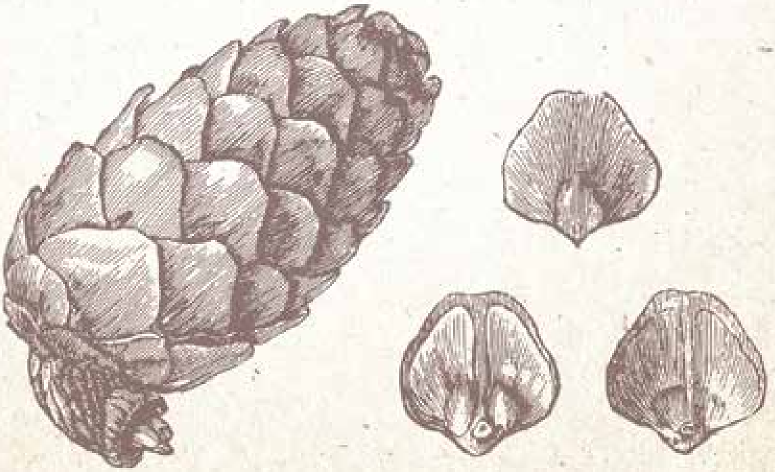
Q. What about the cost of impact investing? Is it worth it?

The last thing I'll point out is the issue of opportunity cost. Impact investing isn't necessarily harder than anything else a foundation will do, but it does require effort and resources. Boards should be able to explain why it's worth the time, effort, risk and money to engage in impact investing, and should have criteria for separating out those areas of interest for which impact investing is useful from those that aren't—as they should for all the activities a foundation undertakes.

You may find that signaling market demand, or introducing the idea into the community, is among your most important impacts.

AUTHOR BIO

David Wood directs the Initiative for Responsible Investment's research and field-building work on responsible investment across asset classes, and currently manages projects on responsible investment strategy with pension fund trustees, mission investing by foundations, the changing landscape of community investing in the United States, and impact investing and public policy. Prior to joining IRI, David taught the History of Ethics, including the History of Economic Thought and Human Rights, at Boston University. He holds a Ph.D. in History from the Johns Hopkins University, and serves on the Board of Directors of US SIF: The Forum for Sustainable and Responsible Investment.



COMMUNITY FOUNDATION FIELD GUIDE *to* IMPACT INVESTING

REFLECTIONS *from the* FIELD
and RESOURCES FOR MOVING FORWARD

Here you'll find examples of mission investments made by community foundations. Do you have an investment you would like to share with your peers? Please email Mission Investors Exchange, or call us at 206-443-8463.

Debt

The Greater Cincinnati Foundation
Greater Cincinnati Energy Alliance

The Seattle Foundation
Enterprise Community Partners

California Community Foundation
Pacoima Development Federal Credit Union

Rose Community Foundation
Denver Transit-Oriented Development Fund

Grand Rapids Community Foundation
Dwelling Place, Inc.

Silicon Valley Community Foundation
Waste Capital Partners

Community Foundation of the Holland/Zeeland Area
Kandu Industries

New Hampshire Charitable Foundation
Bortech Company, Inc. via the New Hampshire Community Loan Fund

The Community Foundation of Jackson County
Jackson County Learning Center

Equity

Rhode Island Community Foundation
Neighborhood Health Plan of Rhode Island

The Greater Cincinnati Foundation
CincyTechUSA

The Oregon Community Foundation
Oregon Angel Fund

Cash

Multiple Foundations
Self-Help Credit Union

The Cleveland Foundation
Living Cities Catalyst Fund

IDENTIFYING CHAMPIONS

While the whole foundation will engage in impact investing, strategy development itself will likely be led by a champion or set of champions who steward the process from inception to incorporation into foundation practice. Often there are internal advocates who lead the charge. For community foundations, these can be board members, important donors, or senior staff members who make the case for the potential of impact investing to achieve foundation goals.

A common next step is to establish an impact investing committee to guide institutional learning, strategy development, launch, and ongoing operation of the program. This committee typically includes one or more members of the community foundation's investment committee, but is separate from that body and reports directly to the community foundation's board of directors. The special committee may also include volunteers with relevant interests or experience with impact investing or financial services more generally—and it likely will need to be staffed. Later on, this committee may transition to an oversight role for the established impact investing program.

RESOURCES:

Mission Investors Exchange's Impact Investing for Community Foundations Webinar Series in four parts is a good way for your stakeholders to have a basic and shared understanding of the impact investing world. Ask your senior managers or finance committee to stream the first video, get together in person or on a conference call to talk about it, then proceed with the series.

Read Philanthropy's New Passing Gear: Mission-Related Investing, A Policy and Implementation Guide for Foundation Trustees to explore this well-written and very specific resource.

Prime the pump by looking at investment policy statements crafted by other Mission Investors Exchange community foundation members. The selection also includes a fill-in sample created by the Council on Foundations.

BOARD AND STAFF EDUCATION

QUESTIONS & ANSWERS *with* LISA RICHTER

Education of board and staff is critical to a successful impact investing program. Ongoing education may take many forms and new educational needs will evolve as the foundation engages and potentially expands its impact investing program. But getting it right at the beginning pays dividends later on.

Q. Why is board and staff education about impact investing important?

Impact investing can challenge preconceived notions about how community foundations ought to act and how boards and staff see their respective roles in guiding foundation practice. Board members may feel that impact investing introduces new and complicated risks. Staff may see impact investing as additional work (with uncertain promise) in an already full schedule or as competing for grant resources. There will almost surely be skeptics whose concerns need airing. Whether community foundations decide to engage in the work or not, they need to be knowledgeable and able to respond to donor or other inquiries.

Education programs targeted at different staff functions or the board's role are helpful to create a common understanding of the field and its relevance to the foundation's work. They can help build consensus, and can also open up the array of possible choices in strategy development. Finally, formal education opportunities can play a key part in revealing any tensions at the board or staff level that should be addressed as policies are developed and implemented.

LISA RICHTER
Co-founder & Principal
GPS Capital Partners

Q. You have been teaching impact investing for community foundations for many years—what have you found that resonates with the staff and board leaders you teach?

One of the benefits of impact investing is the increased interaction it sparks between members of the community foundation's finance, program, and donor services areas. Particularly if donor engagement is planned, the impact investing strategy will raise questions as to the unique expertise of each area. It helps the different stakeholders of the foundation to get a better sense of shared goals.

Q. What are the key questions foundations should ask as they consider their program design?

Impact investment can mean many different things to different people and organizations. It is up to the specific foundation to narrow down targets for investment and potential resources for deployment.

APPLY THIS!

Key considerations for community foundations:

- [ ] How much money is likely to be available in the near- and mid-term?
- [ ] What kinds of financial returns will be expected as you move forward with the program?
- [ ] What are the program areas with the most potential to make good use of impact investments?
- [ ] Where are the likely early successes that will support program development?
- [ ] What are the program areas of interest to the donor community?
- [ ] Are there ways to engage donors on impact investing that seem particularly promising?

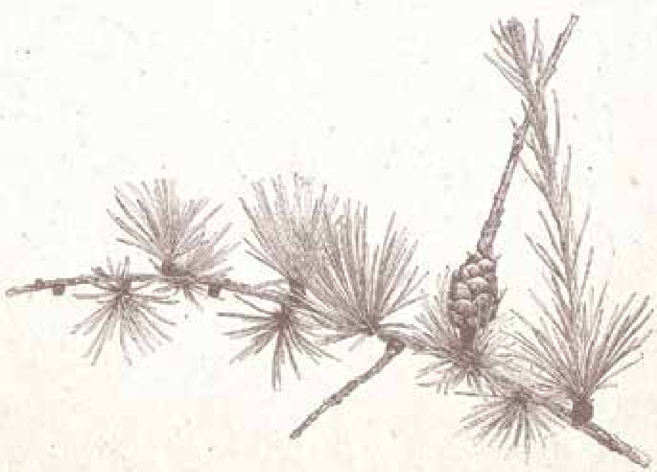
RESOURCES:

There are many opportunities to learn about impact investing. Please check out training calendars compiled by Mission Investors Exchange, the Global Impact Investing Network, Council on Foundations, and Confluence Philanthropy.

Mission Investing Slide Deck For Presentation to Foundation Boards, Mission Investors Exchange. 2013.

AUTHOR BIO

Co-founder and principal at GPS Capital Partners, Lisa Richter assists foundations and other institutions to design and execute impact investing strategy. GPS brings more than two decades of fund management and investment due diligence experience, spanning asset classes, return expectations, geographies and issue areas, frequently incorporating place-based or sector focus to increase equitable access to opportunity. Collectively, GPS network consultants have reviewed some $4 billion in impact investments and managed impact investment portfolios within foundations, community development financial institutions, equity funds, and banks. Clients range from small foundations to the nation's largest independent and community foundations, banks, and institutional investors. Lisa authored *Grantmakers In Health Guide to Impact Investing*, co-authored *Equity Advancing Equity,* a guide to community foundation impact investing, and co-designed the Mission Investors Exchange's Mission Investing Institute, where she continues as a lead trainer. Lisa is a senior fellow with The Philanthropic Initiative, and serves or has served as a director or advisor to the Center for Community Development Investments of the Federal Reserve Bank of San Francisco, the Bank of America National Community Advisory Council, Community Development Financial Institutions Coalition, Social Investment Forum, and New Markets Tax Credit Coalition. She holds a BA and an MBA from the University of Chicago.



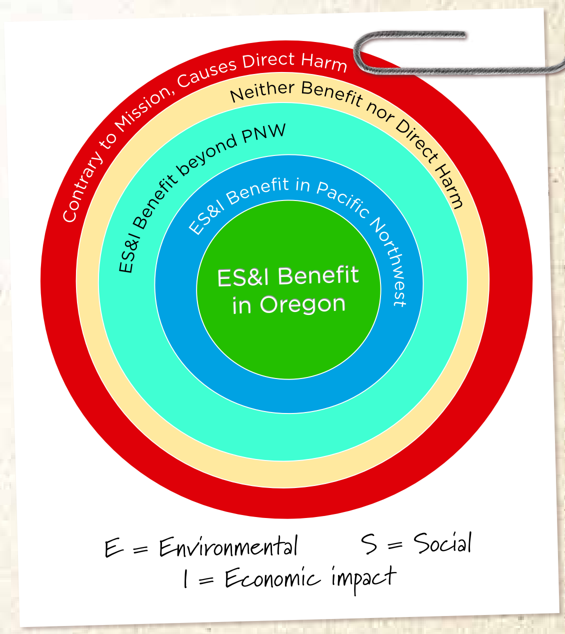
FOCUSING YOUR FOUNDATION'S EFFORTS

The foundation will need to make clear what its specific goals are for impact investing, both as a way to build a robust and accountable framework for implementation, and as a way to signal to potential partners and investees what the foundation may consider investable.

Two considerations stand out for community foundations: program areas and geographic focus. Both will play important roles in determining the sorts of impact investments the foundation may make. You may wish to review current program areas, keeping in mind how impact investments could support better outcomes or expanded reach.

Since community foundations are place-based investors, they are naturally restricted in their impact investing options. Foundation leaders will need to decide the geographic focus of their investment strategy, whether it will include investments that are not place-based, and what total resources there are in the community to support impact investment.

Portland, Oregon's Meyer Memorial Trust has identified a process to prioritize its investing, illustrated here. Starting at the center of the "bull's eye," investments with direct environmental, social or economic impact within Oregon get top priority, extending out to investments that are not as aligned with its mission at the outermost ring. Community foundations may want to utilize a similar line of thinking in identifying those types of investments that are (1) place-based; (2) most aligned with identified goals of the foundation; (3) responsive to donor expressed wishes.



Some typical impact investment goals might include the following issue areas (not an exhaustive list):

- Economic and community development
- Social services in underserved communities

- Education
- The arts
- Affordable or workforce housing
- Energy and resource efficiency
- Land conservation and sustainable development
- Health and healthy communities

An overlay of types of impact investments with issue areas may help to determine your foundation's priorities. Just a few examples of this approach could include

- using cash deposits to enable bank lending to an disadvantaged community,
- a short term loan to an arts organization to bridge a production to receipts,
- a loan guarantee for the construction of a new energy efficient building,
- and many more options.

There are a variety of choices to be made as goals are clarified. Impact investing may introduce new areas of interest to the foundation. It may also help board and staff conceive of new ways to support their community, e.g., by participating in investments that are not geographically focused but that have important benefits or lessons for foundation practice. Goals may also change over time as a result of what you have learned about impact investing opportunities and outcomes.

Two considerations stand out for community foundations: program areas and geographic focus. Both will play important roles in determining the sorts of impact investments the foundation may make.

COMMUNITY FOUNDATION IMPACT INVESTING ROADMAP

APPLY THIS! *by* GPS CAPITAL PARTNERS

The Roadmap below, developed by Lisa Richter of GPS Capital Partners and drawn from community foundation experience, outlines a series of actions that foundations can take as they develop and implement impact investing strategies.

The Roadmap covers four major tasks over time: (1) Initial Strategic Planning, (2) Impact Investing Policy Design, (3) Operating Systems Design and (4) Program Management. These tasks may be carried out simultaneously. They include specific steps set out in the Roadmap.

INITIAL STRATEGIC PLANNING

- Identify champions
- Secure board buy-in; determine governance
- Determine goals, success measures
- Foster program / finance team
- Engage donors and financial advisors; assess interests
- Assess landscape
- Determine relation to grants / other portfolios

IMPACT INVESTING POLICY DESIGN

Prepare investment policy to clarify:

- Target asset classes, deal size, funding level and source
- "Credit culture," i.e., risk tolerance, pricing, performance benchmarks, intermediary vs. direct investing

OPERATING SYSTEMS DESIGN

Determine infrastructure, i.e., how to staff, partner, or outsource:

- Internal education
- Deal sourcing
- Financial due diligence
- Deal approvals
- Legal structure and documentation
- Deal negotiating, closing
- Portfolio monitoring, reporting

PROGRAM MANAGEMENT

Integrate with foundation strategy, human resources, and systems to ensure:

- Financial performance
- Social impact
- Innovation
- Leverage
- Collaboration
- Evaluation, learning, reporting
- Communication to donors, financial advisors, and range of stakeholders

DESIGN MAIN | MAP MAIN | CASE EXAMPLES | GLOSSARY

LESSONS LEARNED FROM A LONG-LIVED PLAN

QUESTIONS & ANSWERS *with* STUART COMSTOCK-GAY

In 2002, the Board of The Vermont Community Foundation voted to set aside "at least" five percent of its general pool for "Vermont investments." This has equated over the years to millions of dollars being deployed to support housing, day-care centers, job creation, and various other initiatives. Most of the funds have been invested in community development financial institutions, and some in venture capital. The fund is now expanding its reach to even more issues and opportunities in Vermont.

Q. What is an example of a successful impact investment from the plan?

We are particularly interested in investments that support areas of focus determined by our community foundation's leadership. Philanthropic "mission" investments, for instance, have made it possible in Vermont for a local meat processor to succeed, filling an important gap in the food supply chain in one part of our state.

STUART COMSTOCK-GAY
President & CEO
The Vermont Community Foundation

APPLY THIS!

Consider these suggestions from The Vermont Community Foundation

- [ ] **START SLOWLY AND MODESTLY**
  We began our program primarily with investments in CDFIs and other loaning institutions. Success there has provided confidence to the board and donors that this is worthwhile, and we are now taking more risks.

Setting aside five percent of our portfolio for Vermont mission investments is one of the biggest selling points we have. Donors have loved it.

- [ ] **RECOGNIZE THE VALUE OF WHAT YOU ARE DEVELOPING**
The Vermont Investment program is a huge selling point for donors. Setting aside five percent of our portfolio for Vermont mission investments is one of the biggest selling points we have. Donors have loved it.

- [ ] **PAY ATTENTION TO OUTCOMES, AND SHARE THE NUMBERS**
Measuring the number of jobs and low-income housing units? We haven't always done that, and we should have. Other community foundations should definitely consider this type of measurement on the front-end.

- [ ] **DON'T TRY TO DO IT YOURSELF UNLESS YOU HAVE EXPERTISE**
Due diligence is difficult. Hire the help you need, or work with somebody else who's already doing it.

- [ ] **PARTNER WITH OTHER FOUNDATIONS**
Our most interesting work has been carried out in cooperation with private foundations in the state. And that partnership allows us to share due diligence and cut costs.

AUTHOR BIO

Stuart Comstock-Gay has served as president & CEO of The Vermont Community Foundation since early 2009. Prior to VCF, he served as director of the Democracy Program at Dēmos—where he worked in states across the country to reduce barriers to voter registration, and to encourage broad civic engagement—and as executive director of the National Voting Rights Institute in Boston. From 1997 to 2004, Stuart was vice president for programs and then chief operating officer for the New Hampshire Charitable Foundation (NHCF). At NHCF, among other work, he oversaw the Foundation's social capital projects; designed a high-engagement grantmaking program for rapidly growing statewide nonprofits; and helped develop a statewide advocacy and leadership organization addressing issues of substance abuse. Stuart also spent 14 years with the ACLU, the last ten as executive director of the Maryland affiliate. He has written for numerous national publications, has been a regular radio commentator, and has spoken before hundreds of audiences on a wide range of voting rights, civil liberties, democracy, and foundation issues. He has served on numerous boards and currently serves on the board of the Mission Investors Exchange and as an Advisory Board member for the Center for Effective Philanthropy. Stuart holds a Masters in Public Administration from Harvard's Kennedy School of Government and a BA in Political Science from Bucknell University.

DRAFTING YOUR IMPACT INVESTMENT POLICY

QUESTIONS & ANSWERS *with* TAYLOR JORDAN

The clearest way a foundation can translate its strategic goals for impact investing into an implementation plan is by crafting an impact investing policy statement. This document can range from general principles to very specific details about program design and investment parameters.

Q. What should be included in an investment policy statement?

The purpose of an investment policy statement is to spell out the principle objectives and constraints of the program, and serves as a guide for making investment decisions.

Q. What sources of funds can community foundations use for impact investing?

For community foundations, the size and source of funds—discretionary, donor advised, field of interest, or outside capital—fundamentally impact the structure of the program and design of the investment policy statement. Discretionary and field of interest funds allow foundations to get started with their own capital and build a track record of success before bringing impact investing opportunities to donor advisors or outside investors. The source of funds may also affect the overall size of the program, which then determines the number of investments that can be made while achieving a minimum level of diversification.

Q. How should a community foundation think about rates of return and risk tolerance?

The investing policy statement should outline the targeted rate(s) of return, risk tolerance, and financial goals for the impact investing program. You may wish to set an overall target rate of return for the program, possibly including both below-market and market rates, and then structure the impact investment portfolio accordingly. You should also establish risk guidelines that articulate institutional

TAYLOR JORDAN
Managing Director
Imprint Capital

consensus on the sorts and levels of risks the foundation is willing to take with impact investments. These parameters will give shape to the investment options available and can serve as the first point of reference for financial due diligence.

Q. Should the investment policy specify types of investments?

Among the more important decisions in crafting an investing policy statement is determining what kinds of investments, and what kinds of institutions, the foundation will consider supporting. In addition to the two primary types of capital—debt and equity—the investing policy statement should also outline whether nonprofit and for-profit opportunities are eligible and if investments can be made through funds, intermediaries, and/or directly into social enterprises.

APPLY THIS!

In addition to the above, consider these and other elements for inclusion in your investment policy statement:

- [ ] Minimum and maximum investment amounts
- [ ] Maximum duration of debt investments
- [ ] Liquidity criteria and constraints
- [ ] Fees and expenses
- [ ] Underwriting and approval processes
- [ ] Processes for monitoring and managing investments

AUTHOR BIO

Taylor Jordan, managing director of Imprint Capital, co-founded the firm in 2007 and has spent nearly a decade in the impact investment space. Prior to Imprint, Taylor served as director of Investments at RSF Social Finance, a $125 million social finance organization. At RSF, he oversaw capital markets and designed and managed a $40 million impact investment program. Prior to that, Taylor served as the executive director of The Waldorf Alliance, a nonprofit membership organization, and co-founded a multi-media technology company. Taylor holds a BA in Economics from Colorado College and sits on the advisory boards of the Lyme Timber Forest Fund III and Greenmont Capital Partners II.

DECISION-MAKING PROCESSES

A clear decision-making and review structure is essential to effective execution of an impact investing policy. Once your policy is in place you are likely to be faced with a myriad of requests for investments of all sorts. Good governance is required to be sure that the stated goals and policies of the foundation are used in practice.

SCREENING POTENTIAL INVESTMENTS: Depending on the size and structure of your foundation, initial review of investment opportunities may be a function for the board or staff. In either case, there should be a clear point of access for organizations seeking investment, and an initial screening to determine whether an investment is suitable for further review. This initial review includes, at minimum, fit with mission, goals, and strategy; potential for social return; and preliminary assessment of potential for financial return.

REVIEWING POTENTIAL INVESTMENTS: Due diligence on particular investments may be conducted by the foundation itself or, in most cases, delegated to or shared with external intermediary service providers. Delegated or not, the foundation will need to have clear policies in place to confirm fit with mission, strategy, and goals; organizational capacity of the investee; investment and credit worthiness of the investee and the specific project; and any other determinants required by your foundation clearly outlined in your impact investing policy and communicated transparently. A common template for reporting on potential impact investments can help institutionalize this review.

PROGRAM OVERSIGHT: A standing impact investing committee of the board—perhaps an offshoot of the initial strategy development committee—can be a useful structure for selecting investments, reviewing performance, and suggesting course corrections where necessary. This committee may:

- Submit potential investments for a vote by the board or have authority delegated by the board to make investment decisions.

- Set policies for approval by the board and set standards for managing the investment process
- Monitor financial and social performance of investments.
- Make suggestions for developing strategic impact investing program areas (or collaborate with the foundation's grantmaking committee to align overall strategy).
- Coordinate with the foundation's investment and finance committees to ensure that impact investing is integrated into your foundation's overall budgeting process.

Shared templates for performance review of impact investments can help institutionalize the evaluation process and facilitate external communication.

ONGOING EDUCATION AND TRAINING: Impact investment is a new and evolving field. Foundations are exposed to new trends through affinity groups, trade associations, online resources, service providers, and word of mouth from other practitioners. Foundations are only part of the broader impact investing community, and keeping track of the new developments in community development and environmental investing, or new products ranging from targeted investments in affordable housing to social impact bonds, can be a challenge even for the well connected. In addition to conferences and publications, outside experts are available to make board and/or staff presentations and facilitate conversations with a broader set of community stakeholders.

RESOURCES:

Strategies to Maximize your Philanthropic Capital: A Guide to Program-related Investments (Primer), Lucia Benabentos, Justin Storms, Carlos Teuscher, and Jon Van Loo, Linklaters LLP. 2012. Commissioned by Mission Investors Exchange.

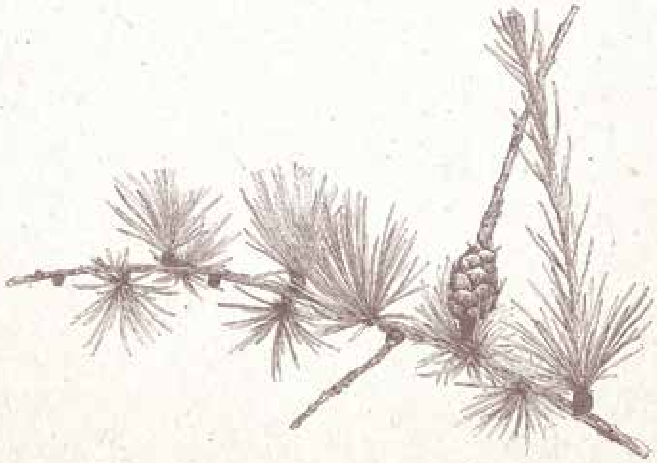
Solutions for Impact Investors: From Strategy to Implementation, Steven Godeke and Raul Pomares et al for Rockefeller Philanthropy Advisors. 2009.

Philanthropy's New Passing Gear: Mission-Related Investing, A Policy and Implementation Guide for Foundation Trustees, Steven Godeke with Doug Bauer, Rockefeller Philanthropy Advisors. 2008.

Boosting Philanthropic Impact through Mission Investments, Tracy Kartye, The Annie E. Casey Foundation in *Responsive Philanthropy*. 2013. This article may be used as an example of the development of a mission investing program. It documents the journey that the Annie E. Casey Foundation has taken to create and expand its program in order to devote as many of their assets as possible towards achieving the foundation's mission of improving outcomes for vulnerable children and their families.

Program-related Investing: Skills & Strategies for New PRI Funders, Neil Carlson, GrantCraft. 2006. This terrific 25-page guide is a must-read for foundation trustees, leadership, staff, and anyone who wants to develop a basic concessionary investing literacy.

Program-related Investments: A Technical Manual for Foundations, Christie I. Baxter. 1997, Jossey-Bass/Wiley.



BEEN THERE, DONE THAT—RECENTLY!

QUESTIONS & ANSWERS *with* JEFF PRITCHARD

The Greater Tacoma Community Foundation (GTCF) was founded 32 years ago to facilitate philanthropy throughout Pierce County, Washington. It currently manages assets totaling $92 million. In early 2012, GTCF began exploring impact investing and recently invested $1.5 million utilizing two regionally-based financial intermediaries.

Q. How did you begin the process from an administrative standpoint?

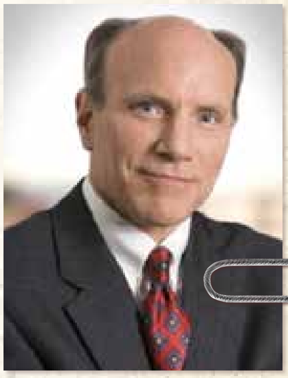
Early on we felt we needed to invest a portion of our actual endowment assets, rather than simply using unrestricted distributions or donor-advised funds. We created a temporary task force (which later became a permanent board committee) comprised of both board and investment committee members. The responsibility of the task force members was to analyze the concept of impact investments and make recommendations to the board of directors.

Our recommendation to other community foundations would be to make the decision about whether or not to use a financial intermediary much earlier in the overall process.

Q. You mentioned your intent to invest from your endowment pool, rather than use unrestricted funds. Can you elaborate on that?

Our proportion of unrestricted and donor-advised funds is modest when compared to most other community foundations. We realized that if we wanted to make a significant community impact we had to look beyond our unrestricted funds typically used for grants. This was a carefully considered and thoughtful decision—and not without some lively discussion by the task force.

Since the final decision was to only commit up to three percent of the endowment for local impact investments, the return differential on the overall endowment pool was negligible—something in the neighborhood of 20 basis points (one-fifth of one percent). That was



JEFF PRITCHARD
Director of Philanthropic Services
The Greater Tacoma Community Foundation

viewed as a reasonable trade-off for the expected social return on the funds. We are one of few, if not the first, community foundation to have incorporated impact investments into our endowment pool's asset allocation.

Q. What were the driving factors in deciding to invest through intermediaries?

It ultimately came down to bandwidth. We began the process assuming we could do impact investing internally. Fortunately, one of our task force members is president of a local bank. He educated us on the time and expertise required to properly source, evaluate, structure, administer and collect on small business loans to higher-risk borrowers. It was sobering. Once we made the intermediary decision, we requested proposals from six regional intermediaries. We reviewed the proposals, along with their respective CDFI Assessment and Ratings System (CARS) reports, and ultimately considered their formal presentations for the task force.

Q. In hindsight what would you have done differently?

The members of the task force spent a great deal of time evaluating investment parameters and guidelines under the initial assumption that we would be doing the work in-house. In hindsight much of those deliberations proved unnecessary, even though they were an excellent learning tool for the task force. Our recommendation to other community foundations would be to make the decision about whether or not to use a financial intermediary much earlier in the overall process.

AUTHOR BIO

As director of philanthropic services for The Greater Tacoma Community Foundation, Jeff Pritchard, CFP, assists individuals, families, and professional advisors in the achievement of their respective philanthropic goals and objectives. Prior to joining the Community Foundation in 2009, Jeff was the National Account Manager for Schwab Charitable's $4 billion donor advised fund. Before that, Jeff worked for more than 25 years in the estate, trust, and investment management industry working with affluent individuals and families, holding positions that included Senior Vice President at US Bank and Institutional Sales Manager at Wells Fargo. Jeff was a co-founder and past President of the Bainbridge Island Community Foundation and founder and past President of Helmets for Youth Foundation. He is a member of Rotary International (Tacoma #8), Tacoma Estate Planning Council, Washington Planned Giving Council, Association of Fundraising Professionals, and past member of the USC Board of Governors. Jeff received a BA from the University of Southern California and an MBA from California State University of Long Beach. He is a Certified Financial Planner and has published several books and numerous articles on investment-related issues.

ASSESSING COMPETENCIES AND RESOURCES

A clear view of the resources needed to engage successfully in impact investing is vital. Impact investing may require skills that you do not have in house. For instance, the due diligence and review process by the staff and board certainly requires a significant commitment of time and attention. You also will need to review the competencies of investment and philanthropic consultants and managers with whom you may work, as well as explore the universe of potentially investable institutions in your target area and programmatic interests.

Just as in any new venture, foundations will want to assess frankly whether they have the capacity in-house to do this work, or whether they need to hire out and/or use an intermediary organization in order to successfully carry out an impact investing program. The key considerations are cost, internal capacity, and external resources.

COST: As you put an impact investing program into place, you will need to account for the direct and indirect costs of the program. The major considerations are:

- Staff time throughout the organization (CEO, finance, development, program, communications) for pipeline development, committee management, donor relations, due diligence, monitoring, and reporting
- Legal review
- Investment consultants and other service providers
- Price of concessionary investments
- Impact on discretionary grant dollars
- Investment returns (UPMIFA[1] considerations)
- Education and training

Inquire whether your existing investment consultant has an impact investing practice, and where you may find the local or national expertise you may need to achieve your goals.

[1] UPMIFA, Uniform Prudent Management of Institutional Funds Act (information here)

DESIGN MAIN | MAP MAIN | CASE EXAMPLES | GLOSSARY

Apart from the obvious budgetary considerations, a careful review of impact investing costs can help you determine whether to perform particular tasks internally or to engage external partners.

INTERNAL CAPACITY: As noted, the skills involved in impact investing are not necessarily those that program or finance staff, or even board members, necessarily have. Reviewing the resources that exist in-house can guide education and future hiring or board appointments, and it can guide the extent of your engagement with external providers. Among the many issues related to impact investing implementation, you may wish to consider:

- The depth of financial knowledge among program staff and board members
- The depth of programmatic knowledge among financial staff and your investment committee
- The ability to source deals and engage with investment partners
- Experience with due diligence and underwriting

EXTERNAL RESOURCES: Impact investing requires collaboration with partners, including investment consultants, grantees and potential investees, financial intermediaries, and potential co-investment partners such as foundations, anchor institutions, banks, donors, and others. As you implement your impact investing strategy, you may wish to review what resources are already in your community, including:

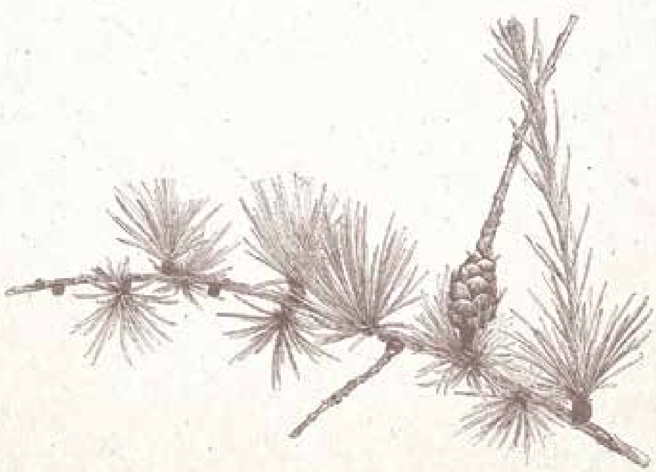
- **IMPACT INVESTING EXPERTISE:** Inquire whether your existing investment consultant has an impact investing practice, and where you may find the local or national expertise you may need to achieve your goals.
- **SOURCES OF CAPITAL:** Identify who in your community might be co-investment partners, including donors, other foundations, local banks and credit unions, universities, and hospitals. There may also be national co-investment partners who you can help bring into your community.
- **FINANCIAL INTERMEDIARIES:** Review your local community for potential managers of impact investments. These may include nonprofit or for-profit organizations dedicated to affordable housing, nonprofit lending, small business development, etc. Not all communities will have intermediaries that already meet your programmatic needs. You may wish to encourage and support local intermediaries to expand their practice, or identify national intermediaries with relevant expertise who may be willing to enter into new markets.
- **INVESTABLE OPPORTUNITIES:** You can also survey your community for investable opportunities to identify the range of entities like small businesses, community-oriented real estate developments, nonprofits providing childcare or healthcare to disadvantaged communities, and so on, who may achieve further success with an impact investment. It will be helpful to identify those organizations with experience in successfully taking on outside investment.

RESOURCES:

Community foundations are particularly well-suited to public engagement on topics such as impact investing, and this review of external resources can in itself be an engagement tool that surfaces opportunities and challenges for the foundation. For one approach to this topic, see The Capital Absorption Capacity of Places. This report details findings from a research project of Living Cities and the Initiative for Responsible Investment that explores how to develop place-based analyses of the community investment capacity across public, private, and nonprofit sectors. It may help you think about how to identify opportunities for impact investment and methods for supporting place-based impact investment in your community.

Find the local or national expertise you may need to achieve your goals using Mission Investors Exchange's listings of consultants and advisors.

Impact investing requires collaboration with partners, including investment consultants, grantees and potential investees, financial intermediaries, and potential co-investment partners such as foundations, anchor institutions, banks, donors, and others.



DIRECT INVESTMENTS VS. INTERMEDIARIES

QUESTIONS & ANSWERS *with* ANTONY BUGG-LEVINE

Investing directly in companies or enterprises versus placing capital through intermediaries that re-invest capital into companies and enterprises each has benefits and challenges.

- **BY MAKING DIRECT INVESTMENTS,** a foundation can negotiate very specific and customized terms and conditions and have more control over the investment. But the challenge of complex negotiations and deal management, and the transaction costs of one-off deals, can be significant.

- **BY USING AN INTERMEDIARY,** a foundation can potentially leverage other funders and execute transactions more efficiently and on a larger scale. There also are fund structures that integrate multiple sources of capital—with specific roles for, for instance, program-related investments from foundations that allow commercial investors to participate in the deal.

Many foundations with limited staff and resources find that using impact investing intermediaries provides access to investment opportunities that would not be available as direct investments.

ANTONY BUGG-LEVINE
CEO
Nonprofit Finance Fund

Q. To what extent do community foundations work with intermediaries in order to invest?

The total number of U.S. foundations pursuing impact investing is growing but is still quite small. Of that group, the Nonprofit Finance Fund estimates that at least one-third rely on intermediaries to manage investments. These intermediaries include community development financial institutions, private equity funds, credit unions, and other investing firms. Intermediaries can also serve as advisors to help foundations set up impact investing portfolios that are carefully designed to meet both their social and financial goals.

DESIGN MAIN | MAP MAIN | CASE EXAMPLES | GLOSSARY

There are many ways to work with intermediaries. Some foundations prefer to have a light-touch approach to their investment portfolio, relying in large measure on intermediaries. Others prefer to be deeply involved with the intermediary. On the other side of the equation, some intermediaries offer more control to their clients while others don't. Before selecting an intermediary, community foundations need to consider how deeply and directly they want to be engaged with their investees and factor their desired working relationship into their decision about whether and how to use an intermediary.

Q. How does a foundation decide whether or not to work with an intermediary?

Deciding whether or not to work with an intermediary is a very individual decision for every foundation. Nonprofit Finance Fund often recommends that foundations work with advisors with expertise in impact investing not only to decide whether to pursue impact investing, but also to determine whether it makes sense to work with an intermediary for program development.

Deciding when to hire an intermediary or to develop the program internally depends on a variety of factors, including the type of portfolio the foundation wishes to build, the relationship the foundation wishes to have with their investees, and the state of the foundation's existing infrastructure. Below are just a few key questions that factor into the decision-making process:

- WHAT SIZE PORTFOLIO ARE YOU SEEKING TO BUILD? For example, if a foundation chooses to develop a large portfolio of multiple investees, working with an intermediary saves a foundation the time and expense of setting up the infrastructure necessary to manage a portfolio. The typical intermediary organization already has the systems set up to source investments that fit the foundation's goals, conduct proper due diligence, analyze the finance and mission alignment of the potential investee, submit the appropriate legal documentation, and monitor the loan, among many other steps. If a foundation chooses to select only one or two investees with whom they are already have a close relationship, then an intermediary may not be necessary.

- WHICH SECTORS, GEOGRAPHIES, OR ORGANIZATION TYPES DO YOU PLAN TO SUPPORT? For example, if a foundation elects to support investees in a narrowly defined sector, it may be more difficult to source deals. In this case, an intermediary can help to seek out deals that are a strong fit. Conversely, if the sector and potential investees in your geographic area are well known to the foundation, then the foundation's staff may be able to manage the process.

- **WHAT IS THE PLANNED RISK PROFILE OF YOUR PORTFOLIO?** An intermediary can help you identify the necessary risk profile and financial structuring to meet your impact goals. And if some of the deals you wish to pursue are higher risk, then your investees may require technical assistance to manage their investment through rocky periods. In this case, an intermediary may be useful.

- **HOW DO YOU WISH TO ENGAGE WITH YOUR INVESTEES?** Some foundations determine early on that they wish to have close contact with their investees. In this case, working with an intermediary can be less attractive, as the foundation is one step removed from the underlying deal. However, some intermediaries welcome deeper engagement from investors than others.

- **WHAT DOES YOUR CURRENT CAPACITY AND INFRASTRUCTURE LOOK LIKE?** Foundations already handling investment portfolios in-house may prefer to manage a new impact investing practice without an intermediary. However, if a foundation is starting from scratch, they are taking on set-up costs that intermediaries have already incurred. Similarly, running a loan portfolio requires a certain level of fixed costs, which may or may not be economical for the foundation to incur. In addition to absorbing the fixed costs of managing a unique business, intermediaries also often have structures in place to regularly monitor the progress of investees' social objectives against the foundation's goals. Is the investee achieving the social outcomes that the foundation had expected it to achieve? And if not, what steps must be taken to course correct?

Some foundations prefer to have a light-touch approach to their investment portfolio, relying in large measure on intermediaries. Others prefer to be deeply involved with the intermediary. On the other side of the equation, some intermediaries offer more control to their clients while others don't.

- **WHAT ADDITIONAL CAPACITY ISSUES MIGHT ARISE FROM THE NEW PROGRAM?** Developing an impact investing program may lead to additional program-related work that staff must take on, e.g., for some foundations, extensive communication with existing donors is critical to ensuring that they are on board with the impact investing strategy. Similarly, foundation staff may wish to conduct outreach to new donors if the foundation wishes to expand their donor base around the new program. The foundation will thus need to factor projected infrastructure needs into their decision.

Q. What is necessary to make the most out of working with an intermediary?

To make the most out of working with an intermediary, it's important to have clear expectations going into an engagement about what objectives you seek to achieve. It is then possible to select an intermediary that best fits those objectives. Before selecting an intermediary, Nonprofit Finance Fund recommends that the foundation work with an advisor to clearly define a set of criteria that you are looking to meet—those that cross your social, financial, and programmatic objectives. Then, when you have a set of potential intermediary candidates, you can then see where they do and do not fit within the strategy and objectives you've already defined.

RESOURCES:

Publications by Antony Bugg-Levine, published by Nonprofit Finance Fund.

Bay Area Transit-Oriented Affordable Housing (TOAH) Fund

AUTHOR BIO

Antony Bugg-Levine leads Nonprofit Finance Fund, a national nonprofit and financial intermediary that unlocks the potential of mission-driven organizations through tailored investment, strategic advice, and accessible insights. As CEO, he oversees more than $340 million of investment capital and a national consulting practice; and works with a range of philanthropic, private sector, and government partners to develop and implement innovative approaches to financing social change. He co-authored *Impact Investing: Transforming How We Make Money While Making a Difference* (Wiley, 2011). As a managing director at the Rockefeller Foundation, Antony designed and led the initiative, Harnessing the Power of Impact Investing. He is the founding board chair of the Global Impact Investing Network and convened the 2007 meeting that coined the phrase "impact investing." Previously, Antony was the country director for Kenya and Uganda for TechnoServe, a nongovernmental organization that develops and implements business solutions to rural poverty. Antony is an associate adjunct professor at Columbia Business School's Social Enterprise Program.

ENGAGING WITH STAKEHOLDERS

A critical element in the launch of an effective impact investing program is communicating with key stakeholders. This is particularly important for community foundations, which by nature are in the public spotlight and tend to be already engaged with nonprofit organizations, donors, and civic leaders.

Four key reasons to communicate with stakeholders:

1. Assure community partners that mission investing is intended to complement rather than replace grants programs.
2. Surface and/or begin to develop a pipeline of potential investment opportunities.
3. Engage current and potential donors in an exciting new approach to philanthropy.
4. Lay the groundwork for future partnerships with public and private funders.

Effective engagement with external stakeholders may require a number of different approaches in order to reach different groups. It begins with identifying the stakeholders who may see impact investing as either an opportunity or as a cause for concern. Once identified, it will be important to share your vision of the ways in which impact investing may add value, as well as address concerns or questions about potential risks or impact on existing programs.

Foundations have often strengthened key relationships by involving external partners who represent various constituencies in their planning processes or as advisors to their impact investing committees.

APPLY THIS!

Consider these methods for engaging external stakeholders:

- [ ] Convene leaders from diverse sectors to presentations about impact investing

- [ ] Offer workshops for nonprofit organizations and/or for-profit enterprises
- [ ] Offer workshops for potential investees about the requirements of managing debt or equity investments, as well as relevant legal and financial considerations
- [ ] Organize donor forums

Foundations have often strengthened key relationships by involving external partners who represent various constituencies in their planning processes or as advisors to their impact investing committees.

It is also important, once the program is established, to post the rationale, goals, and parameters of mission investing programs on the foundation's website as, for example Mission Investors Exchange member Meyer Memorial Trust has done. This information is often complemented with policy statements, investment announcements, and case studies. These links build interest as well as help establish a degree of transparency.

RESOURCE:

$650 Million Ain't What it Used to Be: The Meyer Memorial Trust Considers Mission Related Investing, Rob Bleiberg, Alicia Cacace, Baylee DeCastro, Anne Perkins, Alvin Sheng Hui Tan, Chris Toomer and Sandra Wirth for the Harvard Kennedy School Case Program. 2010.

PUBLIC-PRIVATE PARTNERSHIPS

QUESTIONS & ANSWERS *with* LIZ SESSLER

Creative public-private partnerships are a natural fit for impact investing. Government entities and foundations working together have the potential of bringing additional capital, increased leverage, and a more coordinated effort to meeting community needs.

Enterprise Community Partners began pioneering a series of innovative community development funds in 2005. These funds support and enhance local and regional government efforts to strengthen communities by leveraging government dollars to attract and deploy large amounts of private capital from banks, foundations, and community development financial institutions (CDFIs).

This unique public-private partnership approach developed in New York City, where for many years affordable housing developers could not quickly access the capital needed to buy land or existing properties. Because of this, the community often lost promising affordable housing opportunities to market-rate players.

At the time, the city-owned building and land stock that had served as the cornerstone for many of its housing programs was approaching zero. Affordable housing organizations had relied on the city contributing properties—more than 180,000 units for prices as low as $1. Without the city contributing buildings, the developers had to acquire vacant land or properties in order to meet the city's need for affordable housing. Property values were skyrocketing even in economically challenged neighborhoods like Harlem, downtown Brooklyn, and the northwest Bronx. This resulted in an increasing number of over-$1 million acquisition loans, straining CDFIs' balance sheets.

This situation prompted Enterprise to create the New York City Acquisition Fund (NYCAF), a $233 million structured fund that would provide developers with access to the critical capital they needed. Philanthropic support, risk capital, and guarantees in the

LIZ SESSLER
Senior Investment Marketing Manager Enterprise Community Loan Fund

development of NYCAF have come from the Ford Foundation, The John D. and Catherine T. MacArthur Foundation, the Robin Hood Foundation, The Rockefeller Foundation, and the Starr Foundation.

Q. How can public-private partnerships bring projects to scale?

The new fund, NYCAF, provided the flexible capital necessary to acquire a site or preserve a property while the developer sourced additional financing for a construction closing. The fund's structure dispersed the risk so that smaller amounts of public and philanthropic investment dollars leveraged private capital, making the larger dollar investments needed to acquire property in New York possible for those organizations serving the city's most vulnerable populations.

The risk waterfall works with losses cascading in the following order: housing developers' equity, originating CDFI's top loss contribution, public first loss, foundation and public dollars on par with one another, and then the private capital, typically coming from a financial institution. The fund works with multiple CDFIs to source and evaluate the deals and relies on their expertise and market knowledge. Many of these trusted community institutions already had high loan volumes and strong relationships with affordable housing developers, but the new fund structure enabled them to make larger loans.

Since the launch of NYCAF, Enterprise and our partners across the country have launched several funds using this mode: The San Francisco Transportation Oriented Affordable Housing Fund, The Denver Transit Oriented Development Fund, The New Generation Fund in Los Angeles, and there are additional funds in the works.

Q. How do we build the local infrastructure to facilitate these projects?

Public-private partnerships are naturally local and have to be altered depending on the political will to accomplish the end goal.

ESTABLISH A CLEAR GOAL. For Enterprise and our partners, the goal was to create affordable housing in and around current and future transit corridors.

IDENTIFY AN ANCHOR INSTITUTION. A well respected community organization needs to champion your cause. This could be a foundation or a CDC, but should be an institution with the potential to rally individuals and organizations within the community.

RECRUIT COMMUNITY LENDERS WITH A TRACK RECORD. Strong national and regional CDFIs with track records of investing capital add a level of comfort for private investors and are good stewards of public and donor capital. Their existing relationships are also helpful in building a pipeline of investable opportunities and ensuring quick deployment of investments.

ATTRACT FOUNDATION AND GOVERNMENT LEVEL INVESTMENT. In addition to the CDFI's track record, a guarantee or first-loss capital from foundations and the government make the fund more appealing to the private investors. This subordinated role allows public and foundation capital to have more of an impact than if they were the senior lender.

BRING IN PRIVATE INVESTORS. Once the rest of the fund structure is in place, approach the appropriate private investors about the work you are trying to accomplish. Share the social benefit that will be created by their investment along with the risk capital or credit enhancements provided by the public sector and the track record of your lending partners.

Q. Who are the other parties interested in participating?

The leveraging power of this free-standing Fund Model suggests that it offers a far more attractive framework for the private market than more traditional lending models.

TRADITIONAL PARTNERS:

- City Governments – Housing Departments and Transit Agencies
- Banks – National and Local
- Foundations – Regional, National and Community Foundations as well as Family Offices
- CDFIs/CDCs – Regional and National

EMERGING PARTNERS:

- Donor Advised Funds
- High Net Worth Individuals
- Corporations
- Retail Investors

Q. What do you suggest to get started on engaging donors in public-private partnerships?

KNOW THE DONOR YOU'RE SPEAKING WITH. Public-private partnerships take time to build and can be complicated. Before you ask a donor to support the effort make sure they are comfortable with a long timeline, normally a year or two, and the complexity of the fund.

SIMPLIFY. Break the program down into easy to understand pieces and show a potential donor what your community will look like if the program succeeds. For example, if a donor contributes $100 to the guarantee, private investors might lend $10,000 to the project. This simplified story is easier to digest than the full capital stack.

A subordinated role allows public and foundation capital to have more of an impact than if they were the senior lender.

SUPPORT THE INFRASTRUCTURE. CDFI partners and other service providing non-profits associated with the project need grant dollars to run their businesses. A programmatic grant to the organization to run or implement the partnership may be a simpler solution than finding the right place for donor dollars in the fund or public-private partnership.

REPORT FINANCIAL AND SOCIAL RETURNS. Prepare templates to report financial and social returns to donors and investors on a semi-annual basis and consider in-person briefing sessions. Reports should include stories as well as numeric metrics.

RESOURCES:

Innovation in Capital Markets: A New Generation of Community Development Funds from Enterprise, My B. Trinh. 2009.

Filling the Financing Gap for Equitable Transit Oriented Development: Lessons from Atlanta, Denver, the San Francisco Bay Area and the Twin Cities, Melinda Pollack and Brian Prater. 2013.

Making Affordable Housing at Transit a Reality: Best Practices in Transit Agency Joint Development, Robin Kneich and Melinda Pollack.

AUTHOR BIO

As senior investment marketing manager, Liz Sessler manages the Enterprise Community Impact Note at the Enterprise Community Loan Fund. She works to promote impact investing in all of Enterprise's markets and communicates Enterprise Community Loan Fund's vision and social impact. Prior to joining Enterprise, Liz served as the director of Business Development for Agora Partnerships. While at Agora, she oversaw the organization's fundraising and marketing efforts and spoke internationally on the role of small businesses in community development. Liz began her work in the impact investing space at Calvert Social Investment Foundation where she developed marketing materials around Calvert's Community Investment Note. Liz graduated from the University of North Carolina at Chapel Hill with a BA in Public Policy Analysis and has studied economics and music in Singapore and Vietnam on a Gardner Research Grant and Freeman Asia Grant.

WORKING IN CONTEXT WITH COMMUNITY STAKEHOLDERS

AN INTERVIEW *with* ELEANOR CLEMENT GLASS

In the following interview, Eleanor Clement Glass, chief giving officer of the Silicon Valley Community Foundation, describes her team's process and future plans for working with the community, including exploring pay-for-performance contracts.

The Silicon Valley Community Foundation (SVCF) is in the beginning stages of impact investing with endowment dollars. However, while the foundation considers itself to be a novice when it comes to impact investing, SVCF has spent a considerable amount of time and energy laying groundwork toward increased impact investments in the future.

Glass explains that "context is everything." The foundation first began to talk about mission investing with their board in 2006. Just as they were gaining interest and gearing up, the economy took a dive. Two years later, no one wanted to commit endowment money anywhere outside of their normal grant portfolio.

Now that the economy and endowment has recovered to a great degree, SVCF is ready to take another look at what impact investing might look like for them. Her words of advice? "Be aware of context and work slowly but surely". There is only so much change an organization can handle at once, and impact investing requires a structural, financial, and behavioral shift for everyone.

ELEANOR CLEMENT GLASS
Chief Giving Officer
Silicon Valley Community Foundation

Q. How did SVCF "leapfrog" over more traditional forms of impact investing to pay-for-success "social impact bonds"? Are they also a form of impact investing? What lessons have you learned thus far?

There are three phases to the planning and implementation, and each phase helps to tell part of the story.

In Phase 1 of the project, The Health Trust of San Jose gave a disruptive grant to Catholic Charities that prompted the idea of a pay-for-success bond to address some of the growing health issues in Silicon Valley. This process involved identifying the appropriate stakeholders and gauging interest by donors. Our SVCF team leveraged the relationships we had with city government, local providers, donors, and related organizations to identify the need and participate collectively in learning how these new types of experimental financial structures function.

Phase 2 is where we are right now. After we decided to pursue a pay-for-success bond, the next step was to estimate the capacity of the area to successfully implement it. SVCF played the role of local expert and convener by determining who the key players were, identifying the champions from each stakeholder group, and helping everyone involved understand what areas of the deal structure posed the most risk from a programmatic point of view. We brought health practitioners into the discussions before the deal materialized for several reasons: (1) mitigate future conflicts; (2) gain their perspective and improve the offering; and (3) provide full transparency and become a team.

The final stage before launching will be Phase 3. We need a "green light" to proceed with the deal. By the time we are ready for a final decision, the parties will know and agree to their roles, including who will be holding the funds, how success will be measured, etc.

Q. Why is communication with stakeholders so important? What does the planned implementation of a pay-for-success bond in your community tell us about working with community stakeholders?

Impact investing involves a different way of using funding. Education is needed to clarify what it means and what the risks are in order to get it off the ground internally and externally.

The *internal stakeholders* are the board, donors, and staff. There is a learning curve for all three groups. Inevitable questions arose regarding whether a grant or an investment would be the more appropriate financial arrangement. As a community foundation, we discuss among these stakeholders how the project (and its type of financing) benefits the community and what our role would be in the deal. We also addressed concerns of timing and fit for our foundation's mission, goals and strategy.

It is crucial for a foundation's staff to be committed across departments, especially program and finance staff. Joint educational sessions help to ensure that program staff are able to recognize impact investment opportunities and create a pipeline. Donors are supporting this internal integration approach by sponsoring informational sessions for and by the SVCF staff.

Identifying the key external stakeholders is more strategic. They can be banks, national foundations, big donors, county government, and service providers. The community foundation becomes a convener for its cross-sector partners. They are also a broker of ideas, finances, and bringing people to the table. They can fill in gaps, possibly by holding funds for the project, or making grants to get things up and running.

We understand that part of this pay-for-success project is to help build capacity for government partners to understand—all the way up to the board of supervisors and financial committees—how this structure can be best implemented. Being both learner and strategist encourages a similar stance among our other stakeholders and minimizes unforeseen threats or avoidable flaws in the program's design. Here are two examples of the complexities of a pay-for-success initiative:

- **GOVERNMENT:** It becomes a question of capacity and track record—who are the appropriate government partners and what is needed by them? Do these groups have their own internal champions? Does the project come out of necessity? Will there be a big uphill battle within the organization? Will the government entity be able to secure funding even if there are budget cuts or voter mandates? Thinking ahead to potential problem areas for the external stakeholders, how hard will it be to collect data across departments? How do different groups/departments communicate with each other? How can a community foundation staff or board member facilitate that communication, and is that the best use of their time on this project?
- **PROVIDERS:** It is crucial to talk with the organizations who already do a lot of what the project proposes. We asked them what they think about pay-for-success, what their fears are, and how they feel about government participation in the program. Providers are concerned that they will be over-regulated by government. They want to know the basis for being paid for their work. There is also a fear that government will focus on narrow outcomes that would preclude providers offering comprehensive wrap-around services. How will their performance be evaluated?

These are questions for ***all*** the stakeholders to address.

APPLY THIS!

- [ ] **IDENTIFY THE RIGHT STAKEHOLDER GROUPS**
  If people fail to identify who are the local opposition, if no one is engaged from the provider community, then the project will not be seen as a help.
- [ ] **MAKE THE PLAYERS HAVE A REAL ROLE IN GOVERNANCE**
  Determine how to monitor progress. If your county partner is not in full agreement and understanding with the expectations and roles, then challenges inside the county can derail the project.

WORKING IN CONTEXT WITH COMMUNITY STAKEHOLDERS

- ☐ **SEEK OUT AND IDENTIFY ALLIES IN EACH STAKEHOLDER GROUP**
  Listen to their questions and their answers, and then they may be their own group's influencers and take on the role to communicate issues and be proactive for the project's success. Be sure to select with care—how well does this person represent their group? Are they representing their group?

- ☐ **EMPLOY GOOD COMMUNITY ORGANIZING TECHNIQUES FOR IMPACT INVESTING**
  This means taking all stakeholders in mind, even those who were not selected for a given project or assignment.

- ☐ **ENGAGE AS MUCH AS POSSIBLE IN EDUCATION WITH THE OTHER GROUP**
  Target those who may or may not have signed on to the idea.

AUTHOR BIO

Silicon Valley Community Foundation's chief giving officer Eleanor Clement Glass provides oversight and guidance to the foundation's grantmaking, public policy and advocacy, convening, community initiatives, research and special projects. While at The San Francisco Foundation, she led a Bay Area effort—the Hewlett-Annenberg Challenge—that resulted in a $100 million school reform initiative called the Bay Area School Reform Collaborative, which transformed teaching and learning in 87 Bay Area schools. She also initiated the $5 million Quality Child Care Initiative to increase the quality and availability of child care in eight Bay Area counties.
As special advisor to The David and Lucile Packard Foundation, Eleanor designed a grantmaking portfolio to strengthen California community foundations and emerging donor education programs across the nation. She has held leadership roles at The Foundation Incubator and the Philanthropy Incubator, creating learning opportunities for individual donors and institutional funders. Active in the community, Eleanor currently serves on the advisory boards of Stanford University's Haas Center for Public Service and the Foundation Center; she is also a board member of Destination: Home. She actively participates in Bay Area Blacks for Philanthropy (BAPIP) and Asian American and Pacific Islanders in Philanthropy (AAPIP).

TOOLS TO FIND INVESTMENTS

Successful impact investing requires a steady pipeline of investable deals. Because the field is relatively new, finding investment opportunities that are aligned with the interests and goals of a community foundation often requires extra effort and/or effective collaborations with colleagues, partners, and advisors.

Foundations active in impact investing point to a number of different ways to find or develop investable opportunities:

REVIEW OF GRANTEE PORTFOLIO: The first place to look may be your own grantees. Finding out which grantees may benefit from impact investments and engaging them on potential opportunities is a good way to build mission fit directly into the investment discussion. However, it is essential that they have the capacity to manage a loan or equity investment so that a return can be realized.

Many grantees will be unfamiliar with investments. They may have different risk/return expectations based on their grantee relationship, and their investment wishes may not always correspond to the foundation's impact investing protocols.

DATABASES AND NETWORKS: Because the field is new, many deals are cultivated through word of mouth and referral. Impact investing conferences and convenings remain important places where ideas for investments and relationships with intermediaries emerge. Recently, several databases of impact investing opportunities have been created to help institutionalize the search for impact investing intermediaries.

See Good Deal Hunting on the Mission Investors Exchange website for a hub to those deal-finding resources.

CONVENING: Place-based investors like community foundations are likely to find their opportunities constrained by geographic focus. But community foundations themselves may also be well-positioned to catalyze the development of potential investments by bringing together local and/or national investors with local stakeholders and potential investees to plan local or regional projects or initiatives.

REQUESTS FOR PROPOSALS: Some foundations institutionalize the process of finding investments by developing requests for proposals and regular application forms to assist potential investees in approaching their organization. Of course, this approach places the foundation in a reactive situation, rather than proactive, but this can potentially uncover interesting opportunities from entities outside of their current scope. There are sample templates on the Mission Investors Exchange website.

GRANTMAKING: Grantmaking can be a tool to help with deal generation. Grants can be used to analyze needs and conduct research, as well as to build capacity in nonprofits and social enterprises to help make them investable. Field-building grants that, for instance, generate market data, can help make the local environment more conducive to impact investing.

RESOURCES:

See Good Deal Hunting on the Mission Investors Exchange website for a hub to those deal-finding resources. Other resources can be found at the GIIN's ImpactBase global online directory of impact investment vehicles, Cambridge Associates, and Opportunity Finance Network.

BUILDING CAPACITY: GRANT SUPPORT

It is important to remember that, just as impact investing increases the number of tools that foundations have to achieve their goals, so too do foundations have multiple tools to support impact investing. In many cases, grant support can help build the infrastructure that makes impact investing possible in a community. Grants also can be used to help create deal flow, mitigate risk, or provide collateral support for monitoring and measuring impact.

Grants can be made directly to organizations to support scenarios that investors perceive as being too risky (e.g., credit enhancements such as a loan guarantee) or when transactions or borrowers are not ready for debt. Grants may also be combined with other types of investments to provide technical assistance and capacity building to small businesses, or to impact investing intermediaries to support their operations or build loan reserves in order to increase their investments.

Even if your foundation is not yet prepared to carry out its own mission investing program, you may wish to consider devoting some grant dollars to supporting its development in your community.

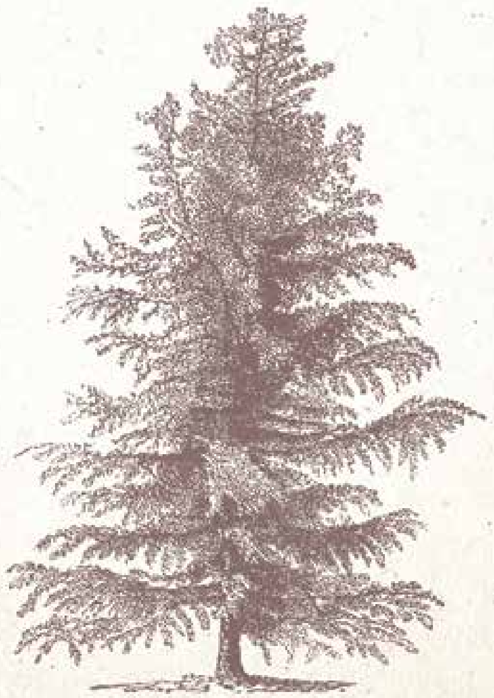
APPLY THIS!

There are many ways grantmaking can support your mission investing program. They include making a grant...

- [ ] in support of the development of a statewide community development financial institution
- [ ] so a nonprofit can be funded to build a solid business plan

ACTIVATE MAIN | MAP MAIN | CASE EXAMPLES | GLOSSARY

- ☐ to develop nonprofit education in mission investing
- ☐ to build a balance sheet in order for a potential investee to qualify for additional investments
- ☐ to be held as loan loss reserves
- ☐ to assess community capital needs



DEAL SOURCING

QUESTIONS & ANSWERS *with* JOHN GOLDSTEIN

Q. What makes deal sourcing so important for impact investing?

While there are many ways that impact investments can go wrong, without good deal sourcing, there isn't much that can go right. While good diligence, deal structuring, and documentation are all important, deal sourcing—and good portfolio management—are arguably the key points in the process where we often see the biggest disconnect between their importance and the time and focus they are given. This disconnect is a particular shame given that good sourcing has a myriad of other organizational and programmatic benefits—greater market knowledge and insight, new/deeper relationships with investees and investors, and better context for decision-making.

Q. What should community foundations be thinking about when they try to build investment pipelines?

There are a few key lessons we would share from our work:

BE PROACTIVE: Many organizations are reactive in their impact investing programs, waiting for proposals from traditional partners or others to which they respond. Being responsive to stakeholders is a good thing, but can be limiting in an impact investing program—the odds are modest that the best investees are the ones who actively approach you.

SCAN YOUR MARKETS AGGRESSIVELY: At Imprint Capital, we have worked with The W.K. Kellogg Foundation and others to engage in active market scanning—reaching out to develop a database of opportunities and a map of market segments. This mapping provides both broad market intelligence and a context for developing a focused strategy and comparing opportunities to identify and develop the right one(s).

While there are many ways that impact investments can go wrong, without good deal sourcing, there isn't much that can go right.

JOHN GOLDSTEIN
Co-founder
Imprint Capital Advisors

ACTIVATE MAIN | MAP MAIN | CASE EXAMPLES | GLOSSARY

EDUCATE THE MARKET: Crystallizing your interests and actively educating the marketplace will help build dynamic sourcing relationships and ensure that lots of people have their eyes and ears open to identify and send high potential opportunities your way. For example, Margaret Laws at the California HealthCare Foundation[1] has done a particularly good job of this, creating marketing materials to describe their program and sharing them with a wide range of venture capitalists, entrepreneurs and others to generate deal flow.

Q. How do you think about the process of sourcing deals?

Sourcing is an engaged process, not a reaction at a moment in time. The odds that you will find the right organization at the right moment with the right structure again are slim. We recently had a successful exit for a client from an investment that we waited 12 months to make, looking for a number of key operational and organizational milestones. Additionally, we often find that deals only happen as we actively engage in finding the right structure and approach. Two recent deals never would have come to fruition had we simply evaluated what was originally offered to us. Instead, we engaged with the investee and co-investors to find the right structure for everyone.

AUTHOR BIO

John Goldstein co-founded Imprint Capital Advisors to help foundations, families, and financial institutions create and manage impact investing programs and portfolios. Imprint has worked with eight of the 20 largest U.S. foundations and has invested more than $265 million across mission areas and asset classes with dedicated research and investment capacity in education and learning; energy and environment; food, health and well-being; and vulnerable communities. Previously, John co-founded Medley Capital Management, a private investment firm. He also served as Senior Managing Director of Medley Global Advisors and co-founded and served as the Executive Director of the Medley Institute. Prior to that, John was a management consultant at Andersen Consulting (now Accenture). He has been an advisor or board member to a diverse set of organizations in the impact space, including the Global Impact Investing Network (GIIN)/ImpactBase, the Global Social Venture Competition (GSVC), McKinsey's working group on Social Impact Bonds, Global Giving, the Sustainable Food Lab, the UN Capital Development Fund, the International Interfaith Investment Group, and a range of others. John graduated from Yale University with honors. He was awarded the Richter Fellowship and the Townsend Prize.

[1] California Healthcare Foundation's webpages about the CHCF Health Innovation Fund. CHCF says it best on the investment criteria page: "Through its Innovations for the Underserved Program, the California HealthCare Foundation (CHCF) focuses on reducing barriers to efficient, affordable health care for underserved populations. To help achieve this goal, CHCF is pioneering an innovation investment fund to support entrepreneurs with business concepts that have the potential to significantly lower the total cost of care or substantially improve access to care for Californians. CHCF plans to invest approximately $10 million in medical and health care devices, technologies, and services over three years."

CHOOSING YOUR INVESTMENTS

QUESTIONS & ANSWERS *with* CYNTHIA MULLER

Q. How should foundations think about what they invest in?

It's important to remember that how you invest is as important as what you invest in. As you consider the spectrum of asset classes, keep in mind that each has a particular role as a financing tool. Additionally, return expectations and project/investment structures heavily influence the types of financing vehicles that should be used for an individual investment.

The selection of organizations, intermediaries, or funds in which your foundation invests should be driven by your goals, expectations of returns, and tolerance for risk. If, for example, an investment is primarily driven by program goals rather than returns, the determination of where to invest may be similar to whether you would make a grant to the same organization. It should be based on the probability, given all the available information, that the investee will be able to deliver the benefits it promises to the community. At the same time, the investee must be able to repay the funds invested along with the agreed upon or expected rate of return, as demonstrated in its business plan.

Every investment, whether made primarily for programmatic or for financial returns, represents a choice among other possible places to invest. For that reason, a high degree of confidence in the investee is paramount.

CYNTHIA MULLER
Director, Impact Investing
Arabella Advisors

Q. How should foundations think about which organizations they invest with?

Deciding with whom you will partner on a transaction or project can be as important as the investment itself. Having a clear understanding of the types of skills, knowledge, and relationships that are integral to a successful investment directly relates to the investment's ability to achieve its intended return and impact. Careful consideration must be given to partner's expertise, track record, reputation, and ability to collaborate.

Q. How do you decide between local and national partners?

Local partners may have stronger relationships with key local stakeholders and know the community's context, but may not have the internal capacity or expertise to carry out a transaction or fund. National partners may have the capacity to conduct the transactions, but not the local relationships to build the trust needed to move the deal forward. Foundations can play a key role in finding a balance and helping to fill the gaps in a project or investment by structuring partnerships that build on existing strengths. For example, some foundations with less experienced local partners (intermediaries, social enterprises, nonprofits) have facilitated learning collaboratives with national partners to help local partners to develop their skills and infrastructure.

Every investment, whether made primarily for programmatic or for financial returns, represents a choice among other possible places to invest. For that reason, a high degree of confidence in the investee is paramount.

AUTHOR BIO

Cynthia Muller leads the impact investing practice at Mission Investors Exchange affiliate member Arabella Advisors. She helps individual and institutional clients understand the field of impact investing, develop strategies, and structure investments to accomplish their social and environmental goals. Her extensive background in social enterprise and mission investing includes connecting public policy, programs, and capital for emerging social innovations to increase economic opportunities for under-served and marginalized communities. Prior to joining Arabella Advisors, Cynthia built a wealth of experience working on strategic initiatives in mission-driven organizations focused on issues including community health, affordable housing, and economic development. As Director of Strategic Investments at NCB Capital Impact, a national community development financial institution, she managed more than $80 million in grants and impact investments. She has served on the board of the CIRI Foundation and volunteered for the Alaska Marketplace. Cynthia holds a BA in Psychology from Stanford University and an MBA from the University of Washington.

THE REVIEW PROCESS: DUE DILIGENCE

Due diligence, or underwriting, is used to investigate and evaluate an investment opportunity and help determine the likelihood that the results sought by the investor will be achieved. The purpose of the due diligence is to identify and analyze the risks involved in making the investment, verify that the transaction complies with the investment criteria, and provide a basis for the investment decision.

In addition to identifying and analyzing risk, due diligence can provide other benefits including strengthening the enterprise, facilitating project or organization's planning and management, strengthening the relationship between investor and investee organization, and building a baseline for measuring future success.

Depending on the foundation investor's standards, due diligence in impact investing may be more rigorous than due diligence carried out in other investment scenarios. Investees successfully achieving the high standards of due diligence required by many foundations often are better prepared to succeed with additional investors of any type.

The parties conducting due diligence typically create a checklist of needed financial and programmatic information, including financial statements, business plans, portfolio reports, impact reports, and other documents. Direct contact, through interviews and site visits, also is expected. Finally, additional research is conducted with external sources, including customers, business references, funders, and/or investors, industry experts, and others. Sometimes key man insurance[1] is required as a condition of investment to ensure continuity in the organization's leadership. The investor uses these materials and external information gathered to conduct both a programmatic and business/financial review.

[1] Key man insurance "can be described as an insurance policy taken out by a business to compensate that business for financial losses that would arise from the death or extended incapacity of an important member of the business." Wikipedia entry for "key man insurance."

THE REVIEW PROCESS: DUE DILIGENCE

When conducting due diligence, foundations should consider the following areas of inquiry:

PROGRAM REVIEW. Impact investments are another tool a foundation can use to support an enterprise, project, or organization. As with grants, the programmatic review is the first step in judging any potential investment. The program officer conducts the program review of a proposed investment. The program review should be the same as for a grant, and impact investments are expected to fit within a foundation's programmatic mission. In some cases, foundations may have a particular set of programmatic criteria for impact investments that differ from the grant portfolio.

BUSINESS AND FINANCIAL REVIEW. In addition to the program review, a business and financial review must be conducted to determine the financial feasibility and identify key business risks. The business and financial due diligence is a rigorous process and examines the financial strength of the enterprise, project or organization, management strength, operations, and external market conditions.

Some foundations may divide the business and financial review into two parts, a preliminary financial review to ensure that the enterprise, project, or organization meets basic financial strength criteria before conducting an in-depth review.

Investees successfully achieving the high standards of due diligence required by many foundations often are better prepared to succeed with additional investors of any type.

One way to think about effective due diligence is to build systems and develop tools that institutionalize the process. This makes comparisons between investments clear. There are a number of available due diligence checklists, loan documents, and other tools from active impact investing foundations on the Mission Investors Exchange website that can facilitate the development of a strategic due diligence process. You will probably wish to consult an attorney to provide any final legal documentation.

STRUCTURING INVESTMENTS

In addition to the basic terms of the investment (amount, rate, tenure, repayment schedule, etc.) a foundation investor should consider structuring the investment agreement to include protections such as collateral commitments, loss reserves or other covenants.

One strong form of protection a foundation investor may consider, if it is available, is collateral: a secured interest in an asset owned by the enterprise, project or organization.

Another way for a foundation to protect its investment is to include covenants in each investment agreement. Covenants are financial and programmatic performance conditions set forth in the agreement that require or prohibit the investee from doing certain things. Any time the investee is out of compliance with any covenant, the foundation investor can intervene and require it to explain the cause of the problem and how it will address it; ask the investee to meet with the foundation to discuss the problem and/or work with foundation staff or consultants; or explore other options for remedying the situation.

Types of covenants that may be included in investment agreements include the following requirements:

- a minimum level of net assets, net income or liquidity;
- a minimum standard of portfolio quality;
- the establishment of a loan loss reserve; and/or
- capital deployment or utilization expectations.

While some foundation investors have standard covenants, most investors will negotiate with each investee and covenants will be based on individual circumstances. Mission Investors Exchange member resources include access to a library of covenant language.

THE DUE DILIGENCE PROCESS

QUESTIONS & ANSWERS *with* CHRISTA VELASQUEZ

Q. How much due diligence needs to be conducted?

Due diligence is a rigorous process that takes more time and effort than a typical grant review. The amount of due diligence you conduct will depend on many factors, including prior experiences with the potential investee, the size of the transaction, tolerance for risk, time constraints, cost factors, and resource availability. It is impossible to learn everything about the enterprise, project, or organization you are targeting, but it is important to learn enough to understand the risks involved so you can make an informed investment decision.

One advantage of collaboration is the ability to reduce due diligence costs for some or all of the investors.

Q. Who conducts due diligence?

Sometimes foundations have dedicated impact investment staff. They may also use a combination of investment, legal and program staff and even board members to analyze and structure potential investments. Foundations without dedicated impact investing staff or that are new to impact investing sometimes hire an outside consultant to conduct due diligence. The Mission Investors Exchange website has a list of consultants that offer such services.

CHRISTA VELASQUEZ
Senior Advisor
The Giving Practice

Q. How much does due diligence cost? Who pays for it?

Due diligence costs are based on the scope and duration of the effort, which in turn are dependent on the complexity of enterprise, project, or organization, as well as other factors. Costs are typically viewed as an essential expense far outweighed by the anticipated benefits and the downside risks of failing to conduct adequate due diligence. The involved parties determine who will bear the due diligence expense. Typically the foundation investor (or a consortium of investors) covers the costs of due diligence although the investee will incur additional costs not usually covered by the investor. One advantage of collaboration is the ability to reduce due diligence costs for some or all of the investors.

AUTHOR BIO

Christa Velasquez, a senior advisor with The Giving Practice, the consulting arm of Philanthropy Northwest, is a recognized leader in the impact investing field. She advises foundations on impact investing strategies and program design and works with impact investment fund managers on all aspects of investment programs to ensure that both financial and social objectives are achieved. In addition to consulting, Christa teaches courses on the business of nonprofits and the evolving social sector at the University of Chicago. As the Director of Social Investments at the Annie E. Casey Foundation, she was responsible for the foundation's $125 million social investment program. She also held a fellowship at the Initiative for Responsible Investment at the Hauser Center for Nonprofit Organizations at Harvard University. Christa helped develop the impact investing field as a co-founder of the More for Mission Campaign and the PRI Makers Network, now Mission Investors Exchange.

IMPACT MEASURES AND MONITORING TOOLS

So much time and effort is focused on getting a mission investment closed and the funds disbursed. However, executing an agreement isn't the finish line and, in fact, it may not even be the halfway point. Post-closing, there is still a lot of work to do in monitoring the performance of an investment to ensure financial health and intended impact.

WHY MONITOR?

Monitoring the performance of your investments ensures alignment with your foundation's objectives, communicates expected and achieved impacts, ensures consistency among reported data, allows for performance measurement over time, and helps to identify the right questions for investors to ask. Unlike traditional investors that only measure their financial returns, impact investors track both the financial and social impact performance of their investments.

Assessing the financial performance of an investment is relatively straightforward and focuses on such measures as profit, cash flow, and balance sheet strength. Investors may track financial ratios including those that measure net assets, liquidity, and asset quality.

Investment terms may include covenants or financial and programmatic performance conditions in an investment agreement. These agreements require or prohibit the borrower from doing certain things. Covenants typically cover financial targets or allowable uses of the investment proceeds. Part of monitoring will therefore be determining compliance with those covenants. The frequency and interval of monitoring each covenant is clearly defined in the investment agreement (although most covenants are monitored quarterly or annually throughout the term of the investment).

MEASURING SOCIAL IMPACT

Measuring social impact is more difficult. As with grants, foundations struggle to assess the social impact of an impact investment. Investors typically include key programmatic or social indicators—a core set of metrics customized for individual transactions—in the investment agreement that investees must regularly report on. Examples of key indicators include jobs created, affordable housing units financed, numbers of individuals accessing financial services, levels of energy conservation achieved, or number of childcare slots financed. Interestingly, some foundation investors believe that they get better impact data from the impact investments than their grants because of the clear metrics and regular, ongoing reporting.

There has been much work done recently to standardize impact measures to ease reporting burdens on investees, promote transparency and aid investors. Impact Reporting and Investment Standards (IRIS), a program of the Global Impact Investing Network is a catalogue of standardized definitions for performance measures by sector that can be used to understand an organization's social results and make it easier to compare performance across an investment portfolio and industry-wide.

Post-closing, there is still a lot of work to do in monitoring the performance of an investment to ensure financial health and intended impact.

While IRIS is one metrics system, other organizations have developed their own metrics that may be applicable to community foundation impact investments:

- CDFI Assessment and Ratings System (CARS)
- Small and growing business metrics from the Aspen Network of Development Entrepreneurs
- ANDE Microenterprise metrics from FIELD, an initiative of the Aspen Institute dedicated to advancing microenterprise
- Sustainable agriculture metrics from the Finance Alliance for Sustainable Trade (FAST)
- Developed and emerging market metrics from the GIIRS assessment
- Land conservation metrics developed by an IRIS working group
- Microfinance metrics from the Microfinance Information Exchange (MIX) and Social Performance Task Force (SPTF)
- Community banking metrics from National Community Investment Fund (NCIF)
- Metrics for investments in early-stage enterprises from Toniic
- Compilation of other metrics from the Global Impact Investing Network

HOW TO MONITOR?

Investment agreements should lay out the specific financial and impact metrics and frequency of reporting. Investments should be monitored at least annually with a review of both programmatic and financial issues. The key programmatic concern is whether the investee is conducting the promised activity and reaching the target population. Financial monitoring should focus on the financial performance of the investee and/or the project, with emphasis on the investee's likely capability to repay the investment.

A foundation should regularly assess the level of risk of the investments in its portfolio. This is used as a management tool and for accounting purposes. A risk rating system is used to evaluate the risk of default by an investee and to identify investments with heightened risk parameters that may require more frequent monitoring and/or some kind of intervention. An investment's risk rating is also used to establish the level of loss reserve to be held for the investment.

MONITORING YOUR PORTFOLIO

QUESTIONS & ANSWERS *with* CHRISTA VELASQUEZ

Q. Who at my foundation should monitor the portfolio?

Monitoring responsibilities vary by foundation. Some foundations have mission investing staff who are responsible for all aspects of investing, including monitoring. Other foundations may have finance and investment staff to monitor the portfolio, while others utilize a team of program, finance, and investment staff. Another option that some foundations use is to engage external service providers such as an advisor, consultant, or a financial intermediary who has experience monitoring and servicing investments.

Q. What do I do if an investment isn't performing?

Sometimes the investee is unable to meet the obligations of the investment agreement. Any problems the investee is experiencing should be identified through the ongoing monitoring of investments. Red flags include being out of compliance with any of the performance or financial covenants, showing a deteriorating financial position, or having difficulty meeting programmatic goals. At any time the borrower is out of compliance with any covenant, the foundation can intervene and require the borrower to explain the cause of the problem and how it will address it, meet with the foundation to discuss the problem, work with foundation staff and/or consultants, or other options for remedying the situation. Ultimately, violations of covenants can result in restructuring the investment or enable the foundation to require early repayment, or put the organization into default if needed.

CHRISTA VELASQUEZ
Senior Advisor
The Giving Practice

RESOURCES

The IRIS catalog includes generally accepted impact performance metrics by sector. Foundation investors can identify impact indicators in the IRIS taxonomy catalogue.

Impact Capital Measurement: Approaches to Measuring the Social Impact of Program-Related Investments by Melinda Tuan for the Robert Wood Johnson Foundation (2011). This white paper shares some of the leading examples of measuring the social impact of PRIs in the social sector. It is based on more than three dozen interviews with leading practitioners and experts in making and measuring the social impact of PRIs and other impact investments.

CARS, The CDFI Assessment and Ratings System, provides a comprehensive third-party assessment of a community development financial institution's (CDFI) impact performance and financial strength and performance. CARS analyses are built on a set of metrics that bring transparency and standardization to the CDFI sector and simplify underwriting complexity created by the variation in CDFI structure, focus, and operations. Some foundation investors use CARS analyses and annual updates as part of their monitoring process.

The Impact Reporting and Investment Standards (IRIS) is a set of metrics that can be used to measure and describe an organization's social, environmental and financial performance. A common social and environmental vocabulary also enables the aggregation of data from different providers and data collection systems. Organizations that adopt the IRIS definitions for their impact reporting can contribute data to the GIIN, which will produce industry-wide benchmarks.

The Global Impact Investing Ratings System (GIIRS) is a comprehensive and transparent system for assessing the social and environmental impact of companies and funds with a ratings and analytics approach analogous to Morningstar investment rankings and Capital IQ financial analytics.

AUTHOR BIO

Christa Velasquez, a senior advisor with The Giving Practice, the consulting arm of Philanthropy Northwest, is a recognized leader in the impact investing field. She advises foundations on impact investing strategies and program design and works with impact investment fund managers on all aspects of investment programs to ensure that both financial and social objectives are achieved. In addition to consulting, Christa teaches courses on the business of nonprofits and the evolving social sector at the University of Chicago. As the Director of Social Investments at the Annie E. Casey Foundation, she was responsible for the foundation's $125 million social investment program. She also held a fellowship at the Initiative for Responsible Investment at the Hauser Center for Nonprofit Organizations at Harvard University. Christa helped develop the impact investing field as a co-founder of the More for Mission Campaign and the PRI Makers Network, now Mission Investors Exchange.

MANAGING CHALLENGES: WORKOUTS

featuring JENNIFER PRYCE

In the real world, there are no guarantees that every impact investment will be successful. Because of the typically high level of due diligence carried out by foundations doing this work and the often close familiarity with the investee, however, the reported rates of success (measured in terms of both financial and social returns) are generally quite high.

Depending on the level of uncertainty and risk a foundation might accept in its investments, as well as externalities beyond its control, there will be times when a project might not be carried out as planned, or the investee is unable to meet its financial commitment.

Rather than write these as off as acceptable losses, however, foundations are much more likely to have success if they take steps before an investment is made and after it is in place to mitigate risk and avert potential losses through "workouts."

The Calvert Foundation suggests that the two most important measures to prevent losses are (1) due diligence prior to the investment; and (2) active monitoring by the investor once the deal has been closed. In addition, a clear statement of expectations in the investment agreement, and a strong relationship with the investee, are also important measures to prevent challenges over the life of the investment.

JENNIFER PRYCE
President and CEO
Calvert Foundation

Not every investment will be successful. Nor will every grant. But with careful preparation and a commitment to working together, losses can be minimized and, at the very least, important lessons can be learned.

It is important to know what you're getting into and what you're willing to do if an investment becomes troubled:

- How patient/flexible can you be to extend/modify investment terms?

- Will you be willing/able to write it off as a grant or take the loss?
- How far will you go to collect on the collateral if there is any?
- What additional resources could you bring to the table if things are looking bad?

The critical component is regular communication so you are able to intervene early and quickly before things can get to the point of making a program look bad or damaging a reputation.

APPLY THIS!

Some questions you should ask in order to avoid surprises—and workouts

- [ ] **SECURITY –** Consider whether or not your foundation should file a security interest in personal property or a deed of trust for real property, such as land or buildings. If your foundation asks for security, it is important to communicate why. Meyer Memorial Trust's explanation is included here as an example.
- [ ] **ACCOUNTING –** In the case of PRI loans, does the foundation account for the loan as a grant or as an investment? If it is a loan and it is in default, it is expensed and accounted for as a grant. If it is accounted for as an investment, then it is a loss and likely will be a point of discussions among trustees. As with all of the pre-investment discussions, accounting should be decided upon up front and agreed upon by all interested parties (program team, finance team, and approved by the trustees) as a part of the internal processes.

Not every investment will be successful. Nor will every grant. In order to avoid surprises—and the necessity of a workout—set very clear expectations for communication up front.

- **REMEDIAL INTERVENTIONS** - Consider the reputational risk of calling a default on a loan and decide beforehand how you would work through the issues around a loan in default. Many foundations would avoid calling a default but are clear with investees that a default could affect the investor-investee/grantor-grantee relationship. In most cases, the foundation works together with the investee to remedy the situation, e.g., extending the loan period, reducing the loan amount, and changing the status of the remainder to a grant. You may even want to provide an additional grant for technical assistance in order to get the organization back on track.

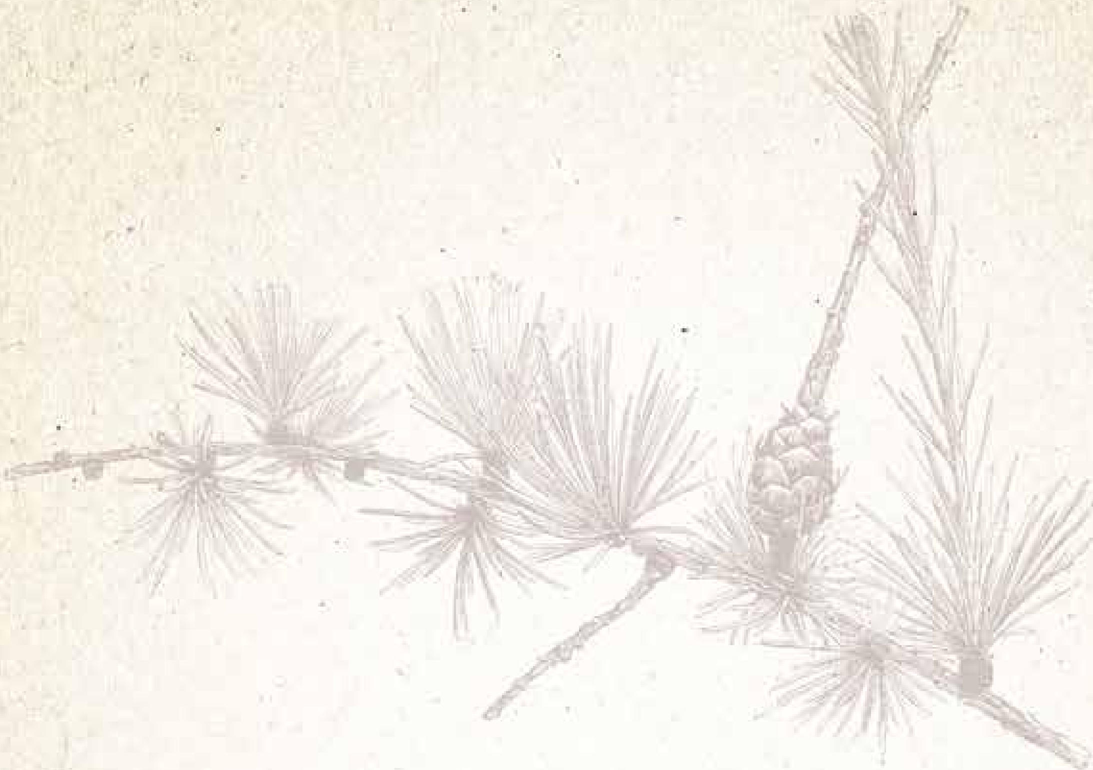
- **LOSSES – EFFECTS ON THE PROGRAM** - Any losses would reduce the overall allocation or budget (if the program is self-sustaining and needs repayments to make new investments). In order to avoid losses or defaults that could also cause senior leadership and/or trustees to doubt the strategy or program management, it should be made clear to investees up front that they are expected to update foundation program and investment staff the moment something starts to go sideways. That way the investor and the investee can work together to fix the problem, the foundation staff and leadership aren't taken by surprise, and any potential losses are more likely to be alleviated.

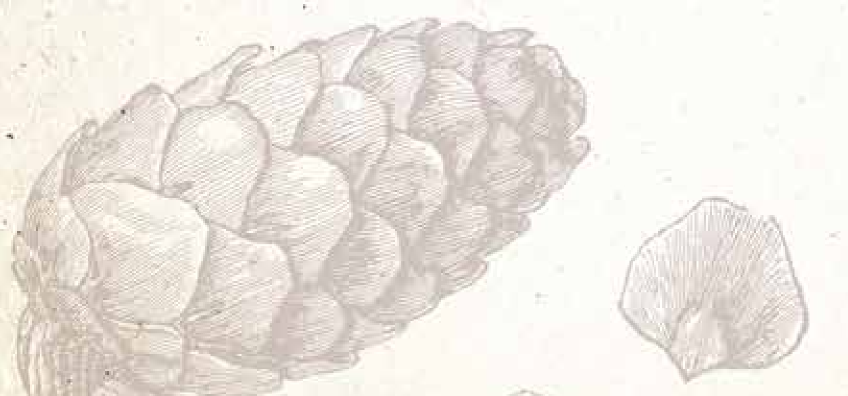
AUTHOR BIO

Since arriving at Calvert Foundation in 2009, Jenn has risen from the position of U.S. Portfolio Manager to Vice President of Strategic Initiatives, then Chief Strategy Officer, and now President and CEO. In her role as Chief Strategy Officer, she led the organization's Strategic Initiatives team and its work on raising capital, developing new products and initiatives, and marketing and communications. Jenn has also overseen Calvert Foundation's wholly owned Community Investment Partners subsidiary, which offers fund and asset management services for institutional clients.

Jenn's teams have anchored their work around developing initiatives that combine a social issue with the power of impact investing. Under her leadership, Jenn's Strategic Initiatives team launched the Women Investing in Women Initiative, which is the only retail impact investing product available to U.S. residents that is focused on supporting organizations empowering women.

Prior to Calvert Foundation, Jenn worked with Nonprofit Finance Fund as the Director of the Washington Metro Area office, as well as Wall Street firms Neuberger & Berman and Morgan Stanley. She was a Peace Corps Volunteer in Gabon, Africa and also worked at the Public Theater in New York City. Jenn received a Bachelor of Science in Mechanical Engineering from Union College and a MBA from Columbia University. She serves on the Boards of Hitachi Foundation and Groundswell.





FROM THE DESKS *of* MISSION INVESTORS EXCHANGE *and* COUNCIL ON FOUNDATIONS

The staff and leadership of Mission Investors Exchange and the Council on Foundations hope that you have been inspired by the *Community Foundation Field Guide to Impact Investing*. In the days and months ahead, we will continue to add and refine the tools available to you. Please submit your case examples as a resource for other foundations seeking to engage and advance in this space.

We will provide ongoing opportunities for you to learn—through webinars planned for October, November, and December 2013—and at the Mission Investors Exchange 2014 National Conference in Minneapolis. Hope to see you there!

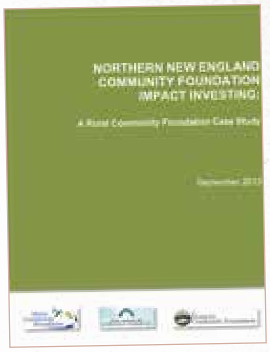
MISSION INVESTORS EXCHANGE

COUNCIL *on* FOUNDATIONS

INVESTING IN RURAL COMMUNITIES

The beauty of community foundations is that they serve diverse geographic regions each in their own customized way depending on the resources available, and the needs that face those unique places.

Exploring cases from larger urban-serving foundations might be challenging to translate into an adaptable example for your rural community. Therefore, we have highlighted at the link here recent research about impact investing in rural settings.


NORTHERN NEW ENGLAND COMMUNITY FOUNDATION IMPACT INVESTING:

A Rural Community Foundation Case Study

CASE EXAMPLE

CALIFORNIA COMMUNITY FOUNDATION

INVESTOR	ASSET CLASS	AMOUNT	INVESTEE	INVESTMENT MADE DATE	INVESTMENT TERMINATION DATE
California Community Foundation	Loan	$500,000	Pacoima Development Federal Credit Union	2012	2014

INTRODUCTION:

The DREAMer Loan Program (DLP) was designed to assist targeted young aliens who seek to apply to the federal Deferred Action for Childhood Arrivals (DACA) program at a cost of $465, a significant expense to young people from mostly poor families. The DLP provides loans for applicants to pay this fee. Loans are made through the Pacoima Neighborhood Council by Pacoima Development Federal Credit Union (PDFCU), designated by federal charter as serving low-income communities.

BACKGROUND:

According to the U.S. Citizenship and Immigration Services, "On June 15, 2012, the Secretary of Homeland Security announced that certain people [under 31 years of age] who came to the United States as children and meet several key guidelines may request consideration of deferred action for a period of two years, subject to renewal, and would then be eligible for work authorization." So the "DREAM" in "DREAMer" refers to "Development, Relief, and Education for Alien Minors," the title of stalled federal legislation to address the plight of young aliens. Absent statute, the Obama Administration introduced DACA in 2012.

PROCESS:

California Community Foundation made a concessionary loan to PDFCU for a two-year term at zero percent interest. PDFCU uses the proceeds to make loans to eligible young people, with "little or no credit ok," for a six-month term (12 months in extraordinary circumstances) at an annual interest rate of 12 percent on the declining principal balance.

FINANCIAL IMPACT:

PDFCU receives interest income on 1,075 loans at 12 percent interest on their declining principal balance.

SOCIAL IMPACT:

1,075 young people will be considered for enrollment in a program that will allow them to remain in the U.S. and continue their education without fear of deportation. Many of them have no credit history and will benefit from successfully paying off these DLP "credit builder" loans.

ALL CASE EXAMPLES | MAP MAIN | GLOSSARY

CASE EXAMPLE *continued*

CALIFORNIA COMMUNITY FOUNDATION

OUTCOMES:

There are currently 100,000 DACA-eligible immigrants in Los Angeles County. The California Community Foundation's cash investment was able to expand DLP's reach to more applicants, increasing access to higher education to young immigrants while helping them to establish a credit history. The foundation coupled this concessionary loan with a grant of $50,000 in 2012 to expand DLP's impact.

LINKS:

California Community Foundation

Pacoima Development Federal Credit Union

Pacoima Neighborhood Council DACA program page

U.S. Citizenship and Immigration Services Consideration of Deferred Action for Childhood Arrivals

Sergio Samayoa, City of Los Angeles, email or 213.473.4450

CASE EXAMPLE

GRAND RAPIDS COMMUNITY FOUNDATION

INVESTOR	ASSET CLASS	AMOUNT	INVESTEE	INVESTMENT MADE DATE	INVESTMENT TERMINATION DATE
Grand Rapids Community Foundation	Loan	$462,025	Dwelling Place, Inc.	2006	2009 - scheduled 2012 - actual

INTRODUCTION:

As part of a multi-partner neighborhood redevelopment plan using the community land trust model, Grand Rapids Community Foundation made a loan to Dwelling Place Inc. to acquire properties to be redeveloped. Dwelling Place is an organization with whom the foundation had a long-term grant history. The project ran into a number of difficulties along the way, including a hard-hitting housing crisis, but ultimately the parties involved were able to extend the payback period to avoid default.

BACKGROUND:

The Wealthy Heights area is a low-income neighborhood. The goal of the project was to invest nearly $3 million in housing rehabilitation in a low-income neighborhood, which at the time of the loan had a 29 percent owner occupancy rate. Project partners included the City of Grand Rapids, Michigan State Housing Development Authority, Dyer-Ives Foundation, and Habitat for Humanity.

PROCESS:

$462,025 loan at two percent interest, payable originally over three years. The foundation renegotiated the loan with the investee, extending its term into 2012. The foundation reports they did “a basic level of underwriting and research was done, similar to the level of due diligence we would do for a grant.” Monitoring included semiannual progress reports by the investee.

FINANCIAL IMPACT:

The investee, after renegotiating the loan, was able to complete its terms successfully. Ten low-income families became homeowners. For-profit developers have made a commitment to develop an adjacent commercial area.

SOCIAL IMPACT:

The involvement of the project’s 18 partners offered a multi-model approach to neighborhood revitalization. In spite of or perhaps because of the Great Recession of 2008, organizations worked closely together to improve this challenged neighborhood. Home ownership in the neighborhood increased from 29 percent to 44 percent. Grand Rapids Community College instructed students in green building as they worked with Habitat for Humanity who rehabilitated the homes. A number of additional homes were improved when Habitat for Humanity performed exterior improvements and repairs to homeowner-occupied homes in the same block as the homes being rehabilitated.

ALL CASE EXAMPLES | MAP MAIN | GLOSSARY

CASE EXAMPLE *continued*

GRAND RAPIDS COMMUNITY FOUNDATION

OUTCOMES:

A loan for $462,025 allowed the organization to purchase nine properties for rehabilitation and placement in a community land trust, with the intent to preserve affordable housing in the community. The economic downturn in 2007-2009 dramatically impacted this project, to the point that it nearly failed. Combined with loss of value to properties, challenges with the local and state historic preservation boards, and delays to street improvements planned for the neighborhood (including some land swap agreements with the city), Dwelling Place considered default on the project. To their credit, they persevered and in 2010 began a partnership with Habitat for Humanity. Over the next two years, Habitat purchased all of the properties for what Dwelling Place had paid for them - much more than what they were worth. Habitat is in the final phases of redeveloping all of the properties for homeowner purchase in the neighborhood and will have rehabilitated ten homes.

LINKS:

Grand Rapids Community Foundation

Dwelling Place, Inc.

The Wealthy Heights Revitalization Project May 2012 Update

CASE EXAMPLE

THE COMMUNITY FOUNDATION OF JACKSON COUNTY

INVESTOR	ASSET CLASS	AMOUNT	INVESTEE	INVESTMENT MADE DATE	INVESTMENT TERMINATION DATE
The Community Foundation of Jackson County (Indiana)	Loan	$500,000	Jackson County Learning Center	2010	2014

INTRODUCTION:

Local leaders in Jackson County, Indiana, realized several years ago that post-secondary education "was not at a level that it needed to be" for purposes of economic development. Therefore, the Jackson County Education Coalition was established as a 501(c)(3) nonprofit corporation to be a supporting organization to the Community Foundation of Jackson County with a mission to pursue the educational needs of the community and to coordinate the delivery of post-secondary education for the Jackson County community.

BACKGROUND:

One of the coalition's major initiatives came to fruition in 2010 with the opening of the $2.4 million Jackson County Learning Center, a one-stop location for two- and four-year college classes, GED preparation, and job-related short courses. The Jackson County Learning Center was built through a partnership of the Community Foundation of Jackson County, the Seymour Chamber of Commerce, and the City of Seymour. The Jackson County Learning Center's mission is to provide an adequate, up-to-date, educational venue for the post-secondary educational requirements of the Jackson County community. The center provides classroom and laboratory facilities for Ivy Tech Community College; Indiana University Purdue University, Columbus; and other post-secondary educational institutions. In addition, the Jackson County Learning Center provides facilities for industry workforce education opportunities and the various county school corporations' needs.

PROCESS:

As early as 2008, the foundation's staff asked the foundation's board to consider a PRI-like investment. The board directed the finance and investment committee to investigate

- legal issues;
- feasibility;
- metrics for such an investment;
- desirability ; and
- investment performance impact of such an investment.

CASE EXAMPLE *continued*

THE JACKSON COUNTY LEARNING CENTER

The community foundation's finance and investment committee is made up of members of the board of directors and community volunteers. Individual members include an attorney, several bank presidents, and business owners. The committee's report was favorable for such an investment; however, in 2008 nothing on the immediate horizon met the board's criteria of critical community need requiring such an investment.

FINANCIAL IMPACT:

The foundation leveraged a $500,000 investment to build a $2.4 million learning center and will have the principal available to "recycle." Meanwhile, the loan provides modest income to the foundation.

SOCIAL IMPACT:

Since its opening, the Jackson County Learning Center has established a partnership with Ivy Tech Community College and Indiana University Purdue University, Columbus to deliver classes. More than 600 students receive post-secondary classes at the facility. The local high school has placed an alternative school in the facility that has boosted the graduation rate for the school to more than 94 percent. The co-location of the Indiana WorkOne facility, a state organization focused upon unemployment and workforce training, has helped increase the GED attainment rate for the county. The facility is operating at 95 percent capacity in the evenings and 60 percent capacity during the day. Installation of a science laboratory and an advanced manufacturing laboratory was scheduled for the second quarter of 2013.

The learning center has been cited as a specific factor in a major manufacturer's expansion. In addition, a corporate grant of $5 million for education in the county was secured to build upon the work begun through the learning center.

OUTCOMES:

The creation of the Jackson County Learning Center was made possible through the public-private partnership of the Community Foundation of Jackson County and the City of Seymour. The foundation offered a $500,000 loan as the initial investment for the learning center. A collaboration of six banks created a loan pool for the remaining construction costs for the $2.4 million facility. The foundation agreed to be the "first-in, last-out" investor for the short term financing (subordinated position). The city agreed to use tax increment financing (TIF) for the long term financing through a bond issue. Long term financing was to be put in place after three to four years. All loans were at a fixed rate, interest only, and amortized over 30 years. The Seymour City Redevelopment Commission is actually responsible for the making the debt payments, while the Learning Center was the recipient of the funds. The Jackson County Education Coalition, a supporting organization to the Community Foundation, is expected to take over repayment of the loan.

The facility was dedicated in August of 2010.

ALL CASE EXAMPLES | MAP MAIN | GLOSSARY

CASE EXAMPLE *continued*

THE JACKSON COUNTY LEARNING CENTER

LINKS:

Indiana Economic Digest Article on the Jackson County Learning Center

The Jackson County Learning Center

The Community Foundation of Jackson County

CASE EXAMPLE

THE GREATER CINCINNATI FOUNDATION • GREATER CINCINNATI ENERGY ALLIANCE

INVESTOR	ASSET CLASS	AMOUNT	INVESTEE	INVESTMENT MADE DATE	INVESTMENT TERMINATION DATE
The Greater Cincinnati Foundation	Loan	$500,000	Greater Cincinnati Energy Alliance	2012	2018

INTRODUCTION:

The Greater Cincinnati Foundation made a loan from their GC-HELP Loan Fund to the Greater Cincinnati Energy Alliance to help continue their efforts in their residential and commercial 'whole home' energy efficiency upgrade program. The Greater Cincinnati Foundation provided the start-up grant for the Greater Cincinnati Energy Alliance

BACKGROUND:

The goal of this product was to reduce both the cost of energy for households and to reduce harmful energy consumption. The Greater Cincinnati Energy Alliance sought to create low-cost consumer loans for homeowner energy retrofits to respond to this issues. They created a $9.8 million pooled loan fund seeded by $2.4 million of a $17 million U.S. Department of Energy block grant. This amount, combined with $7.4 million of private capital, constitutes the Greater Cincinnati Home Energy Loan Program (GC-HELP) Residential Revolving Loan Fund, which is an unsecured product for loans up to $200,000 (or rebates up to $2,000) at a flat rate of 6.99 percent for seven to ten years based on the expected life on installed equipment.

PROCESS:

The Greater Cincinnati Foundation invested $500,000 in GGEA GC-HELP Project at the charitable interest rate of three percent, interest-only payments through the call period (May 2013), and straight amortization for ten years with a balloon payment after five years. There's a 75 percent cash collateral first loss protection and grant-funded credit enhancements through 2013. Donor advised funds are invited to participate with a minimum investment of $25,000.

FINANCIAL IMPACT:

Homeowners participating in the program reduce their energy costs. The foundation earns interest at three percent.

SOCIAL IMPACT:

The program has accomplished 1,312 residential energy upgrades, 18 commercial energy upgrades, 2,449 residential evaluations, and 25 commercial evaluations. At least 115 workers were trained. Energy upgrades result in reduced carbon emissions.

ALL CASE EXAMPLES | MAP MAIN | GLOSSARY

CASE EXAMPLE *continued*

THE GREATER CINCINNATI FOUNDATION • GREATER CINCINNATI ENERGY ALLIANCE

OUTCOMES:

From the initial seed grant from GCF to the eventual investment in the GC-HELP loan pool, the GCF has built a strong and longstanding relationship with GGEA. They have been crucial partners in GGEA's successful efforts to expand their business to provide retrofits for a growing number of households and have even expanded into commercial real-estate.

LINKS:

The Greater Cincinnati Foundation

Greater Cincinnati Energy Alliance

U.S. Department of Energy's Better Buildings Neighborhood Program

Mission Investors Exchange Investment Database record of this transaction, available for Mission Investors Exchange members only

CASE EXAMPLE

THE SEATTLE FOUNDATION

INVESTOR	ASSET CLASS	AMOUNT	INVESTEE	INVESTMENT MADE DATE	INVESTMENT TERMINATION DATE
The Seattle Foundation	Note	$1,000,000	Enterprise Community Partners	2011	2016

INTRODUCTION:

The Seattle Foundation purchased a $1 million Enterprise Community Impact Note with the intent of supporting the construction of community education facilities in a low-income neighborhood in King County, Washington.

BACKGROUND:

The Bethaday Community Learning Space, managed by the Technology Access Fund (TAF), seeks to equip students of color for success in college and life through the power of a science, technology, engineering, and math education. Enterprise Community Loan Fund developed the Enterprise Community Impact Note, a debt instrument that allows for standardized terms for all investors, regardless of investment size. The investment is administered by Community Investment Partners, an affiliate of the Calvert Social Investment Foundation. Enterprise Community Loan Fund provides an annual report about social return on investment as well as periodic updates on the TAF deal.

PROCESS:

The Seattle Foundation invested $1 million in the Enterprise Community Impact Note which offers standardized terms of 2 percent over 5 years. The Foundation's investment is administered by an affiliate of Calvert Social Investment Foundation, Community Investment Partners. Interest payments and 1099s are sent out to investors. By choosing to work through an intermediary rather than making a direct investment, the Seattle Foundation was able to make use of Enterprise's provision of capital, including a $2.9 million bridge loan and a $12.5 million New Markets Tax Credit investment, as well as its expertise in nonprofit real estate development.

FINANCIAL IMPACT:

The foundation earns 2 percent interest income on an investment without substantial underwriting costs by working with a trusted intermediary. The investment supported more than 50 construction jobs and created 25 ongoing part-time instructional work opportunities.

SOCIAL IMPACT:

The Bethaday Learning Center now offers learning opportunities, focused on science and technology, for low-income students of color in metropolitan Seattle. It also houses the administrative offices of TAF, and serves

CASE EXAMPLE *continued*

THE SEATTLE FOUNDATION

more generally as a community center for the surrounding neighborhood of White Center. The Bethaday Center has received LEED silver certification.

OUTCOMES:

The Seattle Foundation's investment enabled TAF, in partnership with Enterprise Community Partners, to raise a total of $15 million from grants, tax credits, and state and federal funding to complete the project.

LINKS:

The Seattle Foundation

TAF

Enterprise's webpage about the deal

Enterprise Community Impact Note

Community Development Financial Institutions Fund (federal government) New Markets Tax Credit Program page

CASE EXAMPLE

ROSE COMMUNITY FOUNDATION (COLORADO)

INVESTOR	ASSET CLASS	AMOUNT	INVESTEE	INVESTMENT MADE DATE	INVESTMENT TERMINATION DATE
Rose Community Foundation (Colorado)	Debt	$500,000	Denver Transit-Oriented Development Fund (TOD)	2010	2015

INTRODUCTION:

The Rose Community Foundation contributed to an open round of private funding investment from the Denver Transit-Oriented Development (TOD) Fund. The Foundation committed $500,000 to this private round of funding.

BACKGROUND:

The Denver TOD fund seeks to create and preserve at least 1,000 affordable homes along current and future transit corridors in the City of Denver. The Urban Land Conservancy (ULC) made the initial equity commitment of $1.5 million for the fund. In 2010, outside investors began to contribute to this capital sum. The Rose Community Foundation invested $500,000 at this time.

PROCESS:

Investors interested in the TOD real estate receive approximately 3.5 percent return on investment and a three to five year hold on the land.

FINANCIAL IMPACT:

Contributed to $15 million capital available to purchase and hold sites for up to five years.

SOCIAL IMPACT:

Successful TOD is attractive, walkable, and sustainable and allows Denver residents to have fair housing, ample transportation choices, and the ability to live convenient, affordable, enjoyable lives. Project real estate development targets lower income working families.

OUTCOMES:

The Rose Community Foundation contributed to the $12.5 million total of private investments that contributed to the success and growth of the Denver TOD. Preservation is defined as existing multifamily properties, restricted and note, with plans for rehab and development. Real-estate development is primarily rental focused and is 60% Area Median Income and below.

LINKS:

Rose Community Foundation

Denver TOD

ALL CASE EXAMPLES | MAP MAIN | GLOSSARY

CASE EXAMPLE

SILICON VALLEY COMMUNITY FOUNDATION

INVESTOR	ASSET CLASS	AMOUNT	INVESTEE	INVESTMENT MADE DATE	INVESTMENT TERMINATION DATE
Silicon Valley Community Foundation	Debt	$25,000	Waste Capital Partners	2013	2015

INTRODUCTION:

Waste Capital Partners is a New Delhi, India-based company that works to create a commercial investment market for base of the pyramid solid waste management companies through commercial investment and carbon credit development. Silicon Valley Community Foundation (SVCF) invested $25,000 towards this venture in early 2013. SVCF is the third largest international grant processor in the U.S.

BACKGROUND:

Waste Capital Partners channels investment to base of the pyramid (BOP), waste picker-owned and -operated solid waste management companies. Their business activities include door-to-door collection, segregation, composting, recycling, and carbon credits. These efforts have been successful in increasing waste picker income as much as three times, as well as creating co-operatives with 30–40 percent IRR. The $25,000 investment from SCVF will provide the startup capital for four pilot projects in towns throughout India. The investment from SCVF is a programmatic investment from the Peery Fund, a donor advised fund at SVCF.

PROCESS:

Investment of $25,000 to be used as startup capital at seven percent interest. Funds used as startup capital for four pilot projects in different towns in India to prove the commercial viability of the business model and achieve access to more traditional forms of capital.

FINANCIAL IMPACT:

The foundation earns seven percent interest on its investment. Four pilot projects will grow small enterprises and create jobs.

SOCIAL IMPACT:

The companies invested in incorporate environmentally sustainable practices, including composting and recycling, improving the health and safety of their catchment areas. Living wage jobs are created for BOP workers, and cooperatives build market and equity in sustainable, BOP-serving activities.

ALL CASE EXAMPLES | MAP MAIN | GLOSSARY

CASE EXAMPLE *continued*

SILICON VALLEY COMMUNITY FOUNDATION

OUTCOMES:

The start-up capital from SVCF will increase Waste Capital Partners' capacity to deploy waste picker-owned and -operated solid waste management companies. Companies have adopted business strategies that incorporate composting, recycling, and carbon credits, among many other creative business plans. These initiatives have helped to raise the income of waste pickers as much as three times in some instances while creating self-sustaining cooperatives.

LINKS:

Waste Capital Partners

Silicon Valley Community Foundation

Information about the Peery Foundation international donor-advised fund at SVCF

Mission Investors Exchange Investment Database record of this transaction, available for Mission Investors Exchange members only

CASE EXAMPLE

NEW HAMPSHIRE COMMUNITY LOAN FUND

INVESTOR	ASSET CLASS	AMOUNT	INVESTEE	INVESTMENT MADE DATE	INVESTMENT TERMINATION DATE
New Hampshire Community Loan Fund	Loan with Revenue Sharing	$500,000	Bortech Company, Inc.	2002	2005

INTRODUCTION:

A program launched by the New Hampshire Community Loan Fund in 2002 called Vested for Growth (VfG) carried out financing for the Bortech Company, Inc. It was the first company to receive financing from VfG, which provides risk capital up to $500,000 to New Hampshire businesses that invest in employees and long-term growth.

BACKGROUND:

Bortech's current CEO Leo White approached the founders Rees Acheson and Ted Benson when they were looking to sell their company after 10 years. In order to finance the acquisition, White initially looked to local banks. Bortech, unfortunately, did not have the appropriate assets to secure a loan from the banks and was too small for venture capital. By chance, one member of the Bortech advisory committee referred White to the New Hampshire Community Loan Fund's risk capital program, Vested for Growth.

PROCESS:

VfG provided Bortech with a ten year $500,000 loan at nine percent interest. An additional term of the loan extended by VfG required 1.44 percent of gross revenues. VfG required Bortech to send them monthly financial statements, and they also conducted periodic site visits to evaluate performance in person. John Hamilton, the director of enterprise development for VfG, met with Bortech once a month. VfG acknowledged that Bortech was a sound company with strong growth potential and recognized CEO Leo White's past business experience and commitment to outstanding employment practices.

FINANCIAL IMPACT:

After Bortech was acquired by Leo White with the help of VfG, the company has continually outperformed its peers. The company came within 5% of matching a 10-year sales record in 2003. Halfway through 2004, it was 35% ahead of the 2003 sales figures. VfG achieved an internal rate of return (IRR) of 14.3 percent after one year and was on track to achieve a projected 20 percent IRR after ten years. The $500,000 ten-year loan was paid off after three years.

SOCIAL IMPACT:

Bortech instituted a profit sharing plan with its employees, conducted financial training for employees so that they could understand how their efforts contributed to the company's financial performance, and used a collaborative process to establish an employee handbook. Bortech also added short-term disability benefits, term life insurance, and a 401K plan to existing employee benefits.

ALL CASE EXAMPLES | MAP MAIN | GLOSSARY

CASE EXAMPLE *continued*

NEW HAMPSHIRE COMMUNITY LOAN FUND

OUTCOMES:

Bortech was able to double its sales over three years and expand to 13 employees. It repaid its loan early and after gaining traction was able to secure further financing from Bow Mills Bank and Trust. VfG's first investment in conventional debt financing was a success and prevented a local New Hampshire company that was over 10 years old from being sold in a distressed sale.

LINKS:

New Hampshire Community Loan Fund

Vested for Growth

Bortech Company, Inc.

"Businesses Try to Make Money and Save the World," Stephanie Strom, New York Times, May 6, 2007

Excerpt from The Handbook of Financing Growth: Strategies and Capital Structure, Kenneth H. Marks, Larry E. Robbins, Gonzalo Fernandez, John P. Funkhouser, Wiley, 2005, outlines the venture.

CASE EXAMPLE

RHODE ISLAND COMMUNITY FOUNDATION

INVESTOR	ASSET CLASS	AMOUNT	INVESTEE	INVESTMENT MADE DATE	INVESTMENT TERMINATION DATE
Rhode Island Community Foundation	Equity, Converts to Debt	$2,000,000	Neighborhood Health Plan of Rhode Island	2000	Approximately 2021

INTRODUCTION:

The Rhode Island Foundation, a community foundation, made an equity investment in Neighborhood Health Plan of Rhode Island, a for-profit health maintenance organization (HMO) to maintain local medical services. The foundation invested $2 million to purchase the preferred stock of an organization that had provided the HMO with start-up capital.

BACKGROUND:

The Rhode Island Foundation executes mission investments through its unrestricted funds. The Foundation's equity investment in the for-profit HMO was purposed to maintain access to care for some of the state's most vulnerable citizens. As the foundation noted in its 2007 annual report, "The Rhode Island Foundation is both a financial institution and a charitable organization. On one hand, we must be bank-like, to ensure that the charitable dollars entrusted to us last forever. That requires long-term investment strategies. On the other hand, our core mission is to serve the community. That requires the Foundation to maximize dollars available today."*

PROCESS:

"The plan converted to nonprofit status soon after the investment, at which point the foundation restructured its equity holding to a 20-year loan; the plan pays interest quarterly and amortizes principal with repayments of $500,000 every five years. The foundation made the loan with unrestricted funds priced at its spending rate of 5.75 percent so that interest payments could fund grants as investment income normally would. The foundation returns repayments of the loan principal back to unrestricted funds."*

FINANCIAL IMPACT:

The foundation receives a 5.75 percent annual return payable quarterly, having priced the debt at their spending rate in order to make earned interest available for grantmaking. Also, the HMO is repaying $500,000 of the principal every five years, replenishing the foundation's assets.

SOCIAL IMPACT:

"The foundation's investment safeguarded access to care for the state's most vulnerable populations by helping create a state-focused, non-profit, financially stable insurer. In partnership with 21 community health centers statewide, the plan as steadily increased its reach, more than doubling the number of enrolled

ALL CASE EXAMPLES | MAP MAIN | GLOSSARY

CASE EXAMPLE *continued*

RHODE ISLAND COMMUNITY FOUNDATION

patients from 36,000 to 76,000. It was rated the best Medicaid health plan in the United States in 2006 and was selected by the Robert Wood Johnson Foundation as one of two health plans to address racial and ethnic health disparities through medical interpreter reimbursements, standards and training."*

OUTCOMES:

The investment from the Rhode Island Community Foundation created a state-focused, nonprofit, financially stable medical insurer, focusing on coverage for citizens most in need. Interest payments the Foundation receives are used to fund continued grants.

LINKS:

The Rhode Island Foundation

Equity Advancing Equity: How Community Philanthropy Can Build Racial and Social Equity through Mission Investing, Lucy Bernholz and Lisa Richter, 2009. See pp. 30-31

* Quoted material from *Equity Advancing Equity*, pp. 30-31.

CASE EXAMPLE

THE GREATER CINCINNATI FOUNDATION • CINCYTECH USA

INVESTOR	ASSET CLASS	AMOUNT	INVESTEE	INVESTMENT MADE DATE	INVESTMENT TERMINATION DATE
The Greater Cincinnati Foundation	Equity	$500,000	CincyTech USA	2013	2015

INTRODUCTION:

The Greater Cincinnati Foundation invested $500,000 in the third round of financing for CincyTech USA. The CincyTech Fund III grew to $10.9 million and contributes to its mission of investing in local, technology-based startup companies.

BACKGROUND:

While the region's GDP has lagged the nation's by 24 percent for more than a decade, regions with high concentrations of technology and life science employment prove to grow at faster rates and create new jobs. CincyTech USA is a public-private seed-stage investor whose mission is to strengthen the regional economy by driving talent and capital into scalable technology companies in Southwest Ohio. CincyTech USA's services and investments are focused on existing and emerging regional clusters of talent, deal flow, and growth/return potential in enterprise software, digital marketing technologies, bioscience products, and digital healthcare/informatics. CincyTech USA emphasizes job creation and creating a financial return for their investors first and foremost. In May 2011, CincyTech USA realized its first sale (Blue Ash Therapeutics), garnering a 10x return on investment.

PROCESS:

The $500,000 investment by the foundation has a two-year payout period. CincyTech USA reports that "[e]ach portfolio deal will be up to $600,000 structured as convertible debt or equity."

FINANCIAL IMPACT:

Since 2007, $15.3 million has been invested in 43 portfolio companies, attracting $228.2 million in follow-on capital and other outside funding. CincyTech reports that carried interest is 20 percent of proceeds after return of capital.

SOCIAL IMPACT:

Fund III will advance the goal of creating 1,000 new jobs with average wages of $50,000 by 2017. Since inception in 2007, CincyTech's 35 portfolio companies have created 300 jobs with average wages of $63,000.

ALL CASE EXAMPLES | MAP MAIN | GLOSSARY

CASE EXAMPLE *continued*

THE GREATER CINCINNATI FOUNDATION • CINCYTECH USA

OUTCOMES:

The Greater Cincinnati Foundation undertook this investment to stimulate a more vibrant regional economy and to create jobs within the region. CincyTech USA was able to use the capital in their CincyTech Fund III to contribute to $15.3 million investments in 43 portfolio companies.

LINKS:

CincyTech USA

The Greater Cincinnati Foundation

CincyTech USA's Information Sheet about the Fund

Mission Investors Exchange Investment Database record of this transaction, available for Mission Investors Exchange members only

CASE EXAMPLE

COMMUNITY FOUNDATION OF THE HOLLAND/ZEELAND AREA

INVESTOR	ASSET CLASS	AMOUNT	INVESTEE	INVESTMENT MADE DATE	INVESTMENT TERMINATION DATE
Community Foundation of the Holland/Zeeland Area (Michigan)	Debt	$250,000	Kandu Industries	2012	2017

INTRODUCTION:

The Community Foundation of Holland/Zeeland Area made a loan to Kandu Industries, a local Michigan organization, for continued operations. Recently, Kandu was awarded a contract to be the sole manufacturer of the bandage of choice for the U.S. military. The Community Foundation of Holland/Zeeland Area provided a $250,000 loan to finance the project.

BACKGROUND:

Kandu Industries, a local 501(c)(3) organization, has operated in Michigan for the past 30 years to provide rehabilitation services including assessment, training, job placement, and ongoing support to individuals with employment barriers, through operating contracts for manufacturing, assembly, re-work and inspection, order fulfillment, and warehousing to the manufacturing industry. It currently pays for its operating costs through fees from services it delivers and the revenues from its contracted manufacturing services. The goal of the investment from the Community Foundation of Holland/Zeeland was to provide funds to further development, business expansion, facilities, and other capital expenditures.

PROCESS:

TERMS: Five year loan with six percent annual rate of interest. Collateral and an inter-creditor agreement with the bank were negotiated, for which the foundation holds a first creditor position.

FOLLOW-UP: The loan is being repaid in monthly installments of interest and principal. Required reports include financial statements as well as quarterly financial and narrative reports of attainment of social impact goals. Monthly payments have been received in full to date.

DUE DILIGENCE AND UNDERWRITING: The foundation's program-related investment (PRI) committee is made up of several trustees and community representatives with specific expertise: an attorney, a realtor, a commercial lender, a venture capitalist, the foundation CEO, and a finance assistant. The committee was responsible for reviewing and evaluating the PRI proposal and business pro forma submitted by Kandu. They determined that the project was viable and consistent with its existing PRI guidelines; $1,000,000 of unrestricted assets were then set aside by the board in order to establish a PRI fund.

NOTE: Some community foundations, like Community Foundation of the Holland/Zeeland Area, who make investments at concessionary terms refer to these investments as "program-related investments" even though community foundations have no obligation to pay out five percent of their assets each year as do private

CASE EXAMPLE *continued*

COMMUNITY FOUNDATION OF THE HOLLAND/ZEELAND AREA

foundations and hence are not in the strict sense making PRIs. Such investments, made at concessionary terms more favorable for the investee (e.g., lower interest, longer term) than available in the commercial marketplace, operate just like PRIs regardless of the type of foundation making them.

FINANCIAL IMPACT:

Earned interest income on $250,000 for five years at six percent per year.

SOCIAL IMPACT:

Created 30 new jobs for individuals with significant employments barriers, with the goal to grow this number to 60.

OUTCOMES:

While this $250,000 PRI enabled Kandu to add a new line of business, immediately create 30 new jobs, and purchase and install a 'soft clean room' and new machinery within the existing facility, it also allowed the community foundation to increase its impact in the community through the use of a loan much larger than their maximum-sized grant would allow. Further, when repaid the PRI preserves the principle for future use, similar to endowed funds. Janet DeYoung, the Foundation's President and CEO said, "We have been very positive and proud to partner with Kandu in this PRI opportunity. We have already been able to witness the outcomes of the project through recent news coverage regarding the progress of the organization and this particular project."

LINKS:

Community Foundation of the Holland/Zeeland Area

Janet DeYoung, email or 616.396.6590

Kandu Incorporated

Mission Investors Exchange Investment Database record of this transaction, available for Mission Investors Exchange members only

CASE EXAMPLE

THE OREGON COMMUNITY FOUNDATION

INVESTOR	ASSET CLASS	AMOUNT	INVESTEE	INVESTMENT MADE DATE	INVESTMENT TERMINATION DATE
The Oregon Community Foundation	Private Equity	$1,750,000	Oregon Angel Fund	2012 and 2013	Not Applicable

INTRODUCTION:

The Oregon Community Foundation (OCF) supports Oregon's economy by investing a small portion of its $1.3 billion endowment in Oregon-based early stage investment funds. OCF has invested in the Oregon Angel Fund (OAF), an annual investment fund for promising startups and early stage growth companies that are based in Oregon and southwest Washington, in both 2012 ($1,000,000) and 2013 ($750,000).

BACKGROUND:

In 2008, The Oregon Community Foundation Board of Directors decided to invest one-half of one percent of its endowment in Oregon-based venture capital funds; however, it was difficult to find funds that were investing in Oregon companies. In 2012, OCF conducted a capital scan in Oregon and found that few funds provided access to early stage capital. In response, the OCF Board decided to change the policy and invest the funds in early stage funds rather than venture capital funds.

One of the strongest performing funds meeting OCF criteria is the Oregon Angel Fund, a professionally managed annual fund that raises $5 million each year from among more than 60 active accredited investors and invests in from four to seven companies each annual round and aiming to grow and exit the portfolio after ten years. Active investors are involved with the due diligence, selection process, and support the companies selected by serving on their boards.

PROCESS:

OCF conducted due diligence on the Oregon Angel Fund as it would for any venture capital fund. OCF elected to be a passive, non-voting investor in the 2012 and 2013 funds. OAF provides annual progress reports to investors.

FINANCIAL IMPACT:

To date, the OAF portfolio of companies has produced six exits, eight up rounds, and companies have returned $6.9 million to OAF investors since 2007. Only one company has failed out of 29. Important to note is that OAF promotes OCF's participation to interest other accredited investors to join OAF's annual $5 million funding rounds.

SOCIAL IMPACT:

All OAF investments are in Oregon companies. OCF funds are supporting job creation in Oregon. In addition, OCF funds are leveraging local Oregon investors' funds that are committed to the Oregon Angel Fund and strengthening Oregon's economy.

ALL CASE EXAMPLES | MAP MAIN | GLOSSARY

CASE EXAMPLE *continued*

THE OREGON COMMUNITY FOUNDATION

OUTCOMES:

While it may take five to seven years for OCF to realize the returns on these investments, OCF has enjoyed its partnership with OAF and plans to invest another $750,000 in both 2014 and 2015, assuming a positive evaluation of the investments is produced at the end of 2013. While financial returns are yet to be determined, OAF has heavily promoted OCF's investment among investors and the media and allowed OCF staff to present to OAF investors so they are more familiar with the community foundation and options for charitable giving.

LINKS:

Oregon Angel Fund

The Oregon Community Foundation: Jobs and the Economy

CASE EXAMPLE

MULTIPLE FOUNDATIONS, INSTITUTIONS AND INDIVIDUALS

INVESTOR	ASSET CLASS	AMOUNT	INVESTEE	INVESTMENT MADE DATE	INVESTMENT TERMINATION DATE
Multiple foundations, institutions and individuals	Cash	Varies depending upon investor: Minimum investment of $500 required	Self-Help Credit Union	N/A	3, 6, 12, 24, 36, 48, and 60 months terms

INTRODUCTION:

Depositing funds into a community banking institution serving low-income and underserved communities is one of the easiest and fastest ways a community foundation can make impact investments. Self-Help Credit Union is a $560 million federally-insured state charted credit union serving 39,000 families from 12 branches located in North Carolina. Holding certificates of deposit (CDs) with the institution is a way for any size community foundation to invest in their communities while enjoying federal deposit protection.

BACKGROUND:

Self-Help Credit Union is one of the largest and oldest community development financial institutions (CDFI) in the country. Its mission is to create ownership and economic opportunity for low-wealth individuals and communities. Self-Help Credit Union is certified by the U.S. Department of Treasury as a CDFI and is a National Credit Union Administration certified Low-Income Credit Union.

PROCESS

MINIMUM INVESTMENT: $500

TERMS: 3,6,12,24,36,48, and 60 months

INTEREST RATE: market rate for federally-insured deposits

SECURITY: federally insured up to $250,000 per depositor. Investors can obtain $500,000 of federal insurance by investing $250,000 in Self-Help Credit Union and another $250,000 in the allied Self-Help Federal Credit Union.

FINANCIAL IMPACT:

Community foundation support of CDFIs at institutions serving low-income and underserved communities increases loans made in those communities while the foundation earns federally-guaranteed market rate interest income.

ALL CASE EXAMPLES | MAP MAIN | GLOSSARY

CASE EXAMPLE *continued*

MULTIPLE FOUNDATIONS, INSTITUTIONS AND INDIVIDUALS

SOCIAL IMPACT:

Women and Children Term Certificates of Deposits support Self-Help's programs aimed at expanding the supply and quality of child care and women-owned businesses. Green CDs support Self-Help's lending and assistance to projects and businesses that conserve natural resources, such as recycling firms, land conservancies and energy conservation enterprises. Account holders designate their investment to support these programs under the same terms as shown.

OUTCOMES:

Self-Help Credit Union is able to serve low-income families in regions that typically lack financing alternatives for their populations. By offering reasonable deposit terms and a strong history of success, investors of all sizes are able to participate and contribute to regional economic growth.

LINKS:

Self-Help Credit Union

Self-Help Federal Credit Union

Kristen Cox, Self-Help Credit Union Investment Associate, email or 919.956.4630

Compare financial and social performance data on community banking institutions in your community using the BankImpact online tool created by National Community Investment Fund here.

Cash as a Mission-related Investment, Valerie Berezin, Lisa Hagerman, and David Wood, Initiative for Responsible Investment in cooperation with More for Mission, Harvard University, 2011 (36 pp.)

CASE EXAMPLE

THE CLEVELAND FOUNDATION

INVESTOR	ASSET CLASS	AMOUNT	INVESTEE	INVESTMENT MADE DATE	INVESTMENT TERMINATION DATE
The Cleveland Foundation	Guarantee (cash deposit)	$3,000,000	Living Cities Catalyst Fund	2012	2019

INTRODUCTION:

The Cleveland Foundation is coordinating the efforts of Living Cities' Cleveland Initiative. This program works to harness the power of anchor institutions to drive regional economic inclusion strategies that develop jobs and businesses in the region for the benefit of low-income residents. This initiative focuses on the development of a health tech corridor that offers growing companies access to trained employees in close proximity to anchor institutions.

BACKGROUND:

The Living Cities Catalyst Fund, launched in 2008, is utilized as a vehicle to pool invested capital to revitalize America's cities, with a focus on low-income populations. The Catalyst Fund provides below-market rate loans and guarantees to high-capacity organizations which connect underserved communities to mainstream markets by integrating previously isolated systems. The Integration Initiative has four goals: Buy Local, Hire Local, Live Local, Connect Residents. The Cleveland Foundation is coordinating the effort in partnership with the City of Cleveland, City of Youngstown, State of Ohio, Cleveland Clinic, The University Hospitals, Case Western Reserve University, National Development Council (NDC), BioEnterprise, the Evergreen Cooperative Corporation, Kelvin and Eleanor Smith Foundation, Kent H. Smith Charitable Trust, Minigowin Fund, and the Higley Fund.

PROCESS:

Living Cities offers three-year grants, ten-year PRIs, and intermediate commercial debt.

FINANCIAL IMPACT:

A cash deposit of $3 million was made as a credit enhancement to back investments made in the Cleveland area. The deposit leveraged $15 million in investments.

SOCIAL IMPACT:

Living Cities grant, PRI, and debt resources will help Cleveland create 800 new jobs in three years for residents from neighborhoods adjacent to the University Circle area by continuing to develop and scale new worker-owned cooperatives, and relocating or funding expansion of businesses in the Health Tech Corridor linked to anchor supply chain needs. Living Cities support will also help adapt the initiative for replication in Youngstown. Specifically, three-year grants, 10-year Program-Related Investments (PRIs) and intermediate term commercial debt will be awarded as follows:

ALL CASE EXAMPLES | MAP MAIN | GLOSSARY

CASE EXAMPLE *continued*

THE CLEVELAND FOUNDATION

- PRIs and commercial debt to the National Development Council to finance commercial/industrial real estate in the Health Tech Corridor as well as loans to Evergreen Cooperatives and other suppliers to the anchor institutions
- Grant support to The Cleveland Foundation for initiative management, community engagement, development of the commercial land trust, and evaluation
- Grant support to Evergreen Business Services and Evergreen Cooperative Development fund for staffing, marketing and pre-development related to cooperative businesses and facilities
- Grant support to Policy Matters Ohio and the Democracy Collaborative for policy analysis and advocacy
- Grant support to the Youngstown Neighborhood Development Corporation to adapt and replicate Cleveland's model in Youngstown
- Grant support to BioEnterprise for development along the Health Tech Corridor

OUTCOMES:

The Catalyst Fund has made $15 million in below-market rate loans to finance innovative efforts in the areas of neighborhood stabilization, energy efficiency retrofits, public education and access to fresh foods and health care. The Catalyst Fund provides below-market rate loans and guarantees to high-capacity organizations that connect underserved communities to mainstream markets by integrating previously isolated systems; leveraging existing institutions; unlocking substantial resources from public, private and social sector sources; and delivering high-impact programs at scale.

LINKS:

Living Cities

Living Cities Integration Initiative's Cleveland Profile

Living Cities Catalyst Fund

The Cleveland Foundation

Mission Investors Exchange Investment Database record of this transaction, available for Mission Investors Exchange members only

ALL CASE EXAMPLES | MAP MAIN | GLOSSARY