

# Philanthropy is “More for Mission”

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# Objectives

- Make the case for why philanthropy should be “more for mission” ... and what exactly that means
- Demonstrate how foundations across the country are stepping into this space
- Challenge you to learn and do more!

# **More for Mission**

# Place-Based Impact Investing Field



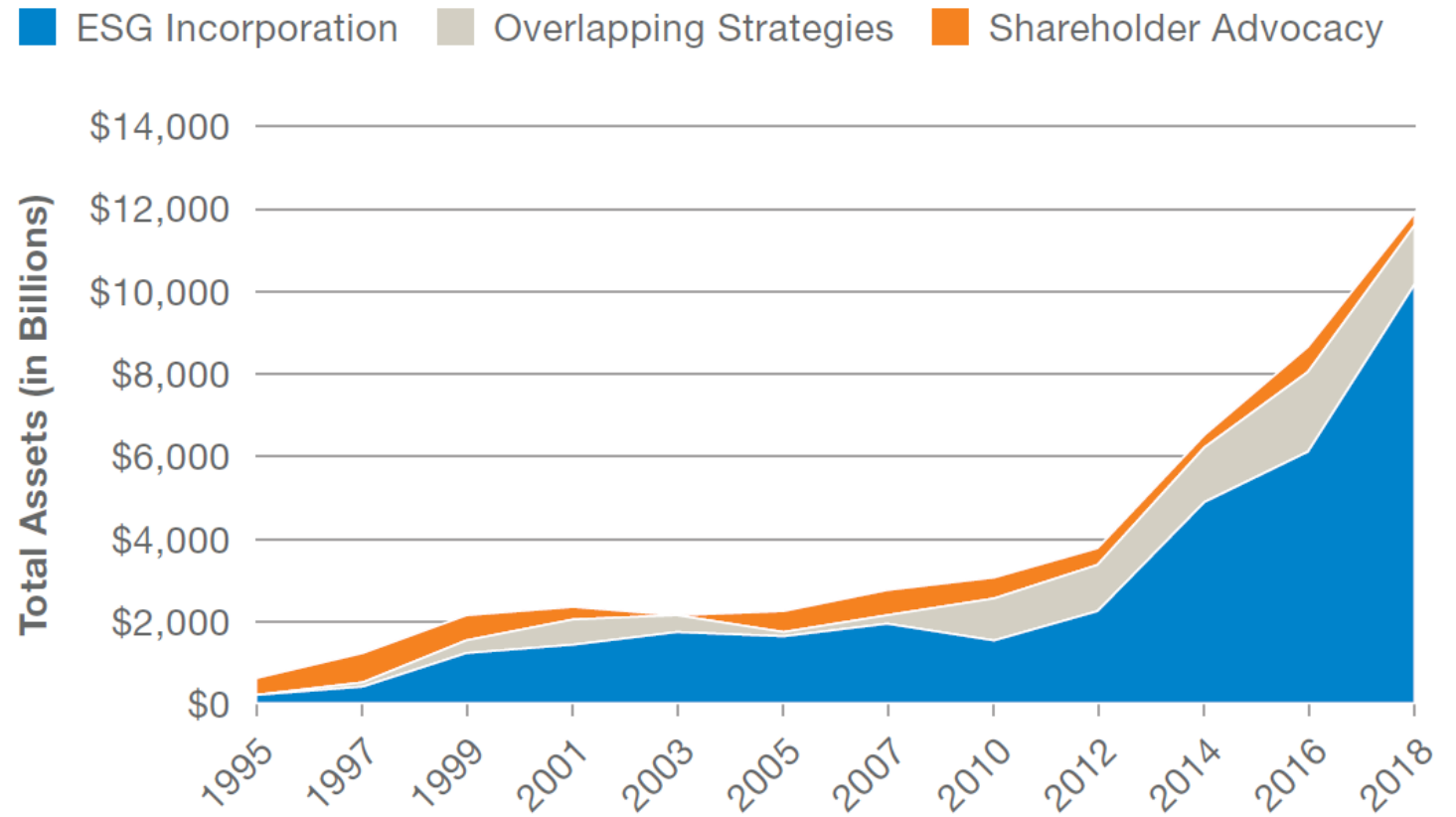
*WHERE MOST FOUNDATIONS ARE*

*WHERE SOME INNOVATORS ARE*

# Screened Investments

# Social Investing in the United States

- \$12 trillion of \$47 trillion total market
- That is 25 cents of every dollar



SOURCE: US SIF Foundation.

**Market  
Traded/Mission  
Aligned**

# Incorporate | WI

Asset Size: \$30 Million

## Motivation/Impact

- Community leadership following loss of major employer – paper mill
- Saw need to use all their tools to create a “community that works for everyone”



## Entry Point

- 2009 – placed deposits in local financial institutions and committed 1% assets for impact investing
- 2014 – 100% for mission
- 2018 – launched shareholder engagement and advocacy strategy, investing in values-aligned local and WI businesses and national businesses where decisions potentially impact the community



**Local  
Intermediary  
Investments**

**Local  
Direct  
Investments**



Investing into **local** companies, organizations and funds with the intention to generate measurable **community benefit** alongside financial returns



# Arkansas Community Foundation

Asset Size: \$328 Million



## Motivation/Impact

- Support intermediaries doing ***small business lending*** across the state
- ***Concessionary returns*** allow intermediary re-lending at reasonable rates

## Entry Point

- Three CDFI (community development financial institution) intermediaries:
  - ✓ ***\$250,000 to \$1 million invested in each***
  - ✓ ***10 year, 1.5% loans***
- Tracked impact – ***stories of small, low-wealth, minority entrepreneurs supported*** – that encouraged Board to want to do more

# Sturgis Area Community Foundation | MI

## Asset Size: \$25 Million

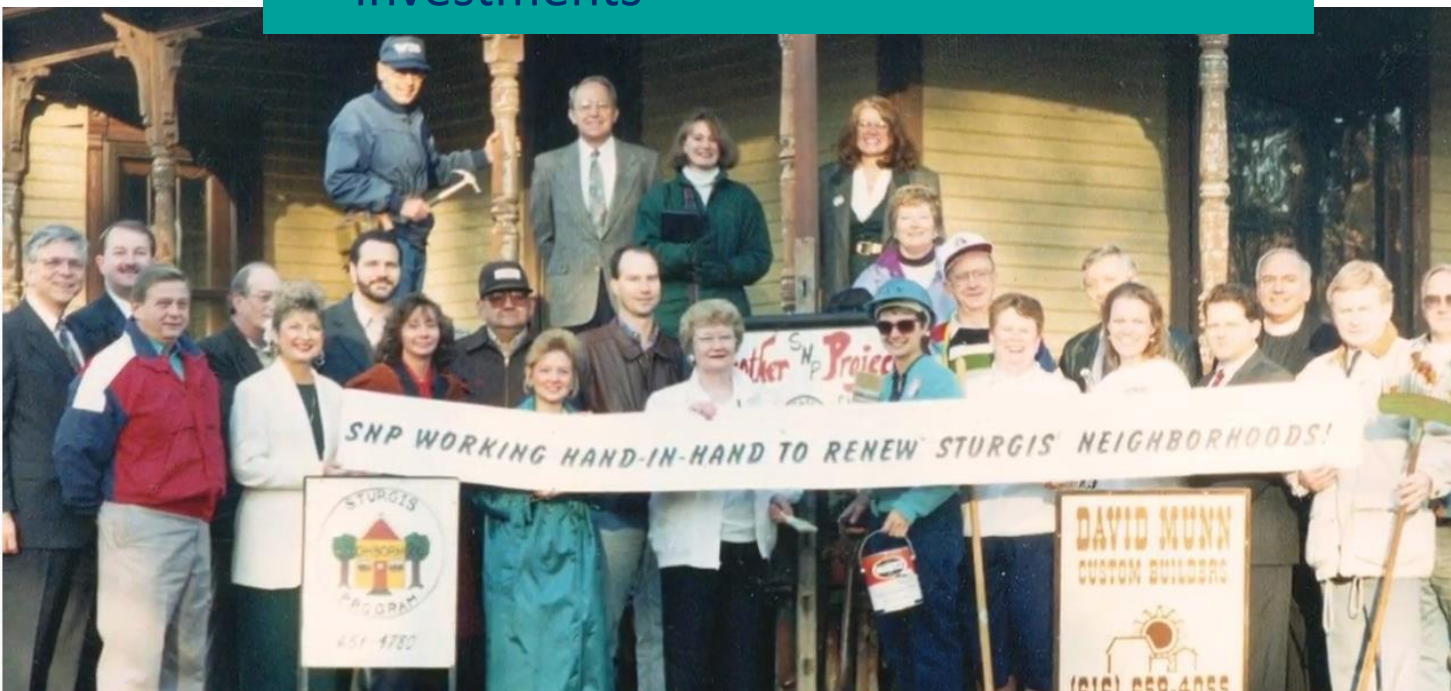


### Motivation/Impact

- Identified a critical community issue – ***housing*** and the need to create more owner-occupied homes
- Desire to make ***market return*** on investments

### Entry Point

- Found a partner organization with mission alignment – **Sturgis Neighborhood Program**
- Loan to nonprofit at below market rate but social returns: ***increase in property values and property tax revenues, building assets for individual homeowners***



This was the foundation saying 'what needs to be done' and just doing it.

# Barry Community Foundation | MI

## Asset Size: \$36 Million



Barry  
Community  
Foundation

For Good. For Barry County. Forever.

### Motivation/Impact

- *Economic development* set as priority for Foundation.
- No hotel in entire county limited *development potential*.



### Entry Point

- Interested developer but deal fell through in 2008
- Foundation assembled resources – bank, state, individuals, local donors, own funds – and created revolving loan fund
- *Got a hotel, 10 new jobs, conference center, loan repaid and money ready to revolve!*

# Credit Enhancements



# Waco Community Foundation | TX

Asset Size: \$88 Million



## Motivation/Impact

- Address payday lending challenge in Waco
- Nonprofit lender had alternative loan product – better for consumers; working with employers
- Foundation had already provided TA to build lender's capacity to do more

## Entry Point

- Established partnership with nonprofit lender
- Put up a \$100,000 loan guarantee that unlocked \$1 million in CRA-qualified loans from five banks
- No financial return to the foundation but community benefit and unlocked bank capital

# Foundation for Appalachian Kentucky

Asset Size: \$9 Million

## Motivation/Impact

- Small businesses in eastern Kentucky have limited equity/collateral to start a business
- Makes it difficult for even alternative lenders to make loans
- Foundation committed to community leadership around community and economic development for the region

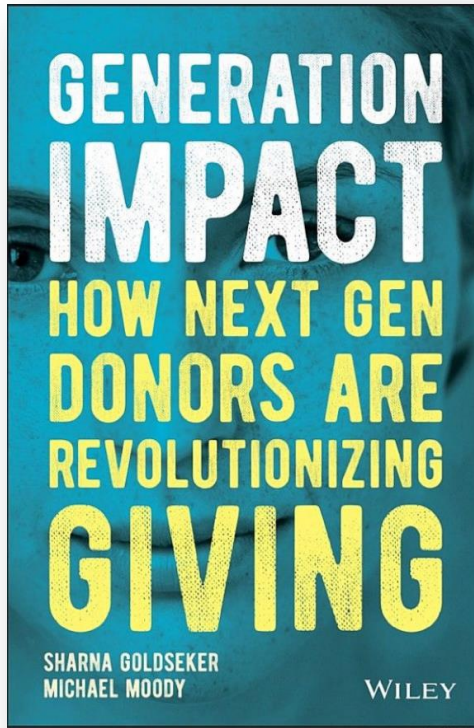
## Entry Point

- Built on a long established partnership with community development financial institution (CDFI) serving the region
- Created Leveraging Enterprise in Appalachia Fund (LEAF) – essentially a donor-advised fund – to provide collateral support for prospective loans made by CDFI
- LEAF capitalized by Foundation and CDFI



**Why Do This?**

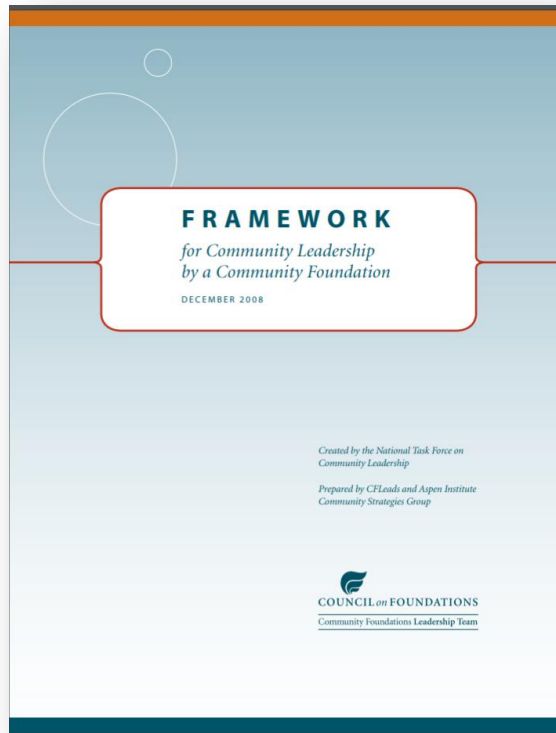
# 1. Donors Want This



*Johnson Center for Philanthropy,  
Grand Valley State University (MI)  
and 21/64*

- National survey of 21-40 year old “major donors” (n=310) and 30 in-depth interviews
- Key Findings
  - Driven by Values, Not Valuables
  - Impact First
  - Time, Talent, Treasure and Ties
  - Crafting Their Philanthropic Identities
- If we want more wealth to root in the region, we need to be able to “**make the case for impact**” to next gen clients/donors.
- What research can you do to equip yourself to answer the next gen question ... “**How can I have the greatest impact with my charitable dollars?**”

## 2. You've Never Been Just Grantmakers



*National Task Force on Community Leadership, CF Leads, and Aspen Institute Community Strategies Group*

- With the rise of donor advised funds at banks, community foundations recognized **Community Leadership** as a critical distinguishing service.
- The community foundation is a catalyzing force that creates a better future for all by addressing the community's most critical or persistent challenges, inclusively uniting people, institutions and resources, and producing significant, widely shared and lasting results.
- Is a way of aligning **all of the foundation's work** – grantmaking, donor and asset development, convening, investing, etc. – to produce significant results for the people and the region.

# 3. Some Challenges Require Different Tools

## Placemaking

- Investments in – even ownership of – historic buildings
- Grants for greenspace development
- Loans to support affordable housing

## Entrepreneurship

- Grants to build or strengthen the ecosystem
- Loans to entrepreneurs
- Credit enhancements to unlock private capital

## Quality Child Care

- Grants to research coop or community business models
- Loans to child care providers
- Grant/loan pool with employers

# 4. Your Strategic Investments Unlock Capital



## **LOANS**

Senior-secured loans  
Unsecured loans  
Loan participations



## **LOAN GUARANTEES**

RSF guarantees  
Third party guarantees



## **INVESTMENTS**

Equity  
Revenue share agreements  
Mezzanine finance



## **GRANTS**

Technical assistance grants  
Third party grants



## **NON-FINANCIAL ASSISTANCE**

Network connections  
Advisory support

**It's a Journey**

# Local Investing for Impact Fundamentals



# It Takes Partnerships

- Stories focused on community foundation roles
- But, there were many partnerships...
  - Local developers
  - Nonprofit organizations (grantees and others)
  - Local banks
  - Community development financial institutions
  - Community residents
  - Federal programs
  - Other philanthropic partners



# Ways to Learn More

- Talk to your peers
- Attend a conference – take staff and board members
  - Kansas Association of Community Foundations annual conference – third year with impact investing content
  - Mission Investors Exchange – focused on impact investing at all levels including place-based investing content
- Resources
  - LOCUS website resource page
  - MIE website

# Thank You!