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
Incourage | 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

Adapted from Global Impact Investing Network
Arkansas Community Foundation
Asset Size: $328 Million

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

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

**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

- 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

• 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.

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

- Explore community, capacity, and opportunities
- Unlock foundation’s systems and resources
- Deploy investments and make a local impact
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!