

Community Endowments Advancing Equity

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are needed to see this picture.

Community foundations, mission investing and social justice

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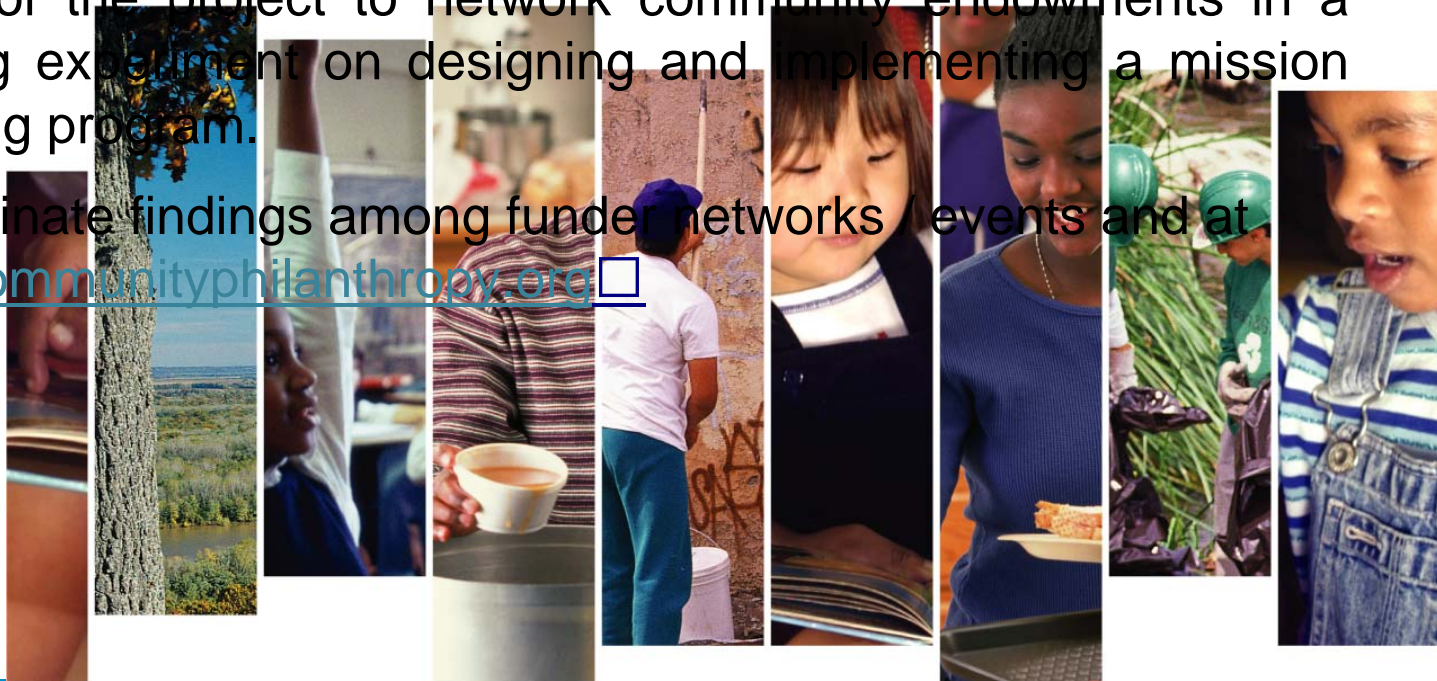
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CE Advancing Equity Aims and Scope

- **Community Endowments Advancing Equity will:**

- Extend the Futures Project (OBNP) by producing a report profiling the potential of community endowments as tools for advancing racial and social equity
- Present practical examples of community-based endowments leading on these fronts.
- Outline and evaluate the feasibility of a possible subsequent phase of the project to network community endowments in a learning experiment on designing and implementing a mission investing program.
- Disseminate findings among funder networks, events and at www.communityphilanthropy.org



CE Advancing Equity Aims and Scope

- **CE Advancing Equity will ground its work in:**

- Reflections on the meaning in our times of “community,” “place” and “equity” within community and place.
- The range of ways that community endowments can advance racial and social equity in their communities.
- Demonstrating how mission investing can help community endowments in advancing racial and social equity in their communities--as part of advancing the common good and other significant mission goals.



CE Advancing Equity: social justice

“...By adopting a social justice lens on some of their ongoing work in grantmaking, asset development, and community leadership, many community foundations are aiming at solving basic problems rather than treating their symptoms over and over again.”

CFC, Strategies for social justice and discussion guide

Mission and Social Investing: The opportunity

“With over \$600 billion* in the endowments of U.S. private foundations, it is logical to consider how these funds can be put to use beyond generating income for grantmaking and begin to be a catalyst for social change via investments in market-driven entities.”

Philanthropy's New Passing Gear: Mission Related Investing

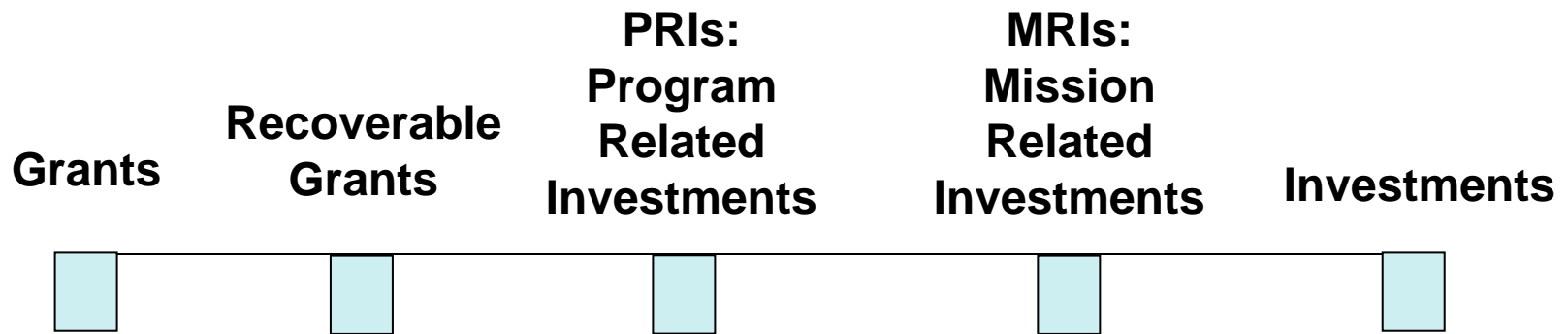
US Community Foundations manage more than 50 bb USD
(2006)

Mission and Social Investing: Broad Market Definitions

- **Social Investing.** Broad financial services industry defines as investing that incorporates social or environmental criteria. Three approaches:
 - **Screening** for perceived harm or benefit--mostly traded securities.
 - **Shareholder Activism:** voting proxies and engaging management--mostly of publicly traded companies--to change corporate behavior.
 - **Proactive Investing:** selecting investments in any asset class--generally privately held assets--for expected social as well as financial return.
- **Mission Investing. Foundation sector** defines as **proactive** financial investments made with intention of (1) furthering a **foundation's mission** and (2) recovering the principal invested or earning financial return.¹ **Can be market-rate or below market rate.**
- **Program-Related Investing.** IRS defines PRI as **private foundation investment** that advances mission and is **below market-rate on risk adjusted basis.** Other foundation types and some banks adapt the term.

¹ FSG Social Impact Advisors, 2007.

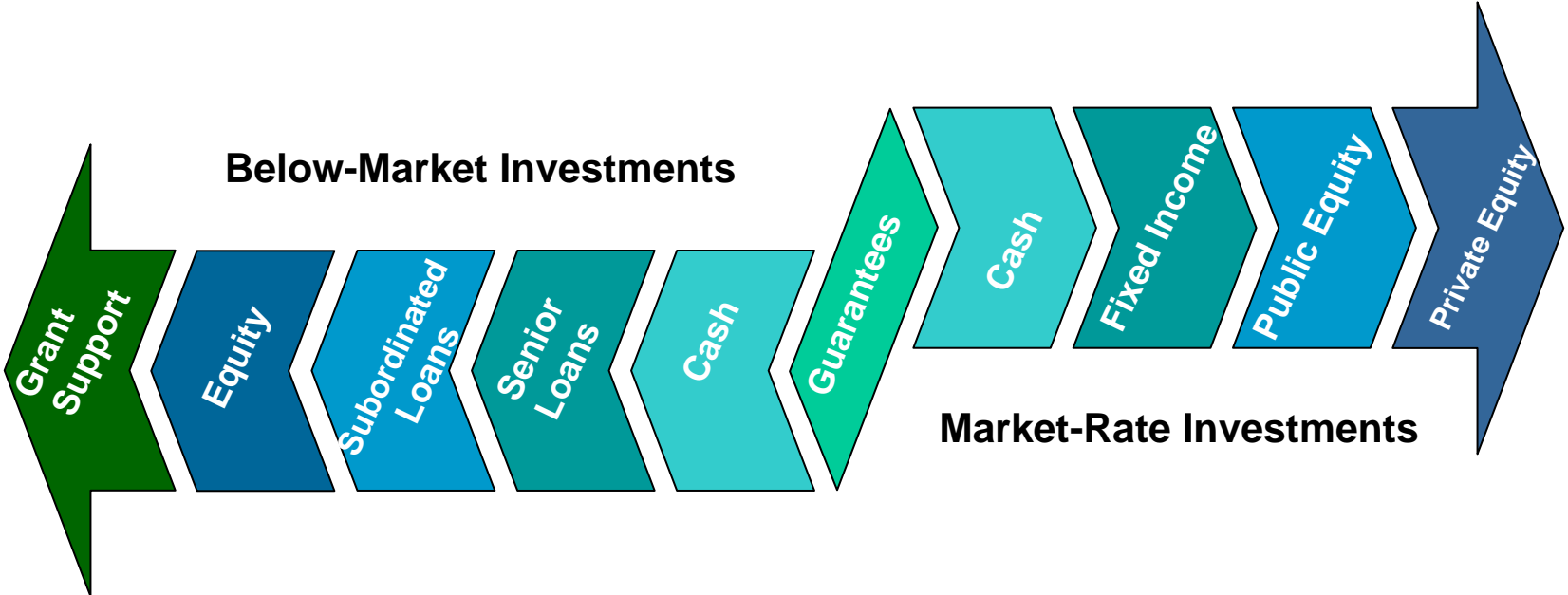
Mission Investing Context: New Philanthropic Investing Continuum



***Primary Motivation:
Social Return***

***Primary Motivation:
Financial Return.***
*Foundation may screen
endowment assets and/or
vote proxies on holdings for
mission alignment.*

Mission Investing Continuum



Adapted with permission from F.B. Heron Foundation's "New Frontiers in Mission-Related Investing"

Mission Investing Marketplace: Demand/Opportunity

Field of Interest	Investees	Foundation Investors
Community Development	LISC, Enterprise, ShoreBank, IFF, NFF, Bridge Housing, Market Creek Plaza, Cleveland Theaters	Ford, MacArthur, Heron, Cleveland
Education	IFF, Indianapolis Charter School Credit Enhancement Fund, Council for Adult & Experiential Learning, Greater Newark Charter School, Howard U. Press	Prudential, Casey, Ford, MacArthur,
Healthcare	NCB Capital impact, NFF, Community Health Facilities Fund, Working Today, West Alabama Health Services Inc., AIDS Housing of Washington, Health Care Facilities Bonds	RWJ, Ford, Seattle Community Foundation
Human Services	IFF, LIIF, NFF, ShoreBank, Eliza Bryant Center (eldercare), Pioneer Human Services	RWJ, Ford, Rockefeller
Environment	Trust for Public Land, Sea Change Fund, Enterprise Green Building, Wetlands Initiative, Lyme Timber	Packard, Donnelly, Gund, Ford
Arts & Culture	NFF, Boston Community Capital, Children's Museum of Los Angeles	California Community Foundation, Ford

Opportunities for Community Foundations

- **Investing and social justice as core elements of CF value proposition**
 - Place-based focus
 - Long term returns
 - Creating and expanding safe access to capital – for households, small businesses, social service and arts organizations – critical to healthy communities
 - Serving needs and interests of entire community, nonprofits and donors

Opportunities for community foundations

- **The importance of place**
 - Local and committed
 - Inclusive definition: all neighborhoods
 - More than place
- **The importance of race**
 - Diverse and representative
 - Governance, donors, management, vendors, investees
- **The importance of space**
 - Access to capital
 - Environmental benefits
 - Value proposition in market place

Case Studies

- **Partnering for long term change:**
 - New Hampshire Community Trust and NH Community Loan Fund: Changes in manufactured housing in NH and nationally, advocacy program
- **At the corpus of our work:**
 - Vermont Community Foundation: 5% in Vermont Investments
- **Making it real (estate):**
 - Kalamazoo Foundation: Business- and Program-Related Investments rebuild commercial and residential neighborhoods
- **Building local capacity:**
 - Cleveland Community Foundation initiatives that created local intermediaries, leverage national intermediaries and partners and convene range of regional endowed institutions in rebuilding the regional economy

Case Studies

- **Voting for community:**
 - Shareholder activism: Boston Foundation
- **Appealing to donors:**
 - Seattle Foundation - purchased fixed-income portfolio to finance local affordable housing, healthcare, economic development, and small business
- **Making it happen with community banks:**
 - Barberton CF affordable mortgage and small business lending programs funded through bank deposits and that lend to underserved borrowers

Case Studies

- **Recovering from Disaster:**
 - National foundations and intermediaries worked with local foundations to create funds focused on rebuilding housing and sustaining local organizations
 - Baton Rouge Area Foundation loan to State of Louisiana
- **Other community foundation MI activities**
 - California Community Foundation MI intermediary strategy to reinforce grantmaking in healthcare, childcare and education
 - Marin Community Foundation nonprofit loan fund
- **Community Foundations of Canada**
 - Collective leverage

Mission Investing Motivation

- **Challenges:**

- Charitable needs/opportunities vastly outstrip grant resources.
- Limited capital sources and structures to drive nonprofit and other social enterprise growth and impact.
- Limited engagement of market energy and discipline.
- Limited effect on systemic barriers to capital and opportunity.

- **Mission Investing Opportunity:**

- Extend foundation resources, respond to current needs/opportunity.
- Add new funding structures, engaging market forces and driving different, greater, accelerated impact where investment is feasible (I.e., where revenue source and repayment capacity are present).
- Proactively lead markets in serving traditionally marginalized communities--thereby advancing racial and social equity.
- Potentially increase and stabilize philanthropic distributions over time.

Mission Investing across Foundation Types

Consideration	Community Foundation <i>Report to Clarify</i>	Private Foundation
Motivation / Rationale / Drivers		Charitable impact/Address Need Mission Alignment Resource management.
Operation		In-house: Program, Financial External: Varies
Governance		Board or its Sub-Committee Staff Committees
Funding Sources		Grants Budget (Payout) Endowment
Regulatory Accounting and Reporting		PRI can be Payout PRIs in 990 Reporting Expenditure Responsibility
Success / Impact Measures		Social/Financial Board/Staff Driven

Community Foundations, social justice and Mission Investing

- Missing questions
- Missing stories