Impact Investing for Healthy Communities:
Investor Survey Findings, Options & Dialogue
June 1, 2016
Technology: How to Ask a Question

1. Click on the “Questions” pane to expand the window and view the text box

2. Type your question or comment in the question box on your control panel.

3. Press Send
Introduction

Impact Investor Survey Findings

Idea to Action Options

Dialogue
Impact Investing: A Social Investing Tool

SOCIAL INVESTING
SRI: SUSTAINABLE, RESPONSIBLE & IMPACT INVESTING
ESG: ENVIRONMENTAL, SOCIAL & GOVERNANCE CRITERIA

ACTIVE OWNERSHIP

PROACTIVE INVESTING

Screening
Shareholder Activism
Impact Investing

financing vibrant communities
Impact Investing: A Philanthropic Tool

Investing into companies, organizations, and funds with the intention to generate measurable social and environmental impact alongside a financial return.¹

- Any asset class or structure (cash, fixed income, equity, etc.)
- Any expected financial return (interest rate, dividend, capital gain)
- Same fiduciary care as any institutional investment

BELOW MARKET-RATE INVESTMENTS²

Higher Risk  Lower Risk

Grants & Recoverable Grants  Alternatives & Novel Structures  Fixed Income  Cash

MARKET-RATE INVESTMENTS

Lower Risk  Higher Risk

Guarantees  Cash  Fixed Income  Public Equities  Alternatives

Program-Related Investment / PRI  Mission-Related Investment / MRI

¹Global Impact Investing Network, www.thegiin.org. ²F.B. Heron Foundation. See also Resources.
“Health is more than merely the absence of disease; it is physical, mental, and social well-being.”

The World Health Organization

Healthy People 2020 goals speak to community development:

1. Attain high quality, longer lives
2. Achieve health equity, eliminate disparities
3. Create social and physical environments that promote good health
4. Promote quality of life, healthy development and healthy behaviors across all life stages.

Place Determines Design - Affordable housing developments in:

Los Angeles ♦ Appalachia ♦ The Pine Ridge Reservation ♦ Marin County

Photos: CA Community Fdn, Mary Reynolds Babcock Fdn, Lakota Fund, Marin Community Fdn
Frontier: Place-Based Investing with Health / Life Course Overlay

The County Health Rankings Model suggests **investment opportunities** that “create social and physical environments that promote good health for all.”
Potential Impact Investments provide financing for the organizations and projects that build communities where “the healthy choice is the easy choice:”

- Community health centers
- Firms spurring health technology innovation for the underserved
- Quality child care & schools
- Microenterprise
- Small business
- Anchor institution strategies that develop local firms as vendors
- Transportation to jobs
- Banks and credit unions offering safe credit & financial services
- Quality affordable housing
- Shelters and supportive housing
- Local recreation centers and after school programs
- Green retrofitting
- Transit-Oriented Development
- Access to fresh food
- Local parks and green space
Coordinated Capital to Drive Regional Change

Scale

Healthy, Wealthy, Equitable, Sustainable Communities

Bank CRA + MRI + Others

Concessionary Investing PRI

Grants & Subsidy

Technical Assistance / Capacity Building Supports:
- Value Chains / Data / Technology / Shared Lessons
- Financing Links / Credit Preparedness
- Innovation
- Active Ownership Strategies

Leadership: Vision / Policy / Positive Messaging

Innovation: Greater Real or Perceived Risk → “Impact”

Subsidy Return
Impact Investor Survey Findings
Respondent Profile

Not Interested: The organization is not interested in impact investing at this time.: 4.8%

Impact Investing Collaborator: The organization has not made impact investments and is not thinking about making impact investments but is interested in supporting impact investing efforts with its grantmaking or in partnering with impact investors in projects to advance mission.: 9.5%

Active Impact Investor: The organization has made and/or is currently making impact investments.: 38.1%

Potential Impact Investor: The organization is thinking about making impact investments but has not yet made any, or the organization is interested in learning more about impact investments to explore potential.: 33.3%
Respondent Profile

Self-Assessed Experience Level

- Advanced: 25.0%
- Beginner: 50.0%
- Intermediate: 25.0%

Year Started Impact Investing

- n=8

Photos: Mary Reynolds Babcock Foundation, blue moon fund
Types of ESG / Impact Investing

Mission-related investments (MRI) that seek a market- or near market-rate of expected financial return, along with social and/or environmental impact

Program-related investments (PRI) or investments on PRI-like terms (if your organization is not a private foundation)
Assets Under Management (AUM)

$n=16$
1. ESG: 0 – 100% of Assets under Management; 3 @ 80% – 100%

2. Cumulative Impact Investments: 0 – 488; 2 @ 20 - 50

3. Impact Investments Outstanding:
   - $25,000 - $230,000,000; several in $20,000,000 range
   - $100,000 – 1,350,000 average size among foundations
Source of Funds for Impact Investing

- Board set-aside, outside of endowment or grants budget
Types of Impact Investments - Theme

- Niche Manufacturing
Types of Impact Investments – Intermediary v. Direct

- An Angel Fund Group
- Loan Loss Reserves & Guarantees
- Board has expressed interest in possible future direct investments
Types of Impact Investments – Asset Class
Types of Investments - Credit Enhancements

- Yes: 42.9%
- Maybe/Not Certain: 28.6%
- No: 28.6%
Grants Combined with Impact Investing

- Often support project with a blend of grant and PRI funds
- Operating or capital grants for CDFIs, followed by investment when capacity is developed
- Grant to support the added costs of sourcing food locally, combined with loan for the business.
- “We haven’t done this yet but intend to!”
### Responsibility for Impact Investing Operations

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<th>Responsibility</th>
<th>Program Staff</th>
<th>Philanthropic Services Staff</th>
<th>CIO</th>
<th>CFO</th>
<th>Board</th>
<th>Impact Investing Committee</th>
<th>Outsourced Impact Investing Professionals</th>
<th>Other (please describe below)</th>
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<td>Training board and/or staff on the impact investing program?</td>
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- Legal, consultants
- Investor “group”
Impact Investing Policy & Practice

Investment Policy Statement?  
- Yes: 25.0%  
- No: 75.0%

Target Impact Investing Return?  
- Yes: 37.5%  
- No: 62.5%
Performance Tracking

Performance Dashboard?

- Yes: 25.0%
- No: 75.0%

Social and Financial Metrics? Pipeline?

- For financial performance: 100%
- For social performance: 100%
- For deal pipeline/activities: 100%

financing vibrant communities
Challenges in Deploying More Capital
Challenges in Deploying More Capital

- Lack of local businesses and/or nonprofit organizations
- Limited entrepreneurial acumen among local businesses and/or nonprofit organizations
- Limited geographic scope of investable opportunities
- Limited number of regional and/or national organizations interested in serving our region.
- Other (please describe)
Education & Training Needs

- The Board: 100%
- Program Staff on Impact Investing: 50%
- Program Staff on Basic Financial Analysis: 40%
Additional Organizational Capacity Needs for Impact Investing

- More assets
Introduction

Impact Investor Survey Findings

Idea to Action Options

Dialogue
From What to How: Avivar Impact Investing Life Cycle

- **Planning**
  - Education, Goals & Metrics
  - Landscape Analysis
  - Leverage - Donor & Partner Engagement
  - Organizational Design

- **Policy**
  - Scope & Purpose
  - Governance
  - Risk & Return Objectives
  - Risk Management

- **Program Management**
  - Program Execution
  - Program Integration
  - Evaluation & Learning
  - Communications

- **Process & Procedures**
  - Manager / Financial Intermediary Selection
  - Staff / Consultant Roles
  - Transaction Execution
  - Monitoring & Reporting
AFN Respondents’ Most Useful Products & Services

1. Impact Investing Network Services
   ▪ Knowledge of who is doing impact investing in the region
   ▪ Organization that serves Appalachia to build deals
   ▪ More geographically targeted funds in the South
   ▪ Ability to leverage Federal and national resources and impact investment

2. Education & Coaching
   ▪ Slide deck for use with Finance and Investment, Program Oversight Committees of our Board
   ▪ Financial training for program staff. Program training for investment team. “They have to speak the same language to build a mission-aligned strategy!”
   ▪ Conversations and trainings on how impact investing works on a very practical level
   ▪ Deal structure examples and templates strategy
   ▪ A network of financial strategy consultants for the region—in conservation, health, energy, local food systems, etc.).
Current Sources of Impact Investing Information

- Other Associations
- Publications
- CIO
Preferred Methods for Education & Training

- **Webinar**: 40%
- **Onsite presentation and/or coaching**: 20%
- **Regional Conference**: 100%
- **National Conference**: 30%
Collaboration: Aiming to Go Further, Faster

Deal Pipeline to Share

- Yes: 33.3%
- No: 66.7%

Readiness to Invest in Pipeline Deals (10 = ready)

- n=6
Pre-Requisites for Co-Investing in a Pipeline of Deals

1. Education and information for management to formulate a recommendations for board action.

2. A solid capital and investment strategy, “which we are in the process of developing”

3. Capital, “which we are prepared to raise”

4. A new model for investing in our region, “which we are working with others to create”
Models for Co-Investing – Increase Impact, Lower Cost & Risk

<table>
<thead>
<tr>
<th>Function</th>
<th>Shared Services Platform</th>
<th>Regional Fund or Fund of Funds (FOF)</th>
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</thead>
<tbody>
<tr>
<td>Planning</td>
<td>Cafeteria-style menu of services available to support members/clients—discrete to fully outsourced</td>
<td>Fund or FOF develops strategy and metrics; often per investor/ stakeholder board priorities</td>
</tr>
<tr>
<td>Policy</td>
<td>Customized policy for individual institution or specialized cohort</td>
<td>Board-led Fund or FOF policy including risk appetite; often investor driven</td>
</tr>
<tr>
<td>Process</td>
<td>Customized support for transaction execution and monitoring; potential for lowered cost and risk on co-investments</td>
<td>Fund or FOF invests on behalf of investors, sourcing and executing deals per strategy and policy</td>
</tr>
<tr>
<td>Program Management</td>
<td>Customized support for impact tracking and reporting, continuous learning and improvement</td>
<td>Fund or FOF manages all activities, reporting to board, investors and stakeholders; Investors can co-invest</td>
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</tbody>
</table>
Benefit Chicago is a new collaboration that aims to mobilize $100 million in impact investments for nonprofits and social enterprises working throughout the Chicago region.

Created by The Chicago Community Trust, the John D. and Catherine T. MacArthur Foundation, and Calvert Foundation, Benefit Chicago provides a new way for everyone who cares about Chicago to invest for impact and make our home a better place for all.

The Center for Health Program Management brings people, ideas and infrastructure together to create positive change. Our collective impact model seeks to improve community health in California.

Sierra Health Foundation founded the Center for Health Program Management to deepen our impact statewide and to reduce health disparities for the underserved living in California's Central Valley. With commitment, creativity and collaboration, we promote efforts to eradicate health inequities across our region. Learn more.
Shared Services Platform

Maybe/Uncertain: 50.0%

Yes: 50.0%
Regional Pooled Fund or Fund of Funds: Coordinating Capital to Advance Regional Change

Goals
- Increased access to evidence-based health promoting resources identified in County Health Rankings Model
- Impact on health determinants and healthcare access; significant economic, job and sustainability gains
- Complement grants; leverage significant conventional capital to finance healthy & vibrant communities

Socio-Economic Factors

Family of Funds: Advancing Healthy, Equitable and Sustainable Communities with Impact Investing

- Healthy Ag & Food Systems Fund
- Asset Building Financial Services Fund
- Affordable & Supportive Housing Fund
- Infrastructure & Transit-Oriented Development Fund
- Open Spaces

Financing vibrant communities
Receptivity to Investing in Regional Pooled Fund (10 = receptive)

- If consistent with our values and strategies
- Very interested if in our areas of interest
- If we have confidence in fund design and execution
- We only invest in Athens County, Ohio

n=6
Introduction

Impact Investor Survey Findings

Idea to Action Options

Dialogue & Resources
### Respondents by Location & Type

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<th>Name</th>
<th>Headquarters</th>
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<th>Ind</th>
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<td>blue moon fund</td>
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<td>Muskingum County Community Foundation</td>
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<td>One Foundation</td>
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<td>Sugarbush Valley LLC</td>
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<td>The Educational Foundation of America</td>
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<td>Virginia Community Capital</td>
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Resources – Key Impact Investing Terms

**Impact Investing**: Impact investments are investments made into companies, organizations, and funds with the intention to generate social and environmental impact alongside a financial return. Impact investments can be made in both emerging and developed markets, and target a range of returns from below market to market rate, depending upon the circumstances.¹

**Program-Related Investing (PRI)**: Program-related investments are private foundation investments in which:

1. The primary purpose is to accomplish one or more of the foundation's exempt purposes,
2. Production of income or appreciation of property is not a significant purpose, and
3. Influencing legislation or taking part in political campaigns on behalf of candidates is not a purpose.

In determining whether a significant purpose of an investment is the production of income or the appreciation of property, it is relevant whether investors who engage in investments only for profit would be likely to make the investment on the same terms as the private foundation.² Significantly, PRIs are defined in the Tax Code of 1969 for private foundations, which are able to count PRIs toward their distribution requirement. The concept of PRIs as investments that are willing to take a below market-rate expected financial return or an increased level of risk for similar return is applied by community foundations and other impact investors, and the IRS Form 990 allows for community foundation reporting of PRIs.

**Mission-Related Investing**: Although the term mission-related investment is commonly used, there is no legal definition and no legal requirement to qualify for this status. It is typically used to refer to any investment that has an expected market-rate risk-adjusted financial return and is made with the intention of generating a social benefit or impact.

**SRI/ESG**: Sustainable, responsible and impact investing (SRI) is an investment discipline that considers environmental, social and corporate governance (ESG) criteria to generate long-term competitive financial returns and positive societal impact.

Source: [http://www.thegiin.org/cgi-bin/iowa/resources/about/index.html](http://www.thegiin.org/cgi-bin/iowa/resources/about/index.html)
Source: [http://www.ussif.org/sribasics](http://www.ussif.org/sribasics)
Resources

Reports and Articles

Alternative Financial Institutions in Appalachia
http://www.arc.gov/assets/research_reports/AccessstoCapitalCredit_AltimateInstitutions.pdf

Community Foundation Field Guide to Impact Investing
https://www.missioninvestors.org/CommunityFoundationFieldGuide


Northern New England Community Foundation Impact Investing: A Rural Community Foundation Case Study
https://www.missioninvestors.org/system/files/tools/AECF%20NNE%20CF%20GPS%20Case%20Study%2009222013_updated%20on%20Sep%2023_0.pdf

A New Anchor Mission for a New Century; Communities foundations deploying all resources to build community wealth
http://democracycollaborative.org/new-anchor-mission

US Sustainable, Responsible and Impact Investing Trends 2014,


The Evolution of Responsible Investment, Mercer, accessed on May 28, 2015,

https://www.msci.com/documents/10199/6547ff32-d337-4c3a-9f01-f8c90f43cb91

Responsible Investing for the Modern Fiduciary. Aligning Goals, Duties, Investments and Impact.

Grantmakers In Health Guide to Impact Investing, GPS Capital Partners, 2011,

Further information, lrichter@avivarcapital.com

100% for Mission Investment Policy Statements and Strategies

Investments at the Vermont Community Foundation

F.B. Heron Foundation
http://fbheron.org/investments/investment-policy-statement/

Jesse Smith Noyes Foundation

KL Felicitas Foundation
http://klfelicitasfoundation.org/impact-investing-overview/strategi-overview/