the PURPOSE of philanthropy
The PURPOSE modules will help you…

» Develop giving strategies to match your funding priorities and goals

…by helping you understand:

» The various grantmaking models

» The role you can play

» How to plan for future challenges
Developing Your Strategies and Roles
Agenda

**Strategic Grantmaking Models**

» 5 Models

» 4 Roles

» 3 Measurement Formats

» Board Buy-In
Five Grantmaking Models

1. Responsive
2. Strategic
3. Proactive
4. Collaborative
5. Initiative
1. Responsive

We meet community needs.

We’re giving back to the community that helped build our business.
2. Strategic

We have a defined impact in mind.
3. Proactive

We’re inviting & going deep with a group.
4. Collaborative

- Co-Learning
- Shared Goals
- Aligned Co-Funding
- Pooled $ & Process
- Aligned Measures
5. Leadership Initiative

More than money to solve the problem.
Determining Which Model(s) Works

QUESTIONS TO ASK

1. **Is this something we can or should pursue?**
   - Is this our role?
   - **Do we have the needed skills, time, and personal connections?**
   - Is this something our board would support?

2. **How can we start this conversation?**
   - Are there best or evidence-based practice(s) to share?
   - What data do we need to **find and** share?
   - Who are our key champions **who can build early momentum?**
Four Roles

- catalyst
- convenor
- contributor
- communicator
Catalyst

Create an Initiative

Advocate

Spark an idea
Convener

Start a conversation

Support a network

Respond to issues
Communicator

- Research
- Raise Awareness
- Educate
- Celebrate Success
Contributor

Money

In-Kind

Cache’
Results-Based Accountability

7 Questions

1. What population are we concerned about?
2. What conditions (results) do we hope to improve?
3. How would we measure progress?
4. How are we doing on those measures?
5. Which partners are playing what roles?
6. What works to make progress?
7. What do we propose to do?

Per raguide.org
5 Core Conditions for Success

✓ Common agenda
✓ Shared measurement
✓ Mutually reinforcing activities
✓ Continuous communication
✓ Strong backbone organization

Per Collective Impact Forum
I2L2 Framework – Example Tools

**Impact**
- Grants, scholarships, awards
- Investments

**Influence**
- Strategic communications
- Public policy
- Citizen engagement

**Leverage**
- Fundraising
- Funder collaboratives
- Purchasing practices

**Learning**
- Shared data projects
- Peer learning groups

Per ORS Impact
I2L2 Framework - Results

**Impact**
- Population outcomes
- Place outcomes

**Influence**
- Public attention & will
- Nonprofit & coalition capacity
- Laws & regulations

**Leverage**
- Re-aligned resources
- New resources

**Learning**
- Effective practices
- Evaluation capacity

Per ORS Impact
Implementing the Work

Imagine the possibilities
So
What?
!!
Impact Investment Strategies
All philanthropy is an investment... and all investments have impact
Impact Investing Defined

An Investment
some return expected

Across a Broad Range
asset classes, sectors, geographies

Across Organizational Forms
nonprofits, businesses, hybrids

Goal of Positive Impact
environmental, social

From *A Short Guide to Impact Investing* – Case Foundation
Why do this?

- Increase impact in program areas
- Capacity building for grantees
- Grow financial resources
- Engage inheritors of great transfer of wealth
- Align $ with values
- Diversification and risk reduction
Impact Investing at Foundations

Grant Portfolio
- Nonprofits
- Intermediaries

Investment Portfolio
- ESG data
- Negative Screens (SRI)
- Shareholder Activism

Direct Investing
- Program-related Investing (PRI)
- Mission-related investing (MRI)
Do grantees have any...

1. Loans or lines of credit that could be restructured?

2. Assets that could be made more efficient?

3. Opportunities to create earned revenue streams?

4. Internal challenges around taking on and managing debt?
Get to know intermediaries

In your area
- Community Development Finance Institutions (CDFIs)
- Council of Development Finance Agencies

National
- Nonprofit Finance Fund
- ImpactAssets
- LISC
Ex) Short-Term Lending

2015 state budget crisis burdened nonprofits

Foundation grants to Bridgeway for cashflow loans

» 2-3 week turnaround

» Term 90-180 days

» ~6% (below market rate)

» 1% origination fee

The Forbes Funds
1. Screening Your Portfolio

Environmental Social Governance (ESG) Data
» Assessing non-financial risks and impacts of companies

Socially Responsible Investing (SRI)
» Screening out “sin stocks” and negative impacts

Meet “prudent man” & UPMIFA

Grant Portfolio

Investment Portfolio

Direct Investing
Ex) The Needmor Fund (OH)

1984 – started with South African divestment

Mid-90s – 100% portfolio
  » 70% ESG equities
  » 30% community-based fixed income

Results
  » Consistent top quartile
  » Volatility reduced

Est. 1956
Social justice focus
~$26M assets
2. Shareholder Advocacy

A. Proxy Votes - investors receive ballots to vote at shareholder meetings

B. Activism - Investors & institutions influence biz practices & policies
   » Negotiate with corporate leaders and industry groups
   » File shareholder resolutions

C. Divestment
1. Program-Related Investments (PRI)

**Grant Portfolio**

- Clear IRS law, guidance
- Primarily for foundation’s charitable purpose(s)
- Below-market return (risk-adjusted)
  - Nonprofits and businesses
  - Deposits, loans, loan guarantees, Social Impact Bonds, equity
- Typically minimum $25-$50k

**Investment Portfolio**

**Direct Investing**
Ex) Community Impact Loan Fund

Below-market rate loans and loan guarantees:

- Water conservation system at Botanical Gardens
- Upgrades to improve sales at small hospital gift shop
- Pre-development costs of a new charter school
Ex) Natural Capital Investment Fund

Lends to environmentally responsible businesses in poorer rural areas.
» $34M to 200+ biz so far

Foundation support
» **Grants** for operations and capacity building
» $500k **PRI** to expand loan fund (2%, 10 years)
2. Mission-Related Investments (MRI)

- Grant Portfolio
  - No IRS definition, a little guidance
  - From portfolio,
    - Expect risk-adjusted market-rate return (or close)
    - Primarily in for-profit entities
    - Cash, fixed income, equities, venture capital, real assets
  - Meet “prudent man” and UPMIFA
    - With proper due diligence!

- Investment Portfolio

- Direct Investing
Seeded with $10M + DAFs opt in

75% equity, 25% fixed

» Companies that “do well when women thrive through employment, promotional opportunities, equal pay and positions in leadership.”

» Solutions to domestic violence.

Source: The GIIN

InFaith Community Foundation
Special Businesses

- **Benefit Corps**
  - 34+ states (IN started 2016)
  - “Material positive impact on society and the environment” in articles of incorporation
  - Annual self-reporting and accountability

- **B Corp Certification**
  - Optional independent assessment of impact on environment, customers, community, workers
Special Businesses (rarer)

Grant Portfolio

Low-Profits Limited Liability Company (L3C)
» 10 states (not IN)
» Mission-driven business structure

Investment Portfolio

“Newman’s Own” Exception
» Company that donates 100% of voting stock and net operating income to a private foundation

Direct Investing
How Do We Get Started?
Getting Started

1. Define Goals & Scope
2. Design & Implement Your Strategy
3. Evaluate and Learn
1. Define Goals & Scope

Internal alignment on:

» Core values

» Investment beliefs, return & risk profile

» Themes or program areas

» Initial scope
  • Opportunistic
  • Carve-out or pilot
  • Defined goals
  • 100%
1. Define Goals & Scope

Internal updates:

» Investment Policy Statement
» Board/committee membership
» Due diligence criteria, processes
2. Design & Implement Your Strategy

Building capacity
» Intermediaries, DAFs
» Ride alongs
» Funder coalitions
» Legal & investment counsel, consultants
» Hiring/training staff
2. Design & Implement Your Strategy

Learning
» Mission Investors Exchange
» Global Impact Investing Network (GIIN)
» TheImpact
» SOCAP
» Philanthropic Service Orgs.
2. Design & Implement Your Strategy

Portfolio Screening

Free and fee-based data

» MSCI
» Morningstar ESG ratings
» USSIF
» As You Sow
Serves 97% of top asset managers

Example: MSCI

Hospira acquisition increases product safety concerns

**GOVERNANCE SNAPSHOT**

- Board Independence %
- Significant Votes Against Management
- Entrenched Board
- Pay Performance Gap
- Executive Pay Non-Disclosure
- Multiple Share Classes with Different Voting Rights

**ESG SCORE CARD**

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<th>Environment</th>
<th>Weight</th>
<th>Score</th>
<th>Quartile</th>
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<td>Toxic Emissions &amp; Waste</td>
<td>11.0%</td>
<td>4.2</td>
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<td>Carbon Emissions</td>
<td>0.8%</td>
<td>10.0</td>
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<td>Water Stress</td>
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<td>Access to Health Care</td>
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<tr>
<td>Health &amp; Safety</td>
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<tr>
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**INDUSTRY RATING DISTRIBUTION**

- CCC
- B
- BB
- BBB
- A
- AA
- AAA

**ESG RATING HISTORY**

- Aug-11
- Aug-12
- Sep-13
- Sep-14
- Jun-15

**RATING COMMENT**

Pfizer has been downgraded to 'CCC' from 'B'. The September 2015 acquisition of Hospira, a firm that has experienced the highest number of regulatory warnings on an absolute basis over the prior three years, heightens our product safety concerns for the combined company.

Hospira has been involved in repeated manufacturing problems that have generated intense scrutiny by US regulators. Pfizer has also received among the highest number of regulatory warnings in the peer set between 2013 and 2015. With Pfizer's ongoing quality system concerns, time will tell whether the integration of Hospira's quality management systems will improve Hospira's ability to effectively manage its quality systems; for the time being, we remain cautious.

We note that Pfizer's proposed merger with Dublin-based Allergan has fallen through, in light of new tax rules issues by the US Treasury in April 2016. It would have represented the largest tax inversion (USD 150 bn) to date.

**Analyst:** Julia Gigante

**MOST SIGNIFICANT RISKS**

- Human Capital Development - Score 0.0
  - September 10, 2015
  - The company's concentration in lines of business that typically rely on highly skilled employees, recent layoffs and recent M&A activity suggest relatively high exposure to operational risks associated with talent recruitment and retention. Our analysis of the company's employee benefits and programs indicates weak efforts to mitigate these risks. The combination of the risk exposure level and mitigation capacity results in the company's overall low score on this key issue.
Sourcing Investees

» Grantees, peers

» Angel investment groups, accelerators

» ImpactAssets 50

» ImpactBase (by GIIN) & TONIIC

» ImpactSpace
Evaluation trade-offs
» Competing data frameworks
» Diffuse vs. targeted
» On-target vs. near-target
» Nonprofit capacity

Keep evolving
» Revise policies, processes over time; rinse & repeat
» Deal flow
» Manager track records
» Commitment to measurement
» Impact – “but-for” thinking, additionality
Phase 1: Peer Pressure

- No weapons (SRI)
- Heartwood Forestland Funds
- Boston Community Capital
- Strategic Investment Fund

Ex) Roy A. Hunt Foundation
Phase 2: Purposeful-ish

» Grants to As You Sow, Coalition for Green Capital, others
» Proxy voting review
» Task force
» New manager and ESG set-aside
Discussion

» Questions?
» Other local examples?
» Barriers on the mind?
» Other supports needed?
So…

What??!
Preparing for the Future
» Improving Efficiencies

» Flipping Orthodoxies
Multiple Formats

» “KISS” Method
  • Review processes with all who touch grant

» Project Streamline
  • PEAK’s resource for process improvement

» LEAN
  • Framework to improve processes
“KISS”

» **Process**
  - Walk a grant through the process from beginning to end

» **Benefits**
  - Separates Content from Mechanics

» **Results**
  - Everyone Understand Entire Puzzle
  - Avoids Misunderstanding and Misperceptions of How and Why Things Happen
Project Streamline

» 4 Core Principles
1. Take a fresh look (at your processes).
2. Right-size grant expectations.
3. Relieve the burdens on grantees.
4. Make communications and grantmaking processes clear and straightforward.

» 5 Practices that Matter

» Resources and Tools

» Become a Champion
1. Identify Value
2. Map the Value Stream
3. Create Flow
4. Establish Pull
5. Seek Perfection

Lean
Process Improvement Should…

» Match your foundation and grantmaking goals

» Engage appropriate stakeholders
  • Staff, committees
  • Donors
  • Grantees

» Be respectful of staff
  • Process should not overshadow efficiencies identified
So...

What?!!
What’s Next?

WHAT’S NEXT for COMMUNITY PHILANTHROPY
See What I Mean

Deal Breakers/Deal Makers
And... Who? So...