

Social Impact Investing:

There's Over a Billion Dollars Up for Grabs,
But Only If You Know How.



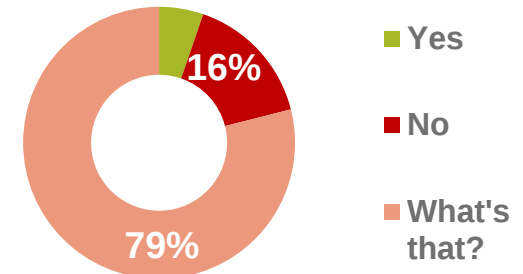
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Before We Get Started...

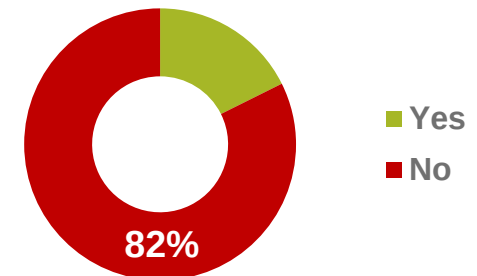
Let's take two quick poll questions.

2013 Survey Through OANO

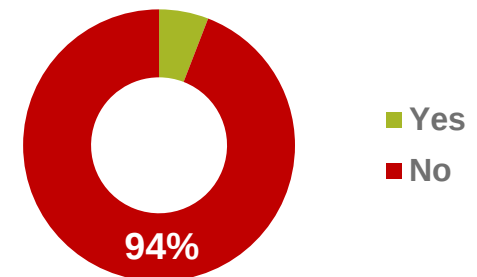
Does your organization qualify for program related investment (PRI)?



Are you aware that foundations can offer below market interest rates on loans?



Has your organization ever pursued any types of financing/investment from a foundation?



Foundation Assets Reach \$798B

Source: Foundation Center – Sept 9, 2015

Impact Investing Goes Mainstream

Source: Forbes
June 27, 2015

Columbus Foundation Announces \$3.3M PRI

Source: Columbus Foundation - Sept 3, 2015

Impact Investing Estimated to Grow to \$400B by 2020

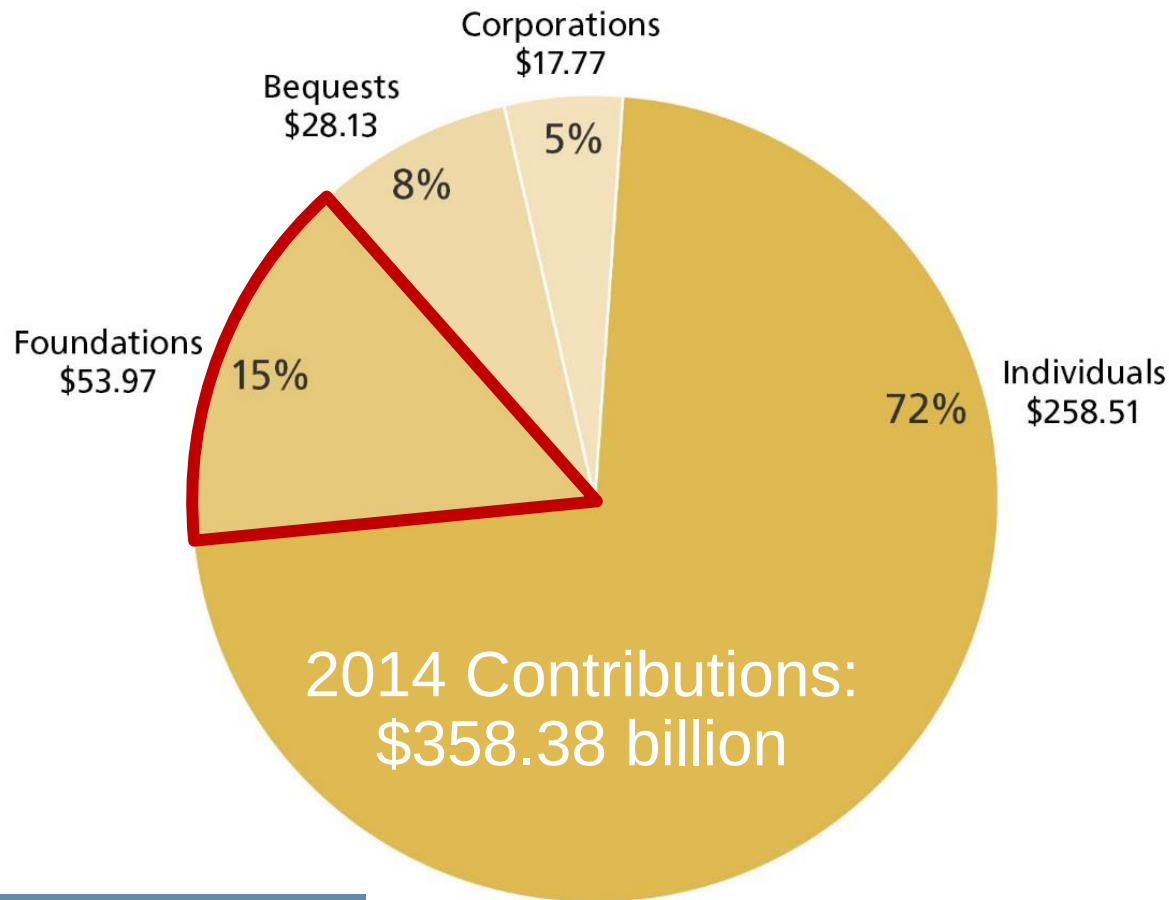
Source: JP Morgan
May 1, 2014

Impact Investing: Time to Unleash PRIs

Source: SSIR – Feb 24, 2015

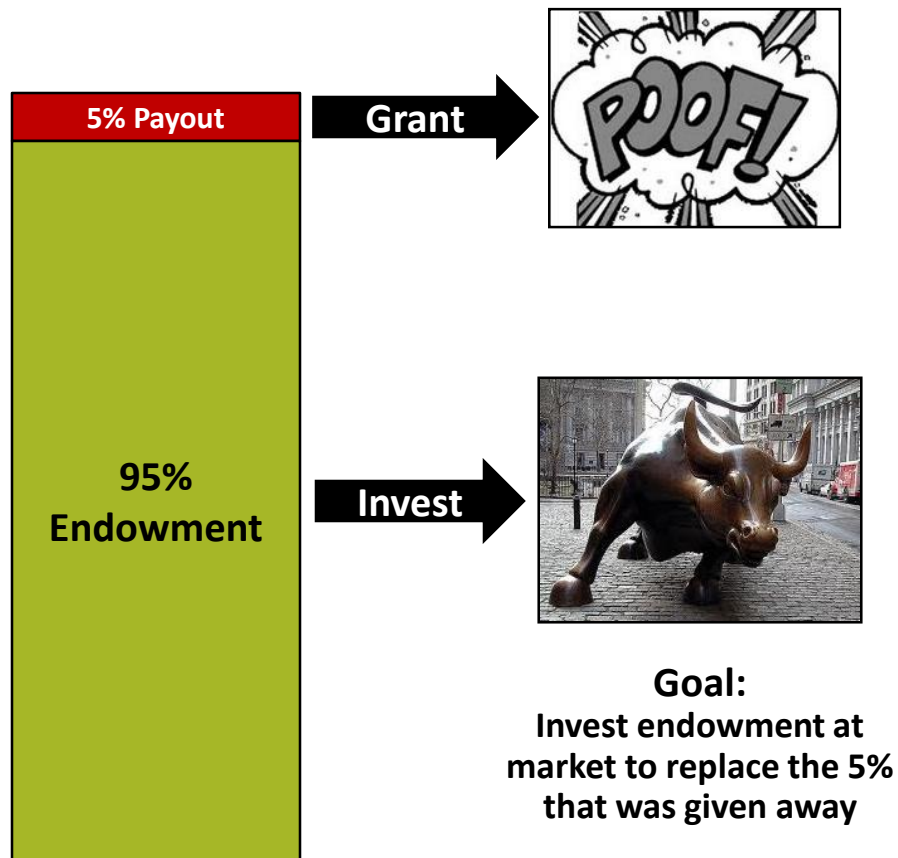
Total Giving in 2014

\$53B is a lot of giving, but consider the fact that foundation assets are \$800B... Where's the rest?



Giving USA: The Numbers

Traditional Foundation Operations



\$54 Billion

\$750 Billion

Imagine the possibilities if nonprofits could
access that \$750 billion...

They can.

Impact Investing

[*noun* **im**-pakt in-**vest**-ing]

Investing with the intention to create social or environmental impact while generating a modest financial return.

Impact Investments from Foundations

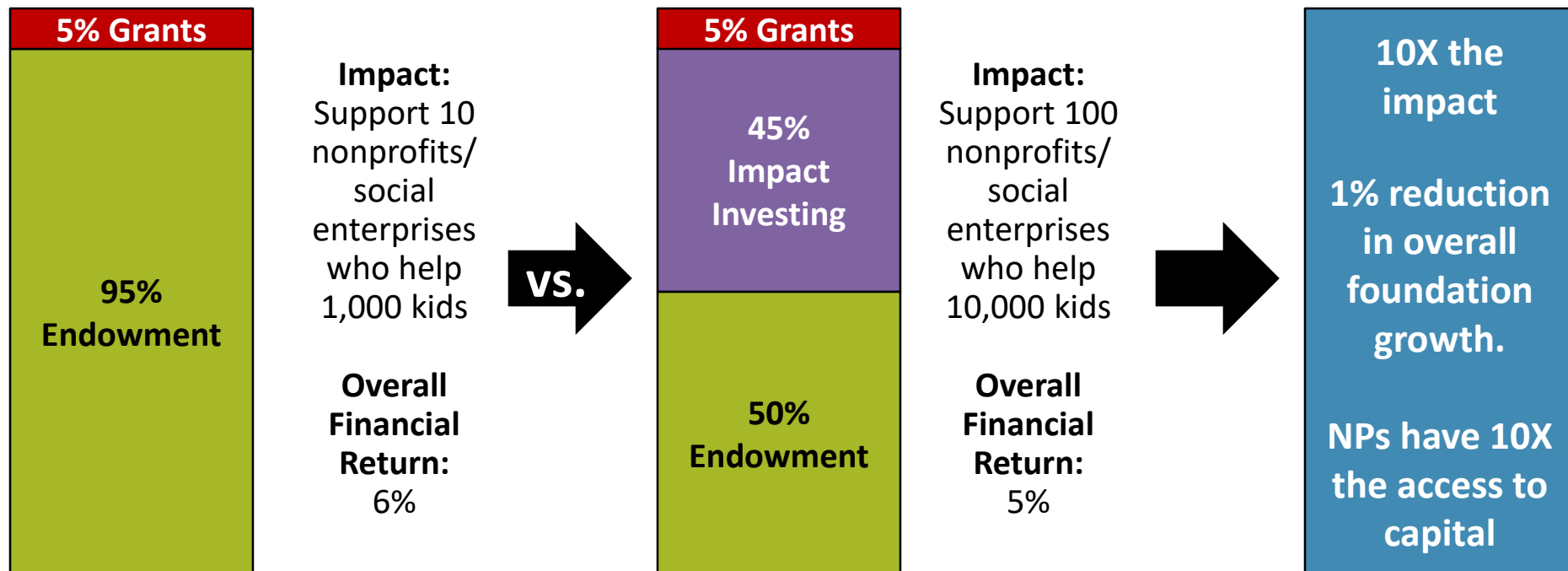
The financial return a foundation seeks on an impact investment can range from below market rate to market rate.

Foundations are typically motivated first by the amount of social impact that can be created, and second by how sound the business model is for repayment.

Social impact investing as a concept is spreading quickly in the foundation world and is changing the way foundations operate.

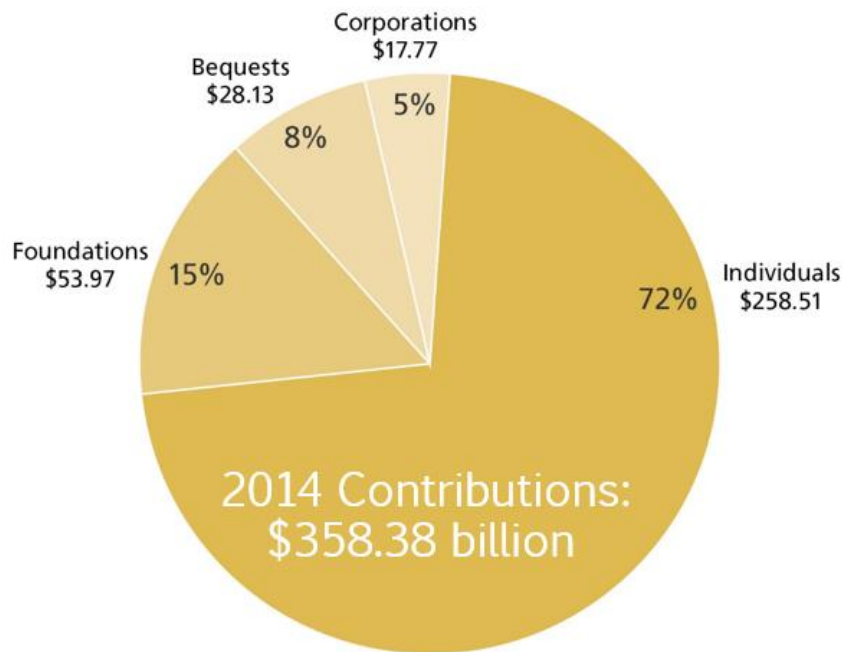
Changing Foundation Operations

A foundation who uses its corpus to conduct impact investing is able to dramatically increase its mission fulfillment and its impact on the community with only a marginal compromise on the its growth from foregoing a market investment for a PRI.



Impact Investing Resources

Total Giving in 2014



Giving USA: The Numbers

**\$400 Billion
- \$1 Trillion**

Currently, more money is available for impact investing than there are requests to use it.

Examples of Impact Investments

Our First Social Impact Investment

In 2005, Easter Seals had a fully tapped line of credit with a local bank for \$500,000 and was paying 8.5%. Rather than issue grants each year to help Easter Seals pay the interest, the Wells foundation replaced the line of credit with one at 5.5%, saving the organization \$15,000 a year in interest. By using impact investing to solve the problem, the foundation retained its grant funding and kept it available to help other organizations.



How Impact Investing Benefits Foundations

- Reuse or “recycle” the same dollars for the benefit of multiple organizations, as opposed to grants
- Maximize social impact by aligning a foundation’s corpus with its mission
- Develop a more intimate relationship with grantees, increase accountability, and create shared value
- Allocate grants and investments more appropriately, bringing more tools to the table
- Consider the social impact in addition to the financial return of a project, compared to a traditional lender

How Impact Investing Benefits You

- Improves or creates a credit history as a pre-qualifier to a commercial banking relationship
- Access to mission-aligned financing that enables nonprofits to be more agile in addressing the social needs of the community and seizing opportunities to grow and expand
- Sharpen fiscal management practices by going through the steps necessary to obtain, report and repay investments
- Allows board members to consider new strategic initiatives such as social enterprise that go unsupported by other funding sources

Case Study: *Central Ohio* **YOUTHFORCHRIST**

Social Impact Investing is an excellent resource for reducing the overall interest rate of a project and gaining access to funding beyond what traditional investors are willing to provide.

Need: \$3 million for new building in Franklinton

Challenge: Banks unwilling to loan more than \$1.5 million

Total \$3M	\$750k	\$750k loan at 2% from the Columbus Foundation
	\$750k	\$750k loan at 5% from the Durell Foundation
	\$1.5M	\$1.5 million loan at ~5% from the bank

Blend: \$3 million at ~4.25%

Common Loan Types

1. Term Loans – Term loans typically used for equipment or vehicles. They have fixed monthly payments and usually span 2-7 years.
2. Bridge Loans – Bridge loans are typically used when growing into a larger facility or to realize pledged donations early. They are typically Interest only with a balloon payment at the end.
3. Lines of Credit – Lines of credit allow an organization to balance its cash flow. They require monthly interest payments on the amount drawn down, with principal and interest due at the end of the loan term.
4. Mortgage Loans – Mortgage loans are longer term (15-30 years) and consist of fixed monthly payments collateralized by real estate.

Other Creative Examples

The Tommy Evans Foundation believes every nonprofit in Newark should have a 'home'.

The foundation offers no grants, but buys real estate and leases it to nonprofits for \$1 per year, plus maintenance.

How's that for partnership?



Other Creative Examples

Loan Guarantees – Extending a foundation's creditworthiness to a nonprofit to help them access capital



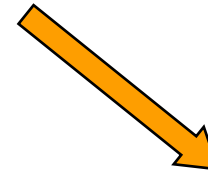
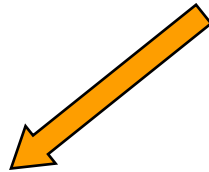
AEDC & North American Catalogue

Appalachian Economic Development Corporation's goal is to increase economic development by supporting the growth of artisanal businesses in the Appalachian region.



Social Impact Investments can be used to support Operational Stability or to foster Social Enterprise.

Social Impact Investments



Operational Stability

Social Enterprise

What is a 'Social Enterprise'?

Two characteristics distinguish a social enterprise from other types of businesses, nonprofits and government agencies:

- 1. A social enterprise directly addresses an intractable social need.**
- 2. A social enterprise is a commercial activity that generates profitable earned income.**

Social enterprises deploy innovative business skills, pursue unique sources of capital and leverage a variety of professional talents to alleviate some of society's most pressing poverty-related issues.

Taking Action

- Talk to your board about updating your finance policy to include the responsible use of social impact investing
- Talk to your board about whether social enterprise is – or should be – part of your long term strategy to increase sustainability. Problem first!
- Talk to foundations in your region about social enterprise and social impact investing. You may be surprised!

What roles can funders play to support social enterprise development?

- Collaborate with nonprofit leaders to help find the best solution
- Accessible to discuss business ideas or evolving operational challenges
- Business plan development advice and feedback over multiple phases regardless of whether or not we plan to invest
- Discussions with nonprofit boards to build their confidence and understanding
- Serve on a social enterprise development committee
- Introduce you to field experts, other funders or outside resources
- Become an advocate and champion for you in the community

What roles can funders play to support social enterprise development?

Other ways funders can support you:

- Serve on a social enterprise development committee
- Introduce you to field experts, other funders or outside resources
- Help you get a foot in the door with potential sales
- Become an advocate and champion for you in the community
- And more!



SOCIAL IMPACT INVESTING

Executive Education Program

Wells Foundation Training

Our cutting-edge three day course enables nonprofit, foundation and social enterprise leaders to leverage the power of social enterprise and social impact investing together to increase impact, improve stability, and grow the sustainability of their organizations.

Cost: \$2,100 (scholarships available up to 50%)

Upcoming Classes: April 18-20, June 13-15, August 8-10