



NORTH AMERICAN
COMMUNITY FOUNDATIONS SUMMIT

LEAVING NO ONE BEHIND.

UTILIZING IMPACT INVESTMENT TO UNLEASH CAPITAL: CASE STUDIES FROM THE US, MEXICO, AND CANADA

TUESDAY, 6 FEBRUARY, 2018

I. Welcome, Agenda, and Introductions

II. State of Impact Investing

III. Case Study Overviews

IV. Workshop Discussions

V. Wrap-up

Topic	Time
I. Welcome and Introductions	2:00 – 2:05 PM [5 min]
II. State of Impact Investing	2:05 – 2:15 PM [10 min]
III. Case Study Overviews	2:15 – 3:00 PM [45 min]
IV. Workshop Discussions	3:00 – 4:00 PM [60 min]

X INTRODUCTIONS



Tim Ferguson, Founder and Chairman of Next Street

- > Next Street provides advice and capital solutions to revitalize communities, grow businesses, create jobs, and deliver financial and social returns to their partners
- > Prior to founding Next Street in 2005 Tim was at several large financial services enterprises in a career spanning over 25 years



Trisha Finnegan, Vice President of Mission & Impact at Community Foundation of Louisville

- > Joining the CF of Louisville in 2015, Trisha brings multi-functional experience including a technology-based social enterprise, a nonprofit and two Fortune 100 corporations
- > As VP of Mission & Impact, Trisha connects the Foundation with the community to drive sustained, positive impact and provide strategic differentiation



Anne McEnany, President & CEO of the International Community Foundation

- > Anne assumed the role of President & CEO of ICF in November 2014, and is responsible for overseeing ICF's grantmaking portfolios and special initiatives
- > Anne previously served over 12 years as an ICF consultant and staff member managing the organization's Environmental portfolio



Brian Toller, Board Member of Community Foundations of Canada

- > Brian is President of Tolcor Investments Ltd., a private investment firm, and is a Founding Partner of Cognitive Workshops, which provides cognitive therapy training for mental health professionals
- > Brian previously served as the Board Chair of the Ottawa Community Foundation where he led the Foundation's successful move to Responsible Investing; he currently is a member of the Investment Committee

QUICK SURVEY OF THE ROOM

By a quick show of hands...

- > Where is your **geographic area of focus**?
 - Canada? U.S.? Mexico?
- > Who has observed **increased interest** about impact investing?
 - From donors?
 - From Board or staff?
- > Who is **actively impact investing** in some form?
 - Who is doing program-related investments (PRIs)?
 - Who is doing mission-related investments (MRIs)?
 - Who is doing both?
 - Is anyone looking beyond PRI/MRI model to other forms of investment?
- > Who is **strongly considering** or **actively pursuing** impact investing?

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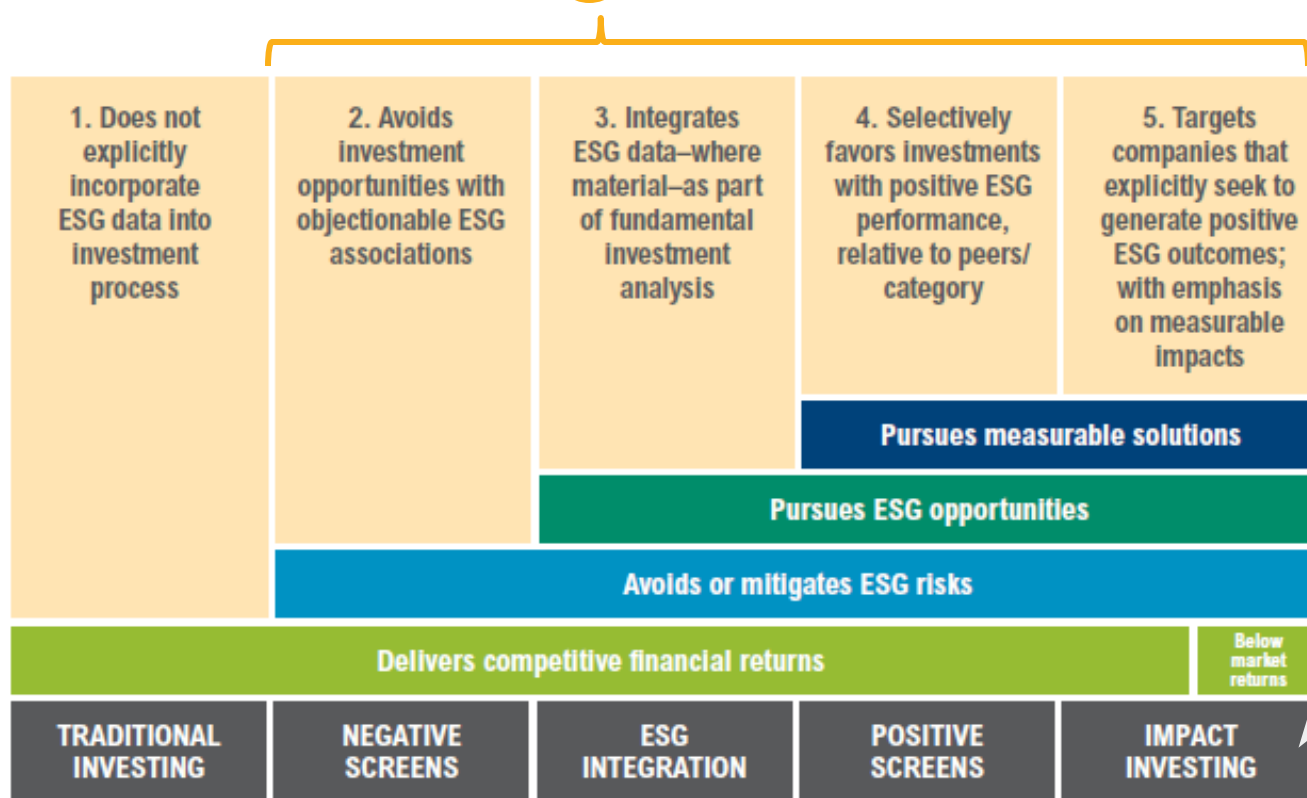
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X WHAT IS IMPACT INVESTING?



Sustainable investing is an umbrella term capturing the many investment approaches that **consider environmental, social, and/or governance (ESG) factors**



Impact investments are a subset of sustainable investments that **intentionally** seek to create **specific, measurable** impact

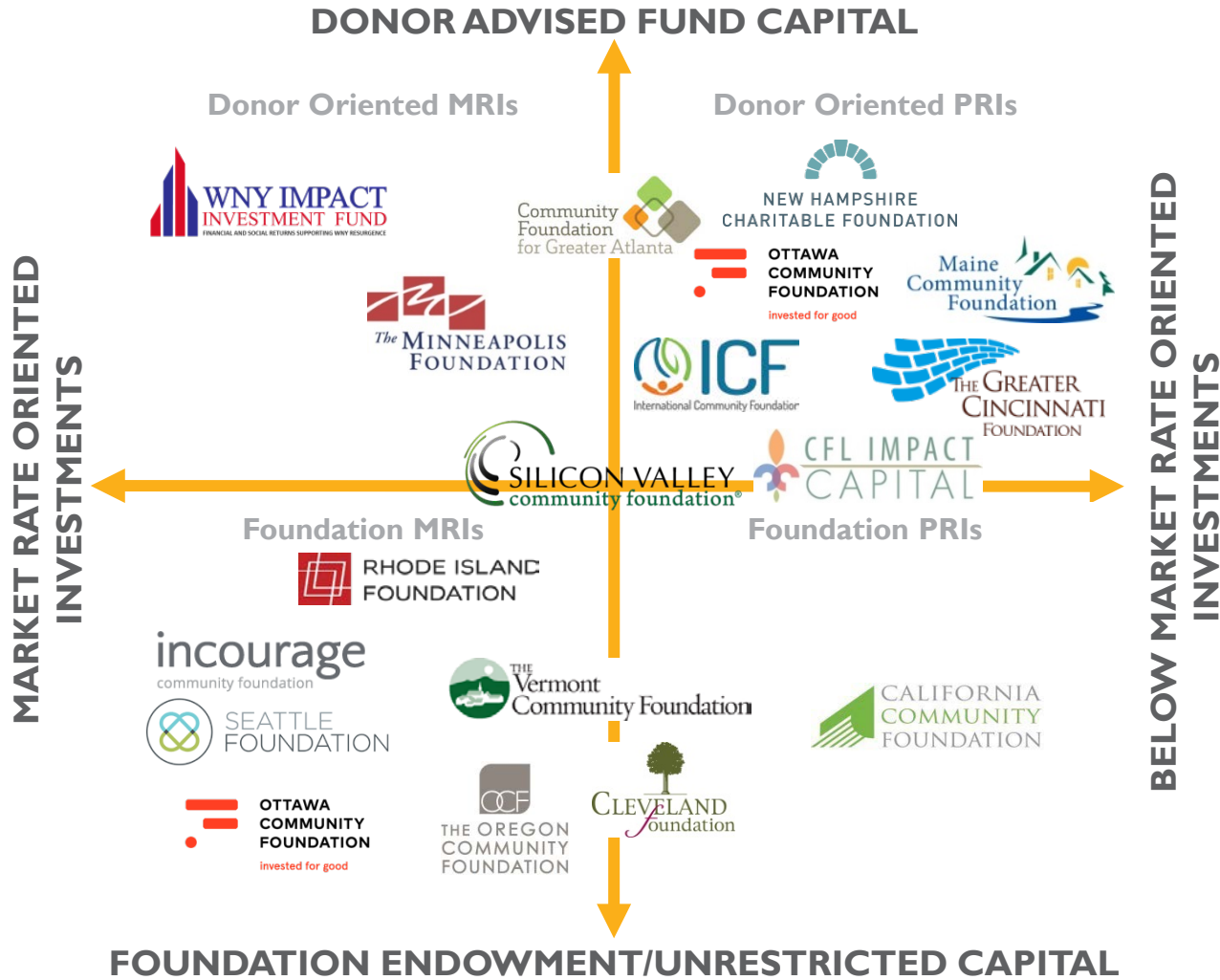
This includes market-rate (competitive) and below-market-rate (concessionary) investments

Source: World Resource Institute

KEY TRENDS IN IMPACT INVESTING

1. The market continues to grow, but is still quite small
2. Generational wealth transfer and evolving asset owner preferences are driving demand
3. Maturing asset manager and advisor landscape, from boutique, focused shops to large, global firms
4. Alignment with sustainable development goals
5. Increasing focus on local, or place-based, investing
6. Foundations are innovating, deepening PRI activity and increasingly exploring or implementing MRIs, but still slow to move

X COMMUNITY FOUNDATION APPROACHES TO IMPACT INVESTING



Other dimensions to consider:

- Impact focus area(s):
Good jobs, environment, etc
- Geography:
Place-based or broad?
- Investment type:
Projects and/or enterprises
- Capital type:
Debt and/or equity
- Implementation:
In-house vs intermediary

Source: Adapted from "Including Donor Advised Funds in Impact Investing: A Toolkit for Community Foundations"

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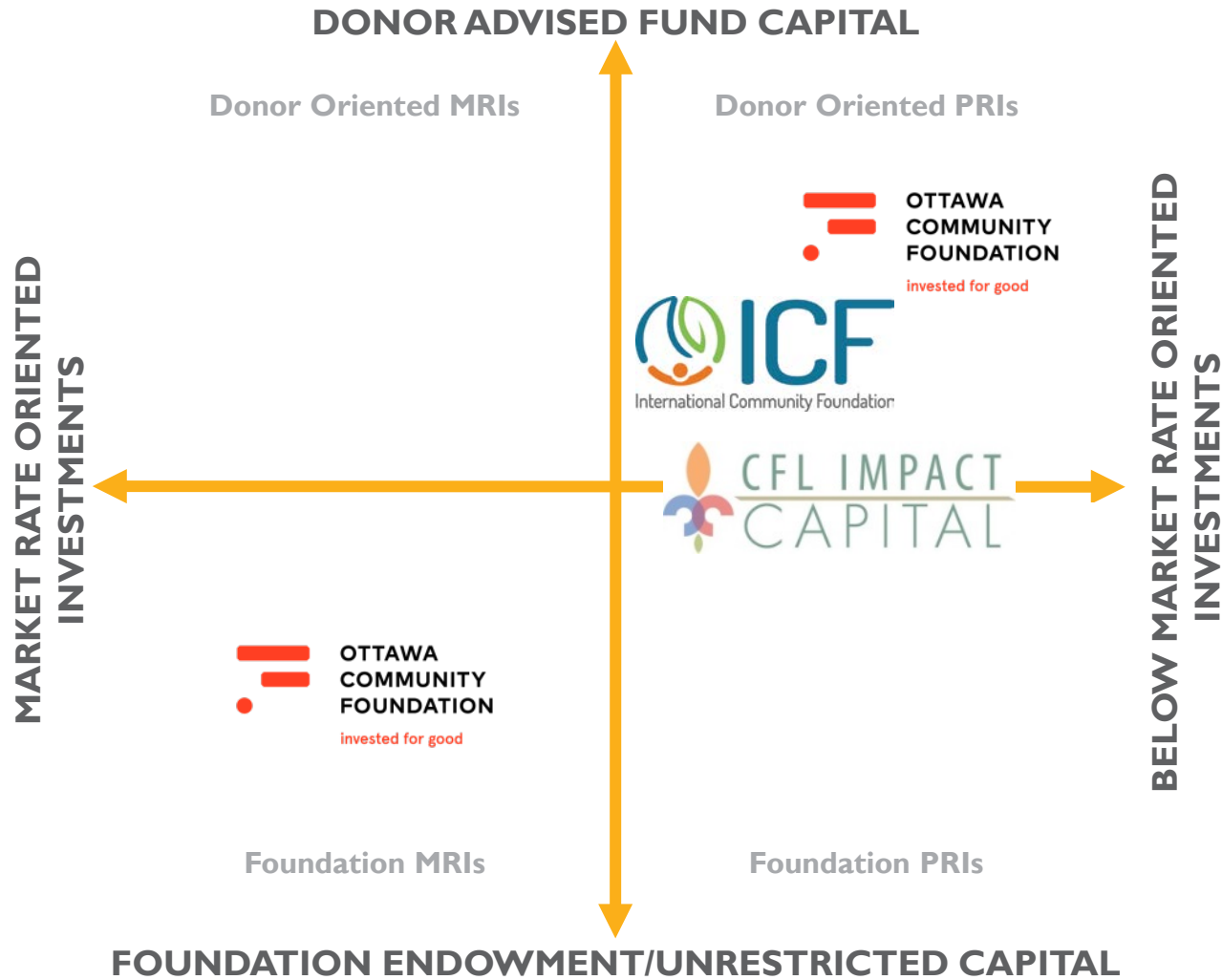
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X OUR APPROACHES TO IMPACT INVESTING



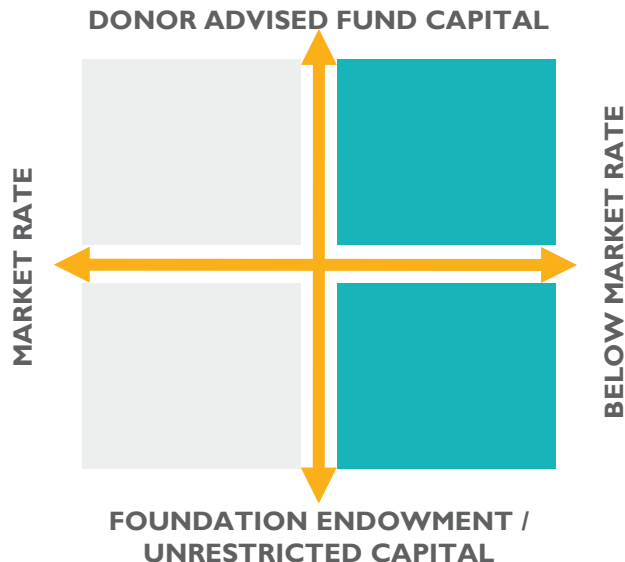
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X CASE STUDY: COMMUNITY FOUNDATION OF LOUISVILLE



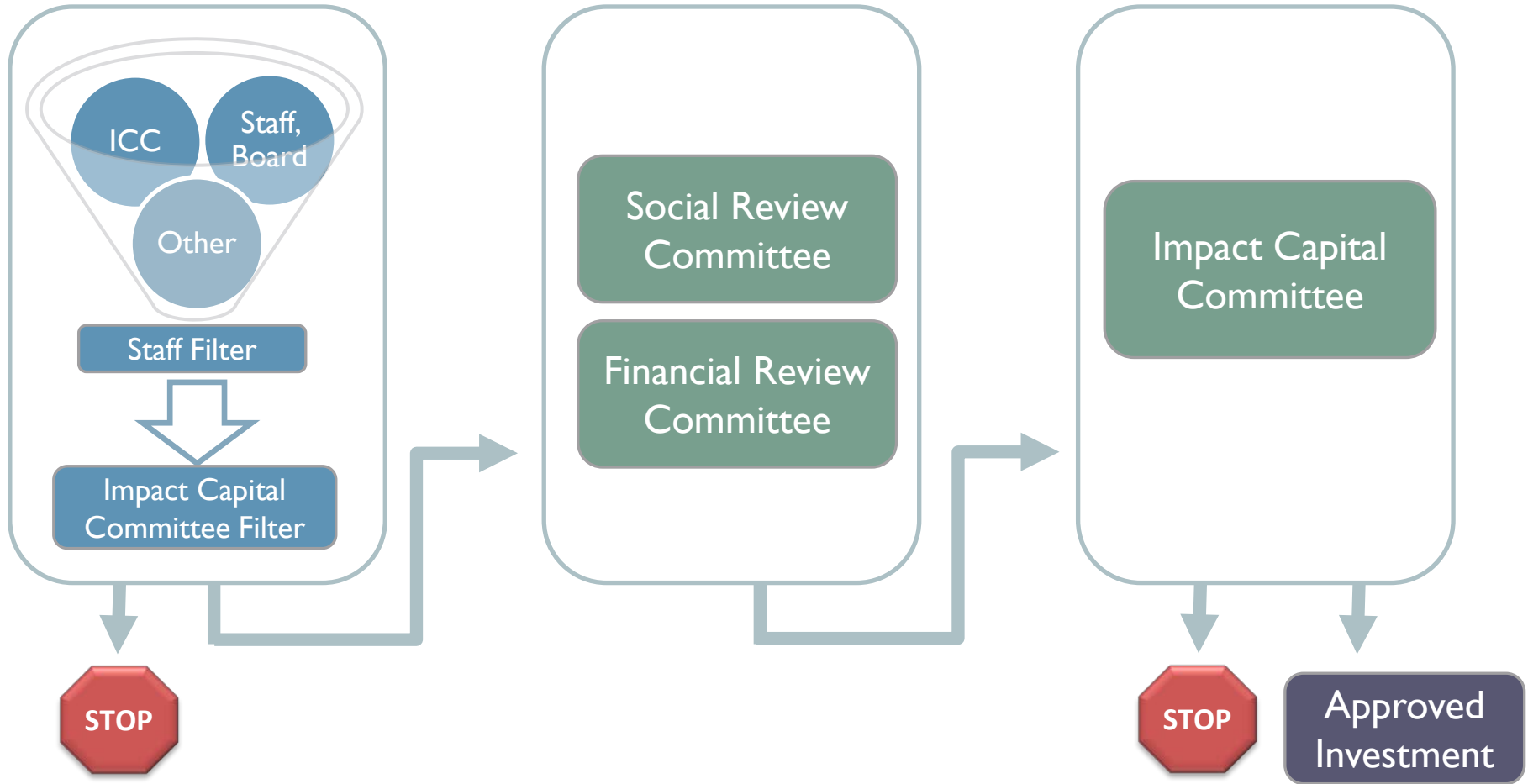
<i>Location</i>	Louisville, Kentucky
<i>Geographic focus</i>	Regional
<i>Mission</i>	We are a force for good, connecting donors, nonprofits and civic partners to create lasting impact in our community
<i>Total assets</i>	\$500M
<i>Total impact investments</i>	\$1.65M <1% of total assets

<i>History</i>	<ul style="list-style-type: none"> > Began socializing an impact investing program in 2012 when they brought in a consultant for six months > Built program slowly, bringing Board along and generating interest for loans > First loan closed in March 2014
<i>Current state</i>	<ul style="list-style-type: none"> > Managed in house via the Program and Finance staff and committees > \$1.68M invested in eight investments via grantmaking endowment and donor participation > Goal to reach between \$3-5M invested in near future > Maintaining local focus



<i>Successes</i>	<ul style="list-style-type: none"> > Structuring impact investing to align with the goals and needs of both the Board and donors > Donor engagement via quarterly communication on status of investment(s) > Building place-based portfolio via steady, “measured growth” approach > No additional staff required to manage investments > Building market where there are few intermediaries
<i>Challenges</i>	<ul style="list-style-type: none"> > Lack of intermediaries (e.g., CDFIs) in city and state requires heavy hands-on involvement by staff > Have not yet established a pooled fund

X CASE STUDY: COMMUNITY FOUNDATION OF LOUISVILLE

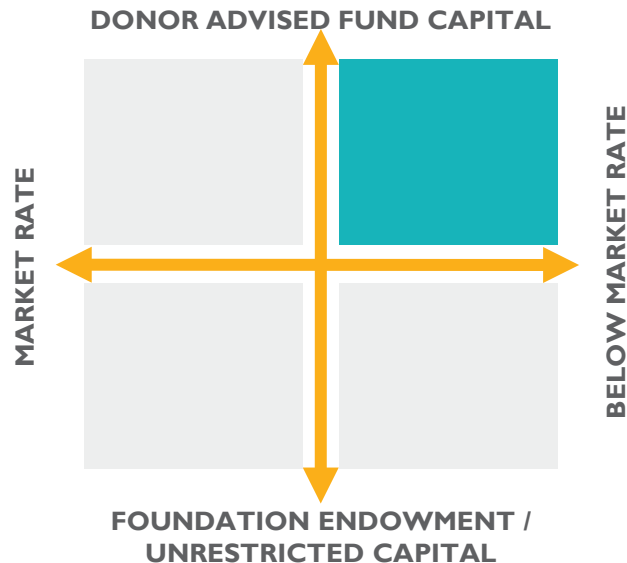


X CASE STUDY: INTERNATIONAL COMMUNITY FOUNDATION



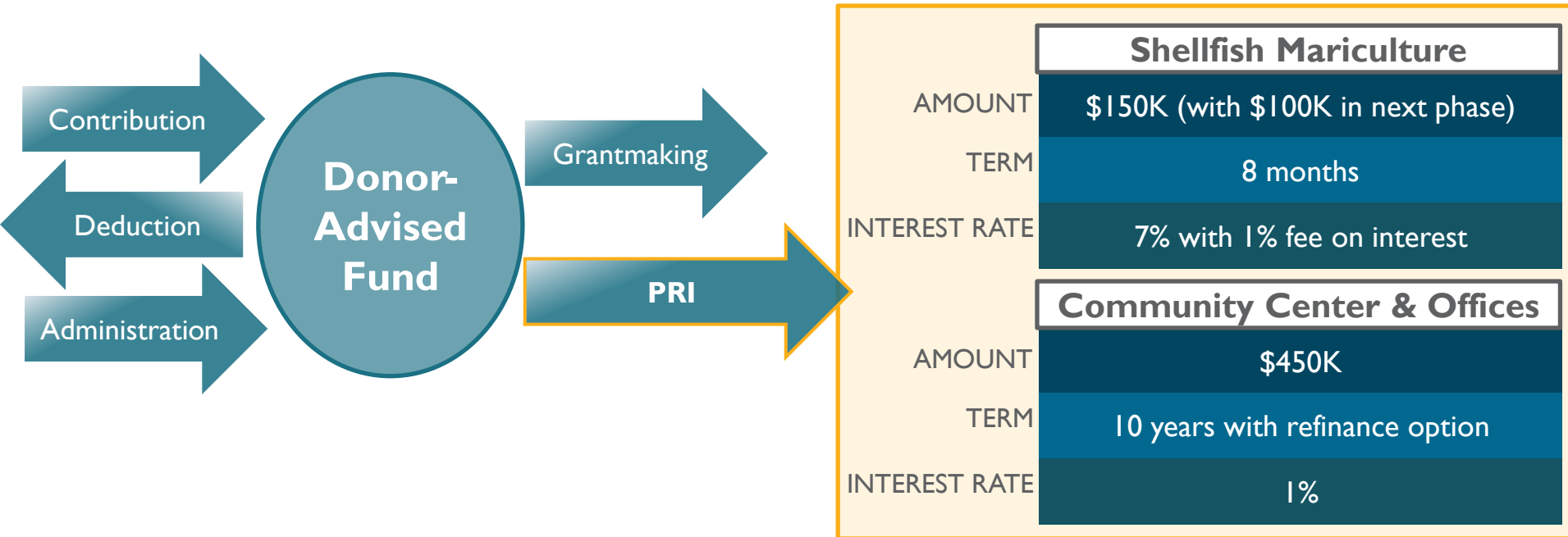
<i>Location</i>	San Diego, CA
<i>Geographic focus</i>	Mexico
<i>Mission</i>	To inspire international charitable giving by U.S. donors
<i>Total assets</i>	\$25M
<i>Total impact investment</i>	\$750K 3% of total assets

<i>History</i>	> Began deploying PRIs in response to donor's specific interest and passion areas
<i>Current state</i>	> Two impact investments - \$450K and \$150K in size – to alleviate illegal fishing practices in area served by accelerating alternative economic livelihoods
<i>Impact goals</i>	> To provide capital that is not available in traditional institutions in areas of focus



<i>Successes</i>	<ul style="list-style-type: none"> > Flexible and responsive to an array of opportunities > Pursues high-risk investments because donors have no expectation of return on money since charitable money would typically be used for grants > Donors have a vested interest in the community they are investing in
<i>Challenges</i>	<ul style="list-style-type: none"> > Lack of structural procedures for decision-making about investments > Lack of enforceability on repayment of loans outside of the U.S. > Unreliable financing partners

X CASE STUDY:
INTERNATIONAL COMMUNITY FOUNDATION



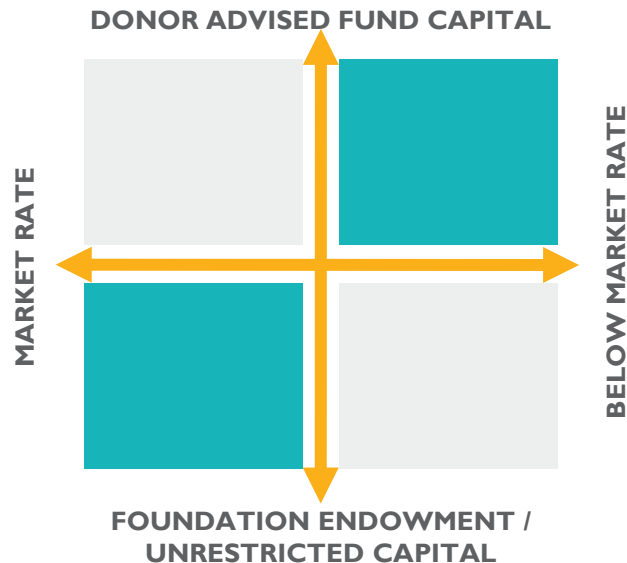
Source: Adapted from National Philanthropic Trust

CASE STUDY: OTTAWA COMMUNITY FOUNDATION



<i>Location</i>	Ottawa, Ontario
<i>Geographic focus</i>	Ottawa
<i>Mission</i>	To fulfill impact philanthropy and bring about positive, systematic and sustainable change in our city and beyond
<i>Total assets</i>	\$120M
<i>Total impact investment</i>	\$8.4M 7% of total assets

<i>History</i>	<ul style="list-style-type: none"> > Began impact investing journey after the financial crisis of 2008-09 out of a desire to use more of their assets to support their mission > Explorative process led by Investment Committee & Board > Started with whole endowment, then moved to impact investment piece
<i>Current state</i>	<ul style="list-style-type: none"> > Two-pronged approach : 1) Responsible Investing strategy inside endowment and 2) Impact Investing strategy, inside the endowment and in a separate fund > Utilize investment managers focused on ESG
<i>Impact goals</i>	<ul style="list-style-type: none"> > Goal to have 10% of assets invested for impact (5% to market investments, 5% to direct investments)



<i>Successes</i>	<ul style="list-style-type: none"> > Investing in corpus from the beginning > Finding a balance between place-based investing and place-agnostic, mission-aligned investing > Building a market for impact investing with nonprofits
<i>Challenges</i>	<ul style="list-style-type: none"> > Lack of intermediaries (e.g., CDFIs) in Canada > Lack of impact investing infrastructure and precedence more broadly in Canada



CASE STUDY: OTTAWA COMMUNITY FOUNDATION



**OTTAWA
COMMUNITY
FOUNDATION**

	Direct Investments			Market Investments	
OVERVIEW	Outside endowment in a separate fund, optional for donors. Market to below-market returns, principally debt financing to local charities			Asset class of endowment, market-rate return, with social or environmental benefit.	
ASSET CLASS	Private Debt		Equity	Private Equity, Infra, Ag	Real Estate
ASSET TYPE	Investment Trust	Limited Partnership	Loan Guarantee	Limited Partnership	
EXPECTED TIME FRAME	5-10 years			8-14 years	
TARGET ALLOCATION	5%			5%	
ACTUAL ALLOCATION	1%			6%	

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X WORKSHOP OVERVIEW

Groups



- > Participants will break into groups, led by Workshop Leaders: Anne, Brian, and Trisha
- > Organized by topic
 - Governance
 - Strategy and Structure
 - Implementation and Operations

Roles



- > Workshop leaders – Facilitate group discussion with guiding questions
- > Workshop presenters – Take notes and present out themes/answers to discussion questions

Timing



- > 25 minutes of facilitated discussion
- > 25 minutes of report out (~8 minutes per group)

X WORKSHOP GROUPS

1

2

3

Topic	Governance	Strategy & Structure	Implementation and Operations
Description	<i>Engaging and managing donors, boards, investment committees, and others; includes education and influence</i>	<i>Exploring and choosing impact invest strategy and structure (e.g., PRI/MRI; investment policy statements)</i>	<i>Moving from strategy to execution, focused on initial and ongoing considerations for operations (e.g., in-house capacity/staffing vs. partners/intermediaries)</i>
Workshop Leader	Trisha Finnegan, Community Foundation of Louisville	Brian Toller, Ottawa Community Foundation	Anne McEnany, International Community Foundation

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RECOMMENDED RESOURCES

- > The Democracy Collaborative, *A New Anchor Mission for a New Century: Community foundations deploying all resources to build community wealth* (2014) – [link](#)
- > Mission Investors Exchange, *Community Foundation Field Guide to Impact Investing* (2013) – [link](#)
- > Institute for Responsible Investment, *What Can Foundations Do to Foster Community Investment? 10 Roles for Philanthropy* – [link](#)
- > Council on Foundations, *Effective and Emerging Approaches to Mission-Related Investing* – [link](#)
- > GIIN, *Scaling U.S. Community Investing: The investor-product interface* (2015) – [link](#)
- > Community Foundations of Canada, *The Impact Investing Guidebook for Foundations* (2017) – [link](#)
- > World Resource Institute, *Navigating the Sustainable Investment Landscape* (2016) – [link](#)

X QUESTIONS? CONTACT US



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