

RESPONSIVE PHILANTHROPY

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Boosting Philanthropic Impact Through Mission Investments

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For more than 60 years, the Annie E. Casey Foundation has worked to improve outcomes for vulnerable children and their families. Our objective to see low-income families achieve financial stability and raise healthy, well-educated children in stable permanent families in supportive communities requires a tremendous amount of resources.

The foundation has always exceeded the minimum payout requirement of 5 percent, but it was not until the late 1990s that we decided to explore social investing as a way to put even more of our assets to work for our mission. It was no small feat to convince key staff that the potential financial and social returns generated through the portfolio would be worth the additional complexities that would come with the accounting, due diligence, tax and other challenges.

Ultimately, in 1998, the foundation's leadership came to believe that the potential payoff in mission investing outweighed the risks and authorized up to \$20 million of the endowment for program and mission-related investments that improve the lives of vulnerable children and their families. This watershed moment in the foundation's history effectively established the commitment to use more of our endowment in pursuit of our mission without compromising the foundation's future.

However, it was one thing to make the commitment and something entirely different to implement it. In many ways, Casey's initial experience reflects the norm. We made few investments in the first five years: the learning curve was steep, the available resources were few, and the hurdles were significant.

At its core, the Annie E. Casey Foundation's trustees and senior leadership believe that we must employ all of the tools available to philanthropy and as much of our assets as possible to achieve our mission – all without jeopardizing the foundation's sustainability. Social investing represents one such tool. Although it took time to develop our approach, the first few investments – mission-related deposits, loans to community development financial institutions, and an investment in a community development venture fund – convinced the trustees that this was a viable strategy for the foundation, and in 2003, they formally carved out an allocation of \$100 million for social investments.

With this commitment came a renewed energy and focus. The foundation hired staff dedicated to making social investments and placed them in the investment unit because we chose to invest from the endowment rather than the grant budget. Social investment staff were charged with sourcing and underwriting investments in direct collaboration with program grantmaking staff who are experts in such areas as education, juvenile justice and child welfare, community redevelopment, asset building and workforce development. This approach requires significant collaboration but ensures a willingness to take on substantial risk for investments that are closely aligned with the foundation's mission, despite our high underwriting standards.

In 2010, the allocation was increased to \$125 million, almost 5 percent of the endowment, in large part because of an ability to demonstrate the effectiveness of the model. We have established processes and systems that allow us to identify investment opportunities aligned with our mission, monitor the investments and evaluate both our financial and social impact performance.

Today, the portfolio is diverse and emphasizes Casey's priorities with commitments of more than \$100 million across seven different foundation program areas, including investments that support affordable housing development and community facilities; job creation through micro and small business financing, and development of services that will ultimately improve outcomes for vulnerable children (see Figure 1). These investments have raised more than \$680 million in co-investment and leverage, not including the \$45 million in guarantees that have leveraged a total of \$130 million, primarily in support of the redevelopment of an East Baltimore neighborhood.

FIGURE 1: SOCIAL INVESTMENT PROGRAM ALIGNMENT
Actual Based on Commitment (Millions) as of 9/30/12

- A. Access to Capital (MRD) \$5.9 – 6%
- B. Economic Development \$6.4 – 6%
- C. Child Welfare \$6.0 – 6%
- D. Housing & Community Development \$84.1 – 82%



Total Assets Committed: \$102,363,000

TABLE 1: KEY IMPACT METRICS OF ANNIE E. CASEY FOUNDATION'S SOCIAL INVESTMENTS

	Total Projected	Actual to Date (12/31/11)	% Achieved to Date	Projections Through
Charter school slots	6,300	2,065	33%	2016
Child care slots	175	329	188%	2011
Commercial space developed (sq ft)	2,174,082	472,982	22%	2039
Jobs created	4,293	7,631	178%	2017
Housing units developed	12,485	2,646	21%	2039
Affordable housing units developed	5,233	2,389	46%	2039
Small businesses financed	301	163	54%	2017



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