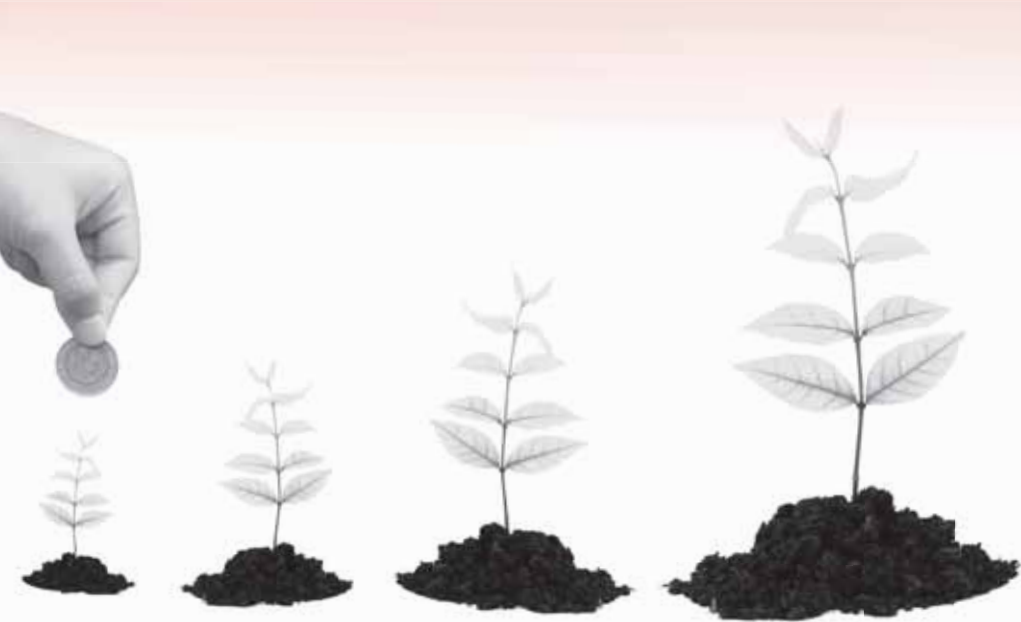


Responsive Philanthropy



NCRP'S QUARTERLY JOURNAL

WINTER 2013/2014

IN THIS ISSUE

- | | |
|--|----|
| Improving the Planet and Walking the Talk: Park Foundation's Engagement with Mission-Related Investing | 1 |
| BY PARK FOUNDATION | |
| Blending Mission, Values, Fiduciary Duty and Investments | 3 |
| BY TIMOTHY SMITH | |
| Pushing the Envelope: Expanding the Limits of Mission Investing | 6 |
| BY PETER BERLINER AND DAVID WOOD | |
| Leveraging Impact with Catalytic First-Loss Capital | 9 |
| BY AMIT BOURI AND ABHILASH MUDALIAR | |
| Pooled Funds: The Invisible Wall Standing Between Your Foundation and True Mission Alignment | 14 |
| BY DANA LANZA AND SARAH DENICOLA | |
| A Message from the Executive Director | 2 |
| Member Spotlight | 19 |

Improving the Planet and Walking the Talk: Park Foundation's Engagement with Mission-Related Investing

When Roy H. Park passed away in 1993, the prominent media owner and entrepreneur left in his will a substantial addition to his family foundation that was established in 1966. For most of our history, our endowment has been managed much like those of most

foundations, with assets allocated in the usual mix of large and small caps stocks, bonds, etc. Currently, the endowment hovers around \$326 million in nine asset categories. This is allocated among 15 fund managers in addition to cash and mission-related investing (MRI) accounts.

The foundation awards approximately \$18 million per year nationally in higher education, environment, media, animal welfare and locally in sustainability and human services program areas. Since the economic downturn that began in 2008, we have awarded

By Park Foundation

an average 7 percent of portfolio value in grants and program-related investments (PRIs).

BEGINNINGS

As a philanthropic organization, it is our responsibility to "walk the talk." Our mission should be to make the planet a better place for its inhabitants to live. In the late 1990s, Roy H. Park's daughter, Adelaide Park Gomer, now the president of the foundation and chair of the board, realized that it was a contradiction to make grants to not-for-profit organizations that, for *(continued on page 17)*



challenging grantmakers
to strengthen communities

A Message From the Executive Director



Dear Readers,

Like many from my generation, one of the activist campaigns that was most formative to my early understanding of social change was an effort to convince my college (Carleton College in Northfield, Minn.) to divest from investments in South Africa that supported a brutal regime of apartheid. How could our school, which supposedly stood for racial equality, justify making money from investments that perpetuated injustice?

That experience is part of why I'm pleased to put forward this special issue of *Responsive Philanthropy* focused entirely on mission investing (MI). Foundations control more than \$700 billion in assets. What are they doing beyond the 4 or 5 percent given out as grants each year to leverage the power of those assets in pursuit of mission?

In the cover story "Improving the Planet and Walking the Talk," Park Foundation staff and trustees write about the organization's journey in mission investing. They offer insights on the variety of tools they utilize to align the foundation's investments with its mission.

Tim Smith, director of environmental, social and governance shareowner engagement of Walden Asset Management, addresses one of the most common concerns about MI: that the practice violates foundation trustees' fiduciary duty. In "Blending Mission, Values, Fiduciary Duty and Investments," Smith argues that fiduciary duty should be a "motivating force" instead of an excuse for inaction.

In "Pushing the Envelope," Peter Berliner, managing director of Mission Investors Exchange, and David Wood, director of the Initiative for Responsible Investment at Harvard University, offer ways that foundations can do more to maximize what's possible in mission investing. They also highlight key challenges to the practice of MI and what foundations can do to support innovation and continued growth in the field.

Global Impact Investing Network's Amit Bouri, managing director, and Abhilash Mudaliar, research manager, write about leveraging impact with catalytic first-loss capital and how it can lessen risk and incentivize potential impact investors such as foundations that would like to test the waters.

"Pooled Funds: The Invisible Wall Between Your Foundation and True Mission Alignment," by Dana Lanza, CEO, and Sarah DeNicola, membership program manager, of Confluence Philanthropy, shines a light on the limitations of pooled funds and how these prevent foundations from exercising influence and aligning investments with values.

In this edition's Member Spotlight, the W.K. Kellogg Foundation talks about its Mission Driven Investments program. It offers lessons and tips for other foundations from its own experience in emphasizing both social and financial returns in its investments.

Rounding out these rich articles from the field of MI is a handy list of resources that you can turn to for tools, expert advice and events that may help you navigate the world of mission investing.

We hope that this special edition of our journal contributes to the evolving discussions on MI and helps expand the number of foundations that engage in this high-impact investing practice.

We appreciate hearing from you. Send a note to readers@ncrp.org and tell us what you think of this and other issues of *Responsive Philanthropy*.

Sincerely,

A handwritten signature in red ink, appearing to be "A. Dorfman". The signature is stylized and fluid.

Aaron Dorfman

NCRP STAFF

Aaron Dorfman
Executive Director

Kevin Faria
Development Director

Niki Jagpal
Research & Policy Director

Kourtney Ginn
Field Assistant

Kevin Laskowski
Senior Research & Policy Associate

Gabrielle McCaffrey
Communications Assistant

Anna Kristina ("Yna") C. Moore
Communications Director

Dan Petegorsky
Senior Fellow

Lisa Raghelli
Director of Foundation Assessment

Christine Reeves
Senior Field Associate

Beverly Samuda-Wylder
Senior Administrative Associate



Responsive Philanthropy is the quarterly journal of the National Committee for Responsive Philanthropy.

2013, Issue No. 4
Yearly subscription: \$25
(free to members)
ISBN: 1065-0008

© 2014 All rights reserved.
National Committee for
Responsive Philanthropy
1331 H Street NW, Suite 200
Washington, DC 20005
Phone 202.387.9177
Fax 202.332.5084
E-mail: info@ncrp.org

Blending Mission, Values, Fiduciary Duty and Investments

By Timothy Smith

For decades, a small number of foundations put their mission and grant-giving priorities on the table simultaneously with their investment portfolio as they sought ways to “invest with integrity” or have their investments help to advance their grantmaking priorities.

No one formula or “secret sauce” allows a foundation to exercise its mission-related investment (MRI) commitment. Rather, the foundation and its board must determine its best route. Also, motivations vary for different foundations:

- Acting with integrity: A foundation dedicated to health is unlikely to invest in tobacco companies, just as a leader in environmental grant giving would not invest in a major polluter.
- Advancing grant-giving priori-

ties: Another foundation, focused on economic justice issues, may decide to invest in program-related investments (PRI) or economically targeted investments (ETI) that provide empowerment to the poor. Others decide to promote issues consistent with their grant giving.

- Acting as a prudent fiduciary All foundations obviously should seek to invest in ways that are consistent with their fiduciary duty. Many foundations are rethinking what this responsibility means in light of rapidly changing markets.

So, what are examples of ways in which foundations can translate their desire to be a mission-related investor into reality?



1. Voting proxies. Since the proxy is considered an “asset,” it is arguably a foundation’s responsibility to ensure that its proxies are voted thoughtfully. Many proxy votes allow investors to protect their economic interests as shareowners. But voting proxies also allows a foundation to speak clearly to companies they “own” through their shareholdings about issues of concern like climate change, diversity or sweatshops.

2. Being an active shareowner. Many foundations, such as the Nathan Cummings Foundation, the Needmor Fund and the Christopher Reynolds Foundation, are active leaders as shareholders and work with other investors to expand their reach and impact.

For example, they sign investor statements and open letters to companies on issues like climate or the tragedy in Bangladesh, citing the responsibilities of clothing companies that source from factories in Bangladesh. They also file shareholder resolutions to stimulate changes in company policies and practices and engage with these companies’ management or attend stockholder meetings.

Some foundations choose active engagement through their stock holdings to promote change, and they can cite examples of how such advocacy precipitated changes.

Other foundations believe it is important to “screen out” companies they believe conflict with their values or grant-giving priorities. For example, the debate about fossil fuel divestment has led some foundations to avoid owning stock in 200 fossil fuel companies. Others avoid investments in coal companies or companies with egregious records producing greenhouse gases.

And, as noted, some choose not to invest in tobacco companies,

MRI is not only

consistent with

fiduciary duty but

is a duty

of a fiduciary.

handgun manufacturers or major defense contractors. There are no “right” or “best” screens but a foundation certainly can decide if and how it wishes to filter out certain types of companies.

3. Community development investing (CDI), PRIs and impact investing.

There is a new energy in the foundation community around impact investing or targeting parts of a portfolio to have a positive impact on such problems as poverty in Kenya or environmental sustainability in Peru.

This often requires willingness to use a private equity route to support impactful development projects. The investment risk may be higher but the possibility of being able to measure a distinct change is very appealing.

Likewise, CDI’s offer opportunities to invest in social change, whether in South Africa or the South Bronx. CDI’s often are fixed income vehicles making modest (1–3 per-

cent) returns, but with a strong “social dividend.” Foundations often set aside a designated portion of their portfolio for such purposes.

Other foundations, such as the Ford Foundation, have done PRIs for decades, often linking the investment to an organization with which it had a strong grant relationship.

PRACTICING FIDUCIARY DUTY

In the past, a traditional response by some foundation trustees was that engaging in mission-related investing would violate their fiduciary duty. But from another view, one could argue that MRI is not only consistent with fiduciary duty but is a duty of a fiduciary.

Here is how the context has changed. The Principles for Responsible Investment presently have global investors with approximately \$35 trillion of assets under management (AUM) who declare that environmental, social and governance (ESG) issues must be considered in the investment process because they impact shareholder value.

They say these are not fringe issues but actively affect the portfolio’s worth, and that a foundation investment committee is acting responsibly by ensuring that its investment managers evaluate ESG factors. In addition, nonprofit directors have another fiduciary duty: one of obedience to the organization’s charitable mission and purpose.

Thus, fiduciary duty should not be an excuse for inaction but a motivating force for MRI.

This is a fascinating time for this debate in the foundation community. There is new energy and numerous new examples of foundation leadership in MRI well-worth watching. ■

Timothy Smith is director of environmental, social and governance shareholder engagement at Walden Asset Management, a leader in sustainable and responsible investing.

What we mean by ...

Unless otherwise noted, this issue of *Responsive Philanthropy* has adopted the Mission Investors Exchange's definition of some key terms:

MISSION INVESTMENTS (MIs)

Investments by philanthropic and other charitable organizations that align with their missions. These investments can either be *mission-related investments (MRI)* or *program related investments (PRIs)*.

MISSION-RELATED INVESTMENTS (MRIs)

MRIs (also commonly referred to as *impact investments and socially responsible investments*) are "market-rate investments that support the mission of the foundation by generating a positive social or environmental impact. ... An MRI is a financial investment and must meet applicable prudent investor standards just like more conventional investments."

PROGRAM-RELATED INVESTMENTS (PRIs)

PRIs are "below-market rate investments that are made with a targeted program objective. PRIs are defined by the IRS tax code, and they are eligible to count against the 5 percent payout that foundations are required to make each year to retain their tax-exempt status." PRIs can be "loans, loan guarantees, cash deposits, equity investments and other investments made for a specific purpose such as affordable, workforce housing and community development facilities."

PROXY VOTING

According to *As You Sow*, *proxy* means "written authorization to act in place of another." Companies use a *proxy statement* to solicit "approval from shareholders of issues relating to corporate governance, recognizing that most shareholders will be voting remotely 'by proxy' rather than in person at each company's annual meeting."

SCREENING

Investors use this method to either filter out "generally traded companies on perceived social harm" or select them based on desired benefit.

SHAREHOLDER ACTIVISM

Shareholder activism involves proxy voting and "engaging management of generally traded companies to change corporate behavior."

For more on these and other common terms used in mission investing, visit <https://www.missioninvestors.org/mission-investing>.

For more on terms associated with shareholder activism, visit <http://www.asyousow.org>.

New and Renewing Members

Advocates for Youth

Blue Shield of California Foundation

Bush Foundation

Community West Foundation

Conrad N. Hilton Foundation

Edward W. Hazen Foundation

Forsyth County Public Library

Foundation for Child Development

George Gund Foundation

Hill-Snowdon Foundation

Hull Family Foundation

Idealware

Jessie Smith Noyes Foundation

Kresge Foundation

Levi Strauss Foundation

Mary Reynolds Babcock Foundation

New Mexico Environmental Law
Center

Oxfam America

Peppercorn Foundation

Polk Brothers Foundation

Public Welfare Foundation, Inc.

Robert Bowne Foundation

Saint Luke's Foundation of Cleveland,
Ohio

Wealth Right Partners

William Caspar Graustein Memorial
Fund

Winthrop Rockefeller Foundation

Z. Smith Reynolds Foundation

Pushing the Envelope: Expanding the Limits of Mission Investing

By Peter Berliner and David Wood

Progressive philanthropy has (at least) two mantras: do more with limited resources and tackle systems while working on problems. Both of these core motivators for mission investors can help clarify how to move the field forward.

While still a relatively small but growing practice, foundations of all types and sizes are using mission investments – designed to generate both a financial and a social or environmental return – to expand their impact and to direct greater amounts of capital toward community needs.

Through this strategy, foundations are not only tapping into the greater part of their assets – their endowments – they also are influencing how financial markets respond to critical domestic or global challenges.

Neither is easy work and both require foundations to think and work in new ways. It may mean reviewing the foundation's purpose, values and strategies; reexamining investment goals; and challenging widely accepted beliefs about the market. For many foundations, it also means establishing new partnerships to find or create investment opportunities and encouraging others to join in.

'DOING MORE' IN PRACTICE:

Here are a few ways in which active mission investors are pushing existing boundaries:

“Going 100%”: If a majority of foundations were to begin mobilizing their endowments or investment portfolios

through mission investment, billions of dollars could be channeled toward addressing community needs. Consider that while foundations together disperse an estimated \$50 billion each year in grants, their collective endowments exceed \$600 billion. Currently, only about one in seven foundations is actively engaged in mission investing and, of those, only half are using their endowed funds to do so. The potential for much greater activation of foundations assets is great.

Some foundations are leading the way by seeking to deploy 100 percent of their endowment assets in support of their missions. Not satisfied to limit mission investments to a small slice of their endowment or program assets, these investors have found like-minded investment advisors and fund managers to help them find suitable investments across asset classes. Once seen as an unrealistic target, 100 percent is becoming a way to distinguish a foundation's full commitment to mission investing in practice.

One such foundation is KL Felicitas, a small to medium family foundation, which over the past seven years has converted more than 85 percent of its assets to mission-aligned investments, while generating competitive, market-rate returns. Its story challenges the prevailing assumption that doing good means sacrificing returns.

Another family foundation, the Erich & Hannah Sachs Foundation, is deploying its endowment through program-related investments (PRIs), which provide below-market capital to community de-

velopment and other similar organizations. Not encumbered by a requirement that it live in perpetuity, the foundation has been able to elevate its impact by recycling repayments of principal into new investments. As a result, it will have deployed far more dollars through the life of the foundation than it would have by making grants alone.

The likelihood that more foundations will be able to increase their mission investments is on the rise with the emergence of new investment opportunities and more mission investing success stories. One valuable resource is the framework developed by the Tellus Institute called Total Portfolio Activation¹ that describes ways in which mission investors can find investment opportunities within every asset class in their portfolios.

Building new products: A second approach for foundations is not simply to search for suitable mission investment opportunities, but also to help create them. In Detroit, for instance, the Kresge Foundation has partnered with NCB Capital Impact to create the Woodward Corridor Investment Fund, focused on dense, mixed-use, mixed-income investment meant to revitalize a core Detroit neighborhood. The fund is designed to offer more patient and lower transaction cost capital to deals that conventional finance has not served.

The Housing Partnership Equity Trust (HPET), a new real estate investment trust managed by the Housing Partnership Network, received important support and investments from the MacArthur

and Ford Foundations as well as Prudential, Citibank and Morgan Stanley. HPET is meant to offer a quicker route to bidding and closing on deals, and create a lower transaction cost structure that will make it easier to attract new investors into the affordable housing space.

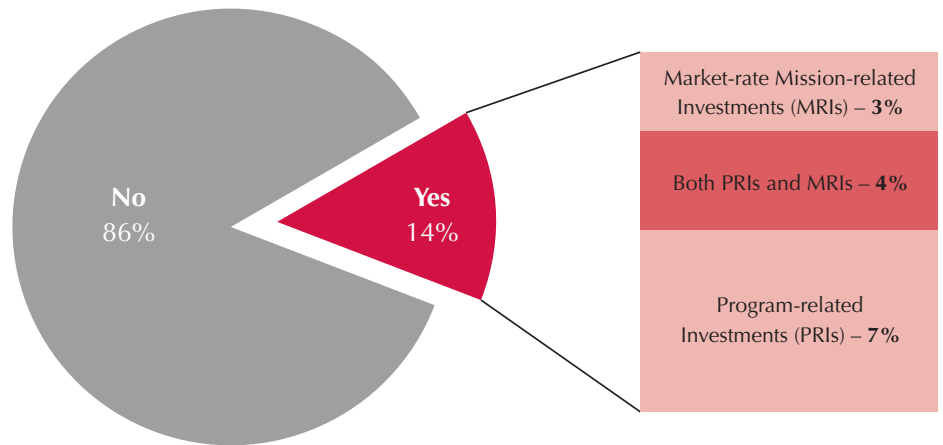
In each of these cases, foundation mission investors took leadership roles in creating products that better met the needs of end users of capital and the communities meant to benefit from transactions.

Focusing on sector or place: A third strategy is for foundations to draw on their abundance of social capital to focus attention and resources on a particular place or problem. Foundations are privy to a wealth of information and are well-positioned to bring disparate groups to work together. Community foundations in both urban and rural areas are taking the lead, for example, in identifying local needs and investment opportunities. They are also convening public and private investors to build capacity within their communities and to make use of investment capital by supporting community development financial institutions and other local organizations.

Further, while investment opportunities are expanding, finding the right targeted options requires additional internal and external capacity. In Oregon, for instance, Meyer Memorial Trust helped lead a partnership with the Oregon governor's office, the Ford Family Foundation and the Mid-Columbia Economic Development District to develop an online listing platform for economic development investments, with the goal of calling attention and reducing barriers to investment in areas that may not receive attention from conventional markets. Here, the foundation's work may leverage private investment in important social goals.

Foundations can do similar work through a sector-specific focus. The California Health Care Foundation's

FIGURE 1: FOUNDATION ENGAGEMENT IN MISSION INVESTING, 2011



Source: The Foundation Center, *Key Facts on Mission Investing, 2011*. Based on the responses of 1,195 foundations.

(CHCF) investment practice in health care delivery to poor or otherwise difficult-to-reach populations has helped create a new avenue for mission investing that draws on the combination of technical and financial skills that CHCF has cultivated in-house.

These three approaches illustrate how forward-thinking foundations are pushing the limits of existing investment markets. Going 100 percent challenges conventional portfolio management and pushes demand for mission investment opportunities; building new products calls for innovative financing strategies and solutions such as creating new funds or other investment vehicles; sector and place-based investing necessitates engaging diverse asset owners and civic leaders to address problems and serve markets that are overlooked or undervalued by conventional investors. These strategies, and others, can expand what is possible to achieve with mission investing and highlight for new entrants how vibrant and creative mission investing can be.

WHAT ELSE IS NEEDED?

Adoption of mission investing, and innovation in the field, is being spurred by foundations, investor circles, sup-

port organizations, investment advisors, fund managers and researchers developing case studies and publishing reports. The recent Sonen report, *Evolution of an Impact Portfolio*,² on the conversion of the KL Felicitas Foundation's portfolio to a mission-focused portfolio generating market rate returns is helping to dispel preconceptions about the limits of mission investing. The F.B. Heron Foundation's proclamation *The World Has Changed and So Must We*³ is a call to action for all foundations and an indication that Heron's commitment to mission investing goes beyond simply investing its own portfolio.

Recently, Mission Investors Exchange collaborated with the Council on Foundations to develop a *Community Foundation Field Guide to Impact Investing*⁴ that details the steps required to design and implement a mission investing program. In many ways, simply demystifying the process can go a long way.

However, barriers still remain, including the continued dependence of many foundations on investment advisors who lack deep understanding or a commitment to mission investing. Having knowledgeable partners and advisors who will search out investments that are aligned with mission is critical.

FIGURE 2: HOW DO WE FUND OUR GOAL?



Source: Tides, <http://blog.tides.org/2012/05/17/program-related-investment-changing-business-as-usual-for-philanthropy/>.

This may require finding new advisors or creating new incentives to redesign existing relationships.

Shifting practice toward mission investing has costs that need to be recognized and supported. The more innovative or ambitious the goal, the greater the need for financial and human capital commitments, particularly in early stages.

Equally important is for foundations,

and philanthropists in general, to understand and embrace the reality that they are uniquely positioned to provide the long-range vision, skills and resources, and patient capital needed to bridge the inevitably long distance between ideas and execution. To do this, they need to develop both coherent strategies and garner support of their key stakeholders and constituents.

THE WAY FORWARD

By definition, pushing out the boundaries of what's possible in mission investing is not a path of least resistance for foundations or an easy undertaking. But we think the effort can bring real rewards by bringing more resources to bear on difficult social problems and encouraging innovative new approaches and partnerships that wouldn't otherwise see the light of day. ■

Peter Berliner is managing director of Mission Investors Exchange. David Wood is director of the Initiative for Responsible Investment.

Notes

1. See <https://www.missioninvestors.org/tools/total-portfolio-activation-a-framework-for-creating-social-and-environmental-impact-across>.
2. See <https://www.missioninvestors.org/tools/evolution-of-an-impact-portfolio-from-implementation-to-results>
3. See <https://www.missioninvestors.org/system/files/tools/the-world-has-changed-and-so-must-we-clara-miller-f-b-heiron-foundation.pdf>.
4. See <https://www.missioninvestors.org/CommunityFoundationFieldGuide>.

IMPACT INVESTING BY SMALL FOUNDATIONS

Because mission investing is not reported on foundation tax returns, it's challenging to get accurate figures about the extent to which U.S. philanthropies engage in the practice. Survey data is the best we can get.

According to the Association of Small Foundations, about 1 in 10 (11 percent) of small foundations engage in impact investing.

Impact Investment Type	Of Foundations Reporting Impact Investing, Average Percentage Practicing Each Approach
Screens on stocks, bonds or mutual funds	59%
Direct investments on private companies or funds	31%
Deposits at Community Development Financial Institutions	10%

Source: Association of Small Foundations, *2013 Foundation Operations and Management Report*, <http://www.smallfoundations.org/tools-resources/data-and-research/foundation-operations-and-management-report/>.

Leveraging Impact with Catalytic First-Loss Capital

By Amit Bouri and Abhilash Mudaliar

The article below is excerpted and condensed from an issue brief on catalytic first-loss capital published by the Global Impact Investing Network.

In the nascent but growing impact investment market, some investment opportunities that have strong potential for social or environmental impact are perceived as having high financial risk. While some are seen as not producing sufficient financial returns for their level of risk, others suffer from a lack of information or track record given the opportunity's novelty. Innovative credit enhancement, which is a common feature of traditional financial markets, can encourage the flow of capital to these investment opportunities by improving their risk–return profiles and thus incenting more investors to coinvest.

AN INNOVATIVE TOOL TO REDUCE RISK AND CATALYZE IMPACT

Catalytic first-loss capital (CFLC) is one particular credit enhancement tool that has gained prominence of late. Impact investors are experimenting with CFLC in innovative ways to reduce risk, advance social and environmental objectives using commercial capital and stimulate investment activity in new markets.

CFLC, which can be incorporated into a capital structure via a range of instruments, including grants, equity, subordinated debt and guarantees, is best defined by two key features. First, it is catalytic: By improving the recipient's (see Figure 1 for a strict definition of roles) risk-return profile, CFLC catalyzes the

participation of investors that otherwise would not have participated. Second, it is purpose-driven: CFLC aims to channel commercial capital toward the achievement of certain social or environmental outcomes. In addition, often – though not always – the purpose can be to demonstrate the commercial viability of investing into a particular market.

Providers are the chief protagonists of CFLC in impact investing: Their ability and willingness to offer protection to other investors are the most important factors in driving greater capital flows via such structures. Providers tend to be strongly aligned with the investee's social or environmental goals and theory of change. Additionally, they are willing to take on greater financial risk in return for driving toward target nonfinancial objectives. Given these characteristics, foundations are particularly well-positioned to play the role of CFLC provider.

BENEFITS FOR BOTH PROVIDERS AND RECIPIENTS

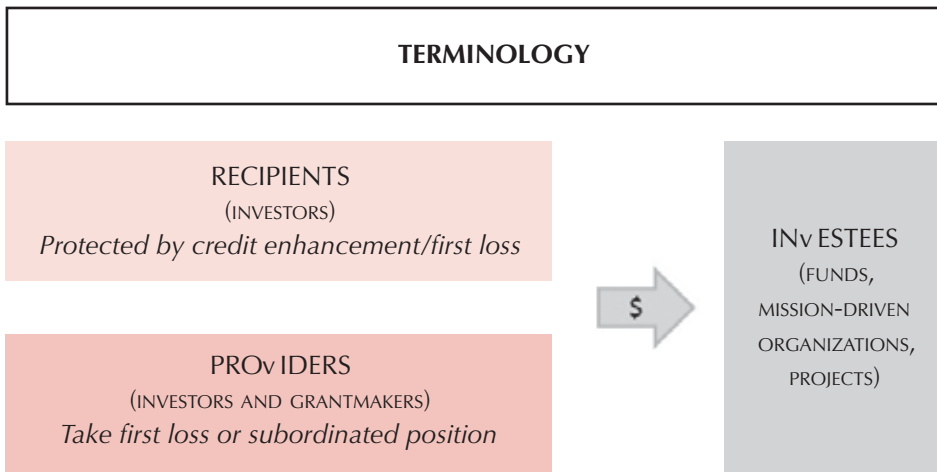
Providers and recipients both can benefit in various ways by participating in CFLC transactions.

The primary benefit for providers is that CFLC can enable them to leverage far greater volumes of capital to address target social or environmental challenges than they could mobilize on their own. To the extent that the opportunity is not seen to have potential to become commercially viable in the foreseeable future, continuous and ongoing credit enhancement will be required to maintain the inflow of commercial capital. In some cases, however, CFLC can help bridge information asymmetries and help develop new markets. Some investors, such as foundations and governments, often have considerable experience in certain sectors and regions where more risk-averse investors, such as banks or institutional investors, have limited experience. Investors unfamiliar with these markets may

“Philanthropy must do what it does best: peel back the first layer of risk, and experiment where other sectors cannot, making development and commercial investment dollars more productive and less risky.”¹

—Dr. Judith Rodin, president
The Rockefeller Foundation

FIGURE 1: RECIPIENTS AND PROVIDERS OF PROTECTION



believe investment risks to be greater than they actually are, and may thus be unwilling to invest.

A second benefit of CFLC, then, is to draw those investors into the market and demonstrate its financial viability: If the investment performance is sound, it can lead investors to alter their risk-return expectations and to subsequently reinvest in the same market with reduced, or potentially no, credit enhancement.

By doing either or both of the above two – achieving leverage and demonstrating commercial viability – a third benefit for providers is that they can channel more of their own scarce capital toward other areas where the commercial case is less proven. Last, but not least, CFLC helps improve the terms at which investees can access capital.

For their part, recipients may benefit in a couple of ways. First, though they

may be motivated by an investment’s potential social or environmental impact, they may be subject to meeting specific risk–return bounds, including those imposed by fiduciary constraints. In the absence of credit enhancement, certain impact investment opportunities may fall outside these bounds. By reducing recipients’ potential loss from an investment, CFLC improves the risk–return profile of an opportunity enough to incent or enable recipients to invest, thus expanding their universe of potential investment opportunities. Specific expertise that the provider may bring to the table – such as knowledge of the market or capabilities around impact measurement – can work to further reduce risk. Moreover, by investing with CFLC, recipients can gain first-hand knowledge of a new or nascent market, with the comfort of some downside protection.

It’s important for providers to understand that it’s often valuable, when trying to entice others to wade into uncharted waters, to present them with an opportunity to dip their toes first rather than requiring them to plunge right in. CFLC enables this in a very pragmatic way.

CONNECT WITH NCRP

TWITTER
@NCRP

FACEBOOK
/NCRPCommunity

BLOG
blog.ncrp.org

Or sign up for our email list at www.ncrp.org/take-action/signup.

ADDRESSING CONCERNS PROACTIVELY

It should be noted that the term “first loss capital” does carry some negative connotations. In some circles it is seen as “dumb money,” i.e., money that is provided solely to improve a transaction’s financial profile for other investors, without any discernible benefits for the provider. There also are moral hazard concerns: By providing first-loss am I encouraging potentially perverse risk-taking behavior? Finally, there is a concern that such subsidies might distort markets.

To proactively address these potential risks, providers should keep several important considerations in mind, both when structuring and then managing transactions that incorporate CFLC:

- **Clearly set expectations up front.** If the provider aims to catalyze or demonstrate a commercial market, it should communicate this and seek understanding that if the investment performs, the recipient will invest with less or potentially no loss protection in the future. Similarly, the provider should be prepared to make additional, though perhaps diminishing, commitments until the desired market development is achieved. By setting expectations up front, the provider can dissuade potential investors from predicating investment on CFLC support, as well as address the potential misperception that CFLC is necessary in the market, especially when no longer warranted.
- **Give careful consideration to structure.** Ideally, the amount of first-loss protection provided should be no greater than what is necessary to induce commercial capital to invest, i.e., the minimum sufficient to achieve desired goals. The objective is not to structure all the risk out of a particular investment. Ultimately, the level of CFLC protection in any given transaction will be a negotiated

term derived from the natural tension between the provider’s impact goals and budget and the recipient’s risk-return objectives and mission-alignment. To the extent that parties are candid about their expectations and goals, a negotiated process will lead to determining the minimum amount of CFLC needed to complete the transaction. The current paucity of data on transactions incorporating CFLC in many sectors makes it difficult to create benchmarks, but more market data over time will certainly help to determine appropriate ranges in practice. The Global Impact Investing Network (GIIN) recently published a report on the use of CFLC in impact investing, which provides details on five varied transactions that incorporate CFLC in their structures.

- **Explore multi-layer investing.** Foundations are uniquely positioned to not just provide credit enhancement (using their PRI budgets) but also to invest in more senior positions through their endowment. By investing in multiple layers, a foundation can work to ensure alignment and balance (to the extent that they may diverge) among the incentives of different players in different layers.

All in all, CFLC presents as an attractive tool for foundations and commercial investors to partner to achieve financial and nonfinancial outcomes. ■

Amit Bouri is managing director and Abhilash Mudaliar is research manager at Global Impact Investing Network. The full issue brief on catalytic first-loss capital is available for free download at www.thegiin.org.

Notes

1. Dr. Rodin’s keynote address during the G8 Social Impact Investment Forum, held in London on June 6, 2013.

Investing to Protect the World’s Climate

The following foundations have pledged to divest from fossil fuel companies and invest a portion of their assets in the clean energy economy under the Divest-Invest Philanthropy initiative:

Ben & Jerry’s Foundation, Inc.

The Chorus Foundation

Compton Foundation

The Educational Foundation of America

Granary Foundation

Jessie Smith Noyes Foundation

The John Merck Fund

Joseph Rowntree Charitable Trust

KL Felicitas Foundation

Nia Community Foundation

Park Foundation, Inc.

The Russell Family Foundation

The Schmidt Family Foundation

The Sierra Club Foundation

Singing Field Foundation

Solidago Foundation

Wallace Global Fund

For more information, please visit <http://www.divestinvest.org/philanthropy>.

Additional Resources for Foundations Interested in Mission Investing

ASSOCIATION OF SMALL FOUNDATIONS

www.smallfoundations.org/tools-resources/browse-by-topic/investments/impact-investing/

ASF is a membership organization of donors, trustees, employees and consultants of foundations that have few or no staff. Its website includes a resource page on mission investing that tackles a variety of topics such as a step-by-step process for getting started in MI, engaging with trustees and a handbook on responsible investments across asset classes.

AS YOU SOW

www.asyousow.org

As You Sow promotes environmental and social corporate responsibility through shareholder advocacy, coalition building and innovative legal strategies. It builds coalitions with shareholder allies including socially responsible investors (SRIs), pension funds, labor groups, foundations and faith-based investor communities to educate and encourage companies to reform policies and practices with negative environmental and social impacts. If dialogue alone is insufficient, it files shareholder resolutions and reaches out to institutional investors, media outlets and proxy analysts to raise awareness and advocate for change.

CERES

www.ceres.org

Ceres is a nonprofit organization mobilizing business and investor leadership on climate change, water scarcity and other sustainability challenges. Ceres directs the Investor Network on Climate Risk (INCR), a network of over 100 institutional investors with collective assets totaling more than \$11 trillion. Ceres also directs Business for Innovative Climate & Energy Policy (BICEP), an advocacy coalition of nearly 30 businesses committed to working with policymakers to pass meaningful energy and climate legislation.

CONFLUENCE PHILANTHROPY

www.confluencephilanthropy.org

Based in New York City and Oakland, Calif., Confluence Philanthropy is a network of more than 200 private, public and community foundations that are committed to moving philanthropy towards mission-aligned investments. From its annual conference, to webinars and trainings, to working groups focused on specific areas of investment and change strategies, Confluence's programs translate learning and connection into concrete action. It is a recognized affinity group of the Council on Foundations.

DIVEST-INVEST PHILANTHROPY

www.divestinvest.org

Divest-Invest Philanthropy is a coalition of U.S. and global foundations pledged to divest from fossil fuel companies and invest a portion of their assets in the clean energy economy. They are calling for other philanthropies to join them. Foundations now join the rapidly growing divestment movement among colleges, cities, states, pension funds and religious institutions, a moral movement of our time.

GLOBAL IMPACT INVESTING NETWORK (GIIN)

www.thegiin.org

A sponsored project Rockefeller Philanthropy Advisors, GIIN addresses systemic barriers to effective impact investing by building critical infrastructure and developing activities, education and research that attract more investment capital to poverty alleviation and environmental solutions. GIIN-authored publications are available online along with an Impact Investment Profile series, investor spotlights and a listing of upcoming events. GIIN is based in New York.

FOUNDATION CENTER'S TOPICAL RESOURCE LIST FOR GRANTMAKERS

www.foundationcenter.org/grantmakers/topicalresources/list20.html

The Foundation Center's mission-related investing resource list includes several publications on a range of topics related to MRI published by the Center and others in the sector such as Rockefeller Philanthropy Advisors, FSG Social Impact Advisors, the Association of Small Foundations, Blueprint Research & Design and Social Investment Forum.

INITIATIVE FOR RESPONSIBLE INVESTMENT

www.hausercenter.org/iri

The Initiative for Responsible Investment at Harvard University's Hauser Institute for Civil Society serves as a research center on fundamental issues and theories underlying the ability of financial markets to promote wealth creation across asset classes, while creating a stronger society and a healthier environment. It is in partnership with Mission Investors Exchange (see below) to promote the use of investments as tools for foundations to achieve philanthropic goals.

MISSION INVESTORS EXCHANGE (MIE)

www.missioninvestors.org

A project of Philanthropy Northwest, the Seattle-based Mission Investors Exchange is where philanthropic innovators exchange ideas, tools and experiences to increase the impact of their capital. Members include more than 200 foundations and mission investing organizations. MIE offers workshops, webinars, a three-day Mission Investing Institute, a biennial national conference and networking events such as one-day briefings and workshop sessions at regional and national affinity group conferences. It is in strategic partnership with the Initiative for Responsible Investment (IRI) of the Hauser Institute for Civil Society at Harvard University (see above).

THE FORUM FOR SUSTAINABLE AND RESPONSIBLE INVESTMENT (US-SIF)

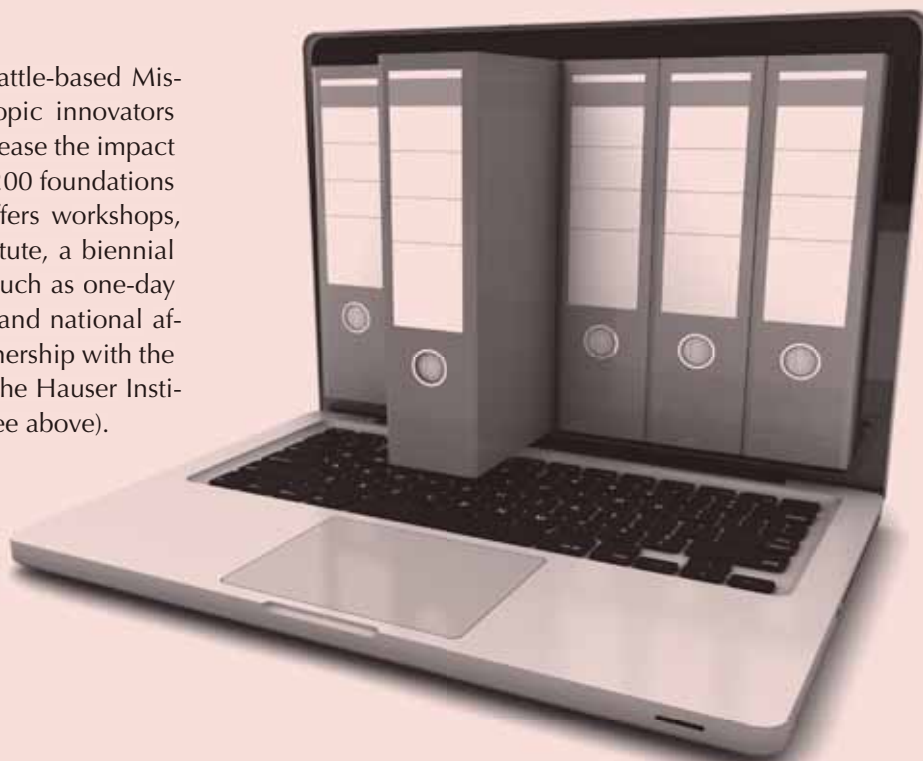
www.ussif.org/

US SIF is the U.S. membership association for professionals, firms, institutions and organizations engaged in sustainable and responsible investing. US SIF and its members advance investment practices that consider environmental, social and corporate governance (ESG) criteria to generate long-term competitive financial returns and positive societal impact. The "Education Center" on its website includes a suite of resources such as online and live courses and numerous publications. It has published a resource guide for foundations titled "Mission in the Marketplace."

WALDEN ASSET MANAGEMENT

<http://www.waldenassetmgmt.com/>

Walden Asset Management is the largest institutional investment manager in the sustainable and responsible investment (SRI) industry. It is the SRI practice of employee-owned Boston Trust & Investment Management Company and has been providing portfolio management services to socially responsive investors since 1975.



Pooled Funds: The Invisible Wall Standing Between Your Foundation and True Mission Alignment

By Dana Lanza and Sarah DeNicola

Since 2008, the field of mission-related investing has expanded beyond what anyone imagined. At Confluence Philanthropy, we have participated in the movement of more than \$2 billion in institutional commitments to the practice as foundations “carve out” portions of their endowments to test the overall premise of managing investment portfolios along social and environmental criteria, and with positive financial returns.

While many foundations are highly motivated by the notion of creating “impact” beyond what could be achieved with grant dollars through the use of concessionary capital with the potential to leverage other kinds of investments, others are concerned primarily with being responsible investors¹ in the way in which they manage investments. As with many things in the world, subtle lines are drawn around the value and influence of these two approaches, neither of which is mutually exclusive, because deep in our hearts we know that every charitable organization should be doing both.

Yet, the discourse tends to pivot around these two polarities, completely sidestepping one of the most pressing issues in mission-related investing today: the pooling of funds. The current way in which many pooled funds are managed is the invisible wall that stands between empowered, mission-aligned investors and their intentions.

Most foundations hold investments in pooled funds, which aggregate in-

vestments from many individual investors – offering lower trading costs, portfolio diversification and lower-cost professional money management.² However, as more foundations seek to align their investments with their values, they come up against institutionalized barriers and find that they have lost key mechanisms of influence. For example, foundations seeking to vote their stocks along environmental, social or governance guidelines may not be able to do so within certain funds because ownership is held in the collective. A second case in point: endowments seeking to divest from certain fossil fuel companies or sectors of the industry may not be able to do so

because they cannot select individual investments in a pooled fund.

Since funds from multiple investors are aggregated into one pool of money, fund managers vote proxies on behalf of *all* the investors according to their definition of fiduciary duty. This means that the power a foundation holds as a shareholder is effectively stripped, and its own investment dollars, more often than not, will contribute to unsustainable business practices and outcomes.

At Confluence, it is our experience that a majority of foundations, and especially small to midsize foundations, are invested (often heavily) in pooled fund structures. In many cases, these investments were made prior to the new era in mission-related investing and without much consideration for questions of ownership or investor influence. The elusive promise of low fees and financial return often has been cited as the motivation for such sorts of investments.

It is of utmost importance for foundations to *know what they own*. In a small-sample landscape analysis by Confluence Philanthropy’s Proxy Stewardship Initiative of 50 foundations that practice mission-related investing, approximately one-fourth of survey respondents reported that they did not know if their foundation was invested in pooled funds, or that it was too difficult to obtain the information.³ Simply getting full and transparent information from investment advisors can be quite difficult for foundations.

The power
a foundation holds
as a shareholder
is effectively stripped
and its investment
dollars, more often than
not, will contribute to
unsustainable
business practices
and outcomes.

The uncomfortable reality is that the invisible wall of pooled funds not only prevents foundations from true mission alignment, it also hamstring the ability to truly know and take responsibility for what you own, unless you are in funds specifically managed along environmental, social and governance (ESG) criteria. Most endowments are heavily invested in the fossil fuel industry (in some cases approaching even 7 percent of assets), and others may be in surprising investments such as the prison industry, GMO-producing agribusiness or, gosh, even adult entertainment! Yet, hopefully, very few donors, were they able to make intentional investment choices, would ever choose these forms of investment.

This invisible wall effectively prevents asset owners from exercising their rights and responsibilities as shareholders. This has deep implications for one of what we believe to be the central tenets of mission-related investing: *knowing* what you own and *owning* what you own. For impact investing to deliver on its promises, impact investors must take responsibility for the entirety of their investments, beginning with tackling the sticky issue of pooled funds.

DIFFERENCES IN DEFINITIONS: Mission-Aligned, Impact Investing, Socially Responsible Investing

While terms like “impact investing” and “responsible investing” often are used interchangeably, important distinctions must be made. Confluence Philanthropy refers to the true potential



of impact investing as “mission alignment,” wherein all of an organization’s assets are in alignment with its mission and values. Mission-driven investments are those created primarily for social or environmental performance (although they may be below or market rate investments).

“Impact investing,” as it’s currently being deployed, usually refers to direct investments in private equity or concessionary loans such as program-related investments, angel investments or loan guarantees. “Socially responsible investment (SRI)” refers to how cash is managed, proxy voting, shareholder engagement and positive and negative screening. However, it is important to note that multiple definitions are in use in this field and consensus has yet to be reached. The *Stanford Social Innovation Review’s* Fall 2013 cover article displays a range of definitions with fundamental differences. Paul Brest and Kelly Born’s assertion that an “impact investor seeks to produce beneficial social

outcomes that would not occur but for his investment in a social enterprise” sparked a flurry of responses, and the jury is still out.⁴

THE CONFLUENCE PHILANTHROPY APPROACH: MISSION ALIGNMENT

Confluence Philanthropy works to move the field of philanthropy toward mission alignment. This means the use of high-impact, mission-driven investments when possible and prudent, and the practice of responsible investment along ESG guidelines everywhere else.

So, how can foundations ensure that their investments, at the very least, are not working in opposition to their mission and values? Even further, how can foundations actually harness their power as asset owners to contribute toward the social and environmental outcomes they seek?

Confluence Philanthropy’s Proxy Stewardship Initiative works to address the issue of pooled funds and to support

endowments in being able to vote their proxies in accordance with their own values. The initiative aims to provide endowments with a deeper understanding of what pooled funds are, how they are used and how foundations and individuals can take action toward aligning their money with their missions.

The initiative has developed a set of universal proxy voting guidelines that endowments can collectively bring to fund managers, as well as a set of tools and resources to support these efforts. At a minimum, these voting guidelines and tools will help foundations to initiate these important conversations, which often can set change in motion. However, without addressing the problem of pooled funds, true mission alignment cannot be achieved and impact investing

may be falling into the same traps as the original 95 percent – wherein the majority of power is held in large and untouchable investment structures and a small portion of funds is allocated to creating positive impact.

Ultimately, more work is needed to increase the ability of foundations to practice discretion in their portfolios and to truly *own what they own*. Not only must philanthropy change, but the frightening reality is that so must the financial industry. Yet, without doing so, regrettably, there will never be comprehensive market moving, and impact and impact investing will remain an ornament on the investment portfolios of progressive endowments. ■

Dana Lanza is CEO and Sarah DeNicola is membership program manager

of Confluence Philanthropy. For more information about the Proxy Stewardship Initiative, contact dana@confluence-philanthropy.org.

Notes

1. By “responsible investing”, we refer to the use of screened funds, proxy voting, shareholder engagement, active ownership and the ways in which cash is managed.
2. See www.investopedia.com.
3. “Proxy Stewardship Project: Landscape Scan.” Proxy Stewardship Initiative (NY and Oakland: Confluence Philanthropy, Fall 2013).
4. Paul Brest and Kelly Born, “When Can Impact Investing Create Real Impact?”, *Stanford Social Innovation Review*, Vol. 11, No. 4, pp. 22–31, Fall 2013.

2014 NCRP

IMPACT

AWARDS



NOMINATE U.S. GRANTMAKERS FOR OUTSTANDING WORK FOR THE 2014 NCRP IMPACT AWARDS

We want to hear from YOU! Which foundations had the greatest impact and made positive, lasting change in 2013? Which foundations took steps to lead by example, define professional excellence and create a healthier sector?



Learn more and submit your nominations at www.ncrp.org/impact-awards/call-for-nominations.

Deadline for nominations is March 1, 2014.

Questions? Contact Kourtney Ginn at kginn@ncrp.org or (202) 387-9177 x16.



Park Foundation's Engagement with Mission-Related Investing

(continued from page 1)

example, worked to abolish forest clear-cutting, prevent the use of genetically modified foods and reduce toxins in our waterways if the foundation at the same time was invested in corporations responsible for these egregious practices.

In 2004, while participating in a Rockefeller philanthropic workshop in Berlin, Germany, Gomer was exposed to the concept of socially responsible investing or SRI. She found that Europeans were ahead of the United States on this front. When she returned to the states, Gomer decided to reinvest her personal portfolio in a way that would not harm people and the environment. Pleased with the performance of her new portfolio, she took on the challenge of convincing the foundation to follow suit.

It took time to shift Park Foundation's investment strategy. For a decade, Gomer invited experts in the SRI approach to make presentations at board meetings. Among them were Jed Emerson, known as a thought leader in sustainable finance, impact investing and strategic philanthropy; Caroline Williams of the Nathan Cummings Foundation, who introduced the concept of screening funds; and David Blood and Peter Knight, who helped drive the engine behind Al Gore's Generation Fund.

The Park trustees were impressed by these spokespeople. In 2006, they implemented basic screening and tested the waters by making a small investment in the Generation Fund – the foundation's first SRI. The fund's performance was positive, and it held up well during the 2008 crash. The Generation Fund has continued to do well and has helped to dispel the myth that SRI jeopardizes return.

Adelaide Park Gomer's grantmaking and investing experiences with both personal and foundation philanthropy were expressed in her statement

that summed up her own and the Park Foundation's philosophy of mission-related investing:

[Our] foundation's approach to making a difference in the world is holistic. Whether we are investing in social change or the market, we will remain mindful that money is a means, and not an end unto itself. As a foundation, our true bottom line is the good we do in the world. The very same values and ideals that guide our disbursement of funds to the programs that we support should also guide the management of our foundation's capital assets.

INVESTMENT TRANSITIONS

Fundamental to our engagement with MRI was a transition to new investment advisors who had experience with and enthusiasm for MRI. In 2011, we retained new investment consultants Tom van Dyck and Catherine Chen, also of Royal Bank of Canada Wealth Management. Under their direction, we created an investment committee composed of executive director Jon Jensen and three board trustees. We also brought in two outside financial advisors, Josh Mailman of Social Venture Network and Frank Coleman of Christian Brothers Investment Services.

The foundation now has a multipart MRI strategy consisting of proxy voting, environmental/social/governance (ESG) screening, shareholder resolutions, PRIs, carbon divestment/climate solutions investment and impact investing. Most of these elements were added more or less simultaneously.

PROXY VOTING

Until 2004, the foundation voted its proxies in the traditional default "vote with management" mode. In 2005, we contracted with Institutional Shareholder Services (ISS) to vote

our proxies using its SRI guidelines, and we utilized fee-based consultants from 2005 to 2011.

As part of the new portfolio structure instituted in 2012, all of our fund managers are required to vote their proxies along ISS social guidelines. These are fairly standard guidelines, and we are considering refining them around issues of particular interest to the foundation. No extra fees are charged for proxy voting.

ESG SCREENING

Our MRI strategy involves screening our portfolio along a defined set of guidelines developed by the Park Foundation trustees. We use filters in issue areas that include environment, employee relations, product liability, corporate governance, animal testing, nuclear and conventional weapons, nuclear power, tobacco, alcohol, gambling and community relations. We are currently exploring implementing additional screens in the areas of water and media, two focuses of our grantmaking. For example, we are using Ethical Investment Research Services (EIRIS) to evaluate water risk in our portfolio.

Currently, the Park Foundation's portfolio is approximately 98 percent ESG screened, and we are working towards 100 percent. Since 2012, our returns have been 19.7 percent in a much diversified portfolio. We feel that our strategy benefits both the bottom line and our socially responsible goals.

SHAREHOLDER RESOLUTIONS

The foundation sees shareholder actions as a tool to augment its grantmaking, in partnership with nonprofit organizations and fund managers. Consistent with our grantmaking interests in water, media and climate change, the Park Foundation has provided its stock holdings for shareholder resolutions (SRs). Working with grantee intermediaries such



as Open MIC and As You Sow, and fund managers such as Trillium and Walden, we have been filers or co-filers on resolutions with companies like ExxonMobil (on environmental impacts and investors' risk in hydraulic fracking for gas) and Verizon (on disclosure of customer records to the National Security Agency).

The challenges that the foundation has faced in engaging with shareholder resolutions include:

- Sequestering the appropriate stocks in a separate fund to ensure they will be held.
- Having the foresight to anticipate what stocks might be useful in the future, since stocks must be held for at least one year.
- Identifying the appropriate intermediaries with expertise to develop and advance shareholder resolutions.
- Having the administrative capability to respond to the need to issue authorizations and proof of ownership, sometimes on short notice.

To further facilitate these SRs, Park has set up its own Shareholder Action Account to hold stocks for potential future use in SRs. Investments in stocks are limited to \$10,000 (to maintain at least the \$2,000 required for executing a resolution) and the foundation has about a dozen and a half stocks in this separate account.

PROGRAM-RELATED INVESTMENTS

PRIs are useful tools to reinforce grantmaking; they allow the foundation to make additional capital available to grantees that have the capacity to take on low-interest loans. Our policy is to make 1 percent of portfolio value available for PRIs.

Currently, the foundation has a modest amount committed in six PRIs. All of these are invested in local organizations in Ithaca, N.Y.,

where the foundation is based. The loans are made for a range of uses, including green affordable housing, energy-efficient residential retrofits, local food systems, land conservation and community banking. These PRIs have been awarded through trusted intermediaries with expertise in these respective investment areas.

CARBON DIVESTMENT/CLIMATE SOLUTIONS INVESTMENT

The Park Foundation is one of about a dozen early signatories to the national Divest-Invest initiative, and it has developed its own policy that stipulates a commitment to divest its portfolio of the "Carbon 200" stocks and invest in climate solutions stocks.

Regarding this initiative, while the former (carbon divestment) is quite specific, the latter (climate solutions investment) needs further refinement. Absent strict external criteria, the foundation has a number of investments we would label climate solutions. Two of these are Generation Climate Solutions and North Sky Clean Tech Fund.

NEXT STEPS

One area the foundation has yet to fully engage with is more intentional impact investing that reflects and reinforces our grantmaking concentrations on water and media.

The Park Foundation's commitment to MRI ensures that our investments are congruent with our grantmaking mission. Moreover, we have not sacrificed meeting our fiduciary responsibility for risk/return. We see performance and responsible investing as going hand-in-hand.

While we have made progress on a number of fronts, we believe that much more remains to be done. ■

This article was prepared by the board and staff of Park Foundation.

W.K. Kellogg Foundation

Battle Creek, MI

www.wkkf.org

Established 1930



Q: How does the foundation's Mission Driven Investments program (MDI) tie in with how the W.K. Kellogg Foundation is seeking to achieve its mission?

A: The mission of the W.K. Kellogg Foundation (WKKF) is to support children, families and communities as they strengthen and create conditions that propel vulnerable children to achieve success as individuals and as contributors to the larger community and society. The MDI program seeks to invest endowment dollars to further that mission while achieving both social and financial returns.

We have committed \$100 million of our \$8 billion endowment to develop the MDI program and make impact investments that cut across our programmatic and geographical priorities. By investing endowment dollars in mission-aligned, for-profit and nonprofit entities, we maximize social returns to promote educated kids, healthy kids and secure families – all while attempting to achieve aggressive financial returns. Grantmaking is still a very important tool for foundations like WKKF, but in a fast-changing world with scarce resources, we are exploring ways to leverage endowment dollars to achieve the greatest possible impact toward the mission.

Q: What key lessons has the foundation learned about mission investing?

A: We approach our MDI investments in much the same way we approach our grantmaking – with clear goals, with focus on our mission and with openness to continuous learning. We

weren't the first organization to adopt impact investing, and we won't be the last. That said, below are some key lessons we've learned thus far:

Be scientific Before investing a dime, we take deep, sector-wide looks at the areas in which we seek to invest. One critique in this space is that there are not enough investments out there to warrant a dedicated program. However, we found the opposite. Through dedicated research and scans, we uncovered significant opportunities to invest in entities tied to our mission. The result is a robust portfolio of nearly three dozen investments dedicated to the health and well-being of children.

Invest directly: Part of our portfolio includes direct investments – investments not through third-party funds or brokers but directly in companies. We have learned that this brand of investing allows for a level of partnership and activity that investments through third-party funds and entities simply can't achieve.

Maintain a diverse portfolio: Our investments come in all shapes and sizes, and in a variety of asset classes (for example, cash deposits, fixed income securities, structured loans and private equity) and across all our program areas of interest. It has been advantageous to our foundation, both financially and socially, to maintain a portfolio of investments that cut across our programmatic priorities and fit within different financial molds. Once we identify a mission-fit opportunity,

we work with the organization's management team to structure a deal that meets both our needs and theirs to establish a strong bond between WKKF and the investment partner.

Q: What three tips do you have for other foundations looking to start or boost their mission investing?

A: Many peer philanthropic and nonprofit organizations are engaged in this field. Just as we learn from them, here are three insights from our MDI program that we hope others will find helpful:

Board buy-in: WKKF had the full backing of its board before entering into this work. Our board operated quickly and swiftly about buying into this work. Working collaboratively with your board is extremely advantageous.

Staffing WKKF's MDI team works between the foundation's program team and the investment management team, and engages strong, external consulting support. The result offers us incredible flexibility and insight, not just within the MDI team but across the foundation and in the field.

Learning from your investments: One of the great "learning returns" of our MDI work is the ability to foster collaborations and learning between our grantees and grantmakers and our investees and investors. We are excited by some of the relationships we're fostering and the opportunities they present to have greater impact in the lives of vulnerable kids. ■

NONPROFIT
 US POSTAGE
PAID
 PERMIT #108
 ALEXANDRIA, VA

Select Publications

Winthrop Rockefeller Assessment Report December 2013

NCRP examined how the Winthrop Rockefeller Foundation's strategies and practices aligned with its goals, the outcomes and impact from its "Moving the Needle" agenda, the quality of WRF's partnership with its grantees and other operational practices.

Smashing Silos in Philanthropy: Multi-Issue Advocacy and Organizing for Real Results November 2013

This report offers compelling reasons why foundations need to fund cross-issue grassroots efforts as part of their overall grantmaking strategy. It suggests ways that grantmakers can overcome challenges in funding multi-issue advocacy and organizing, and recommends seven practical tips for foundations that want to effectively support nonprofit engaged in this kind of work.

The Philanthropic Landscape May 2013

NCRP looks at the latest data to track giving to underserved communities, social justice philanthropy, general operating support and multi-year funding for 2011. There are some good and not-so-good news for nonprofit and the communities they serve.

visit: www.ncrp.org/publications

NCRP Board of Directors

EXECUTIVE COMMITTEE

Dr. Sherece Y. West-Scantlebury	Winthrop Rockefeller Foundation (Chair)
Gara LaMarche	Robert F. Wagner School of Public Service, New York University (Vice Chair)
Judy Hatcher	Pesticide Action Network North America (Treasurer)
Priscilla Hung	Community Partners (Secretary)
Cynthia Renfro	Civis Consulting, LLC (At-Large)

DIRECTORS

Diane Feeney	French American Charitable Trust
Marjorie Fine	The Linchpin Campaign
Ana Garcia-Ashley	Community Organizer
Trista Harris	Minnesota Council on Foundations
Taj James	Movement Strategy Center
Pramila Jayapal	Center for Community Change
Mary Lassen	Center for Community Change
Daniel J. Lee	Levi Strauss Foundation
Vivek Malhotra	Ford Foundation
Ruth W. Messinger	American Jewish World Service
Ai-jen Poo	National Domestic Workers Alliance

PAST BOARD CHAIRS

Paul Castro	Jewish Family Service of Los Angeles
John Echohawk	Native American Rights Fund
Pablo Eisenberg	Public Policy Institute, Georgetown University
Diane Feeney	French American Charitable Trust
David R. Jones	Community Service Society of New York
Terry Odendahl	Global Greengrants Fund

Organization affiliation for identification purposes only.