

More for Mission

October 15, 2009

Mission-Related Cash Investing

- Considerations:
 - Operating Cash
 - Cash Deposits
- Examples:
 - Edward W. Hazen Foundation
 - Winthrop Rockefeller Foundation
 - W.K. Kellogg Foundation
- Challenges and Next Steps

Why Cash?

- Simple in execution
- A range of potential benefits
- Operating accounts and deposits

Execution

- Identify internal champion
- Educate and seek buy-in at board level
- Determine impact areas
- Send RFP
- Due-Diligence process

Impacts

- Provide increased access to capital for communities important to foundations
- Linked deposits for targeted impact
- Banks become valuable learning partners for foundation programs and initiatives



Edward W. Hazen Foundation and Social Investing

- Five year journey to align investments with the foundation's mission and values
- In 2006, revised Investment Policy to include Social Guidelines
- At year end 2008, all investments except cash holdings reflected the mission and values of the foundation
- Independent board of trustees
- Timing right to change banks given board changes

Operating Cash

- Basic banking needs: ACH debits, checks, wire transfers
- No compelling reason to stay with current bank if a community bank can offer the same services

Initial Due-Diligence Process

- Search National Community Investment Fund (NCIF) database: www.ncif.org
- CDARS Member? www.cdars.com
- Eliminate banks in transition/too small
- RFP sent to 9 banks

Bank Selection Process

- Assess products, services, and bank structure with bank officers from 4 banks
- Based on operational issues narrowed down to 2 banks
- Final Criteria: weigh importance of location and communities served vs. level of banking services
- Final Selection: ShoreBank www.shorebank.com

Cash Management Products

- Impact Money Manager account & NP Checking

The Impact Money Manager provides interest without the fees associated with non-interest earning investment sweep accounts.

Key features:

Competitive rate of return

Automatic transfer of funds from the Impact Money Manager to the checking account overnight in increments of \$1,000

Other benefits:

Liquid and accessible funds

Better management of Hazen's cash

No manual transfers between accounts

Low fees



Winthrop Rockefeller Foundation

- Years of PRIs but never used term “mission related”
- Biggest hurdle – Building finance committee consensus that they can make money and move mission forward
- Investments must satisfy PRI Committee and Finance Committee

Certificate of Deposit Hope Community Credit Union

- Fully insured by National Credit Union Share Insurance Fund (NCUSIF)
- High Impact CDs: portion of interest left with Hope to invest in technical and financial assistance programs that strengthen community infrastructure such as health care, child care, and affordable housing
- Seeking more deposits – will use NCIF as a



Operating Cash – Southern Bancorp

- Excerpt from RFP required elements of response:

Indicate how your bank's mission is aligned with the WRF goals as outlined

- Southern Bancorp is in 14 communities and is tightly aligned with mission of reducing poverty and strengthening communities
- Impact example: Southern helps manage a network of volunteer income tax prep sites. This is an important policy issue for Winthrop Rockefeller

W.K. Kellogg Foundation

- Mission Driven Investing (MDI) \$100M Carve-out of assets
- Over \$34 million deposited in 15 CDFIs and credit unions
- Deposits target lending to support:
 - small businesses
 - affordable housing
 - access to credit for vulnerable communities

Cash Deposits

- With Imprint Capital (consultants) explored 100+ institutions to identify high-impact banks with capacity to get capital into vulnerable communities
- Identified 15 CDFIs and credit unions
- Deposits yielded a 1.59% return
- A similar investment in the five largest U.S. banks would have yielded 0.64%

Challenges

- Administrative nuisance (operating cash)
- Time commitment
- Flexibility to work with banks in different geographic areas
- Finding bank institutional capacity to take large deposits
- Foundation reporting requirements imposed on community development financial institutions

Next Steps

- Identify an Internal Champion
- Buy-in at the Board level
- Staff capacity to issue RFP and perform due diligence
- Resources: Certified CDFI lists from CDFI Fund, NCUA Low-Income Designated Credit Unions, NCIF, CDARS
- More for Mission Members-Only portal:
www.moreformission.org