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OVERVIEW
Established in 1972, the Council of Michigan Foundations (“CMF”) is a community of members committed to growing the impact of Michigan philanthropy through investing in the state’s charitable organizations, convening business, government and nonprofit leaders, collaborating on critical issues, seeking innovative solutions, sharing knowledge and advocating. The Council of Michigan Foundations has grown to become one of the nation’s largest regional associations of grant-makers, serving more than 330 members - family foundations, corporate foundations and giving programs, independent and community foundations, and public charities of all sizes - representing over 85% of the organized philanthropic assets in the state of Michigan.

CMF STRATEGIC FRAMEWORK
In 2013 CMF updated its Strategic Framework and Business Model to address opportunities for change and growth within the philanthropy sector and to build upon existing successful programming and services. This revision of the framework also recognized a shift in the philanthropic landscape to include new players such as for-profit and hybrid organizations as well as emerging best practice around the provision of “financial charitable support” as a wider lens to capture the scope of giving options outside of grant-making.

IMPACT INVESTING DISCOVERY
An expressed outcome of CMF’s 2013 Strategic Framework and Business Model was the design of an impact investing hub as a new service offering. This goal stemmed from member and community partner interest in ways to increase or more effectively utilize impact investments to finance social benefit; essentially leveraging some of the $25 billion of foundation assets in the State of Michigan. CMF engaged RoundBox Consulting (“the Consultant) to conduct a landscape assessment of the interest and capacity of potential investors, investment candidates, and professional services providers to engage in investing and the types of tools and services that CMF might deliver to best support this activity.

“Impact investments are investments made into companies, organizations, and funds with the intention to generate social and environmental impact alongside a financial return. Impact investments can be made in both emerging and developed markets, and target a range of returns from below market to market rate, depending upon the circumstances.”
~Global Impact Investing Network
FINDINGS

As with the introduction of any new tool or technology, potential users need to answer one critical question, “how will this improve outcomes? The same question is asked by both potential impact investors and investment candidates (i.e. nonprofits) who want to make certain that this type of capital is not simply a solution seeking a problem but a meaningful and practical way to give and get financial charitable support. The research found that while both investors and investment candidates are interested in impact investing both groups require more knowledge about the subject. About 80% of investment candidates had no or limited knowledge of impact investing compared to about 50% of investors (i.e. foundations). Highlights of other important findings are as follows:

- Over 60% of investors queried had not engaged in impact investing and the key reasons that they have not engaged in the space are the lack of adequate knowledge and tools and that grantees and stakeholders had not expressed an interest in this type of capital. Conversely, most investment candidates stated that they had not been asked by investors to consider or apply for this type of funding. It would appear that each group is waiting for the other to broach the subject which is not likely to happen if neither group is very confident of their understanding.

**Opportunity:** CMF can serve as a broker or conduit for knowledge about impact investing by providing training, consulting, and resource information. An education curriculum appears to be the first need of the field in order to participate in this space.

- Investors expressed concern about finding enough qualified investment candidates and transactions (i.e. deal flow or pipeline) to make participation in this space worth the expenditure of financial and staff resources. In fact, some foundations that are already making impact investments don’t have a formal investment program with planned, regular deal evaluation or a desire to establish one--deals are structured on a case-by-case basis.

**Opportunity:** CMF can support impact investing by connecting its extensive networks and creating an “exchange” for deal flow. This exchange could look like an on-line portal where co-investment opportunities, government initiatives (e.g. Regional Prosperity Map), and pitch contests can be centrally communicated and tracked. Because data visibility is one of its key assets, CMF is also well-situated to take a lead role in managing communications in the investing space in Michigan.
The number of nonprofits for which impact investing provides the right kind of capital to drive the right kind to social changes will be limited relative to the entire universe of Michigan nonprofits because the sector is highly populated by small organizations that don’t have a business/revenue model that is conducive to investment. Funders in the space most often provide financing to larger, more stable grantees with which they have long-term relationships. Nearly 60% of nonprofits queried stated that they would need capacity-building in the form of business and strategic planning in order to become investment-ready. Of note, the investment candidate pool can easily be expanded based upon investor’s’ willingness to support for-profit or hybrid organizations with a social mission.

**Opportunity:** CMF can assist members that provide or desire to provide capacity-building services with the development standards or tools for assessing the readiness of investment candidates.

Michigan may be under-resourced in the number of technical and professional services providers available to support and build the field. Because the impact investing sector as a sub-sector of all philanthropic giving is relatively small, the advisory community (e.g. consultants, accountants, and impact evaluators) for the sector is equally small as there is not sufficient business for most firms to create a requisite practice.

**Opportunity:** CMF, through its consulting services program, can qualify and contract with consultants that are specifically skilled with impact investing on behalf of member clients. CMF’s consultant roster includes subject matter experts across the state that can form cross-disciplinary teams.

In order to advance any of these opportunities, CMF would likely require enhancements to its own human and capital resources to allow for the orderly build-out of a network of services and relationships to support these activities.
METHODOLOGY

This report was designed as a qualitative assessment. Qualitative research aims to gather an understanding of behaviors and the reasons that govern such behavior. The qualitative method investigates the "why and how" and not just the what, when or where. Therefore, smaller but focused samples are used more often than large samples. It should be noted that the respondent universe for investee inquiry was so small as to be statistically negligible compared to the number of known nonprofits in the state (over 40,000) and the number of for-profit businesses that do or could provide social impact.

In the conventional view, qualitative methods produce information only on the particular cases studied or entities surveyed or interviewed and any more general conclusions are only informed assertions. Quantitative methods can then be used to seek empirical support (e.g. verifiable evidence) for research hypotheses. For example, if 99% of respondents to a survey question indicated that they strongly favor a certain product, then a reasonable person could assert that this product was desirable but could not predict the amount of the product that customers would be willing to buy without additional research.

Tools used to gather information for this report include on-line surveys, telephone and in-person interviews, and literature (i.e. books, research reports, and periodicals) and website reviews. Over 500 entities and or individuals were queried. Relative to survey tools, it should be noted that the term "respondents" refers to the number of entities completing the survey and not the number of entities responding to a specific question(s) as all respondents did not answer all questions.

While this report was not intended to identify or quantify the entire universe of participants or would-be participants in the Michigan impact investing pool, it does attempt to understand and provide information on the profile of likely participants and gaps or voids in the impact investing landscape. Further, this report was not intended as a general guide to making or supporting impact investments, however, information from published guides may be referenced within this report.
THE CMF THEORY OF CHANGE

A Theory of Change ("TOC") is a practical tool for developing solutions to complex social problems. A TOC creates a pathway for change by working backwards from a goal through the conditions and strategic interventions necessary to achieve the goals and the metrics required to evaluate success. Based upon member interest in impact investing, CMF’s Impact Investing Task Force led the articulation of a TOC; outlined in the graphic below, that addresses the benefits of investing.

PROBLEM STATEMENT

• MI requires a financially sustainable social benefit and nonprofit sector to contribute to the quality of life, economic revitalization, and job creation enhancements that make the state a desirable place to live, work, and visit.

COMMUNITY NEEDS

• Many social benefit and nonprofit entities in MI are inappropriately capitalized to maximize societal and financial returns. Some entities could benefit from investment capital which is in short supply in spite of the state’s significant philanthropic assets.

DESIRED OUTCOMES

• A social benefit and nonprofit sector that is well informed about their capital needs and options
• Creation of a ready and informed investor network ("supply side")
• Creation of a ready and informed investment candidate network ("demand side")
• Achievement of pre-determined goals for the number of impact investments made and the amount of investment capital deployed statewide.

In order to meet the desired outcomes, CMF’s envisioned strategic intervention was the build out of a state-wide impact investment ecosystem or a networked hub that would connect knowledge tools, talent, financial capital, and other assets in a way that would make it more efficient and effective for investors to deploy capital and for investment candidates to access and leverage capital. This networked system could potentially mitigate the high-cost and steep learning curve associated with investors individually structuring programs or transactions and could provide a
more transparent way to collect impact data and promote best practice within the sector. This report is in essence a testing of the TOC in order to qualify CMF’s assumptions.

CMF articulated a TOC from its understanding of the sector and member interests. To frame the TOC from a more, investor-centric reference, it may be instructive to look at the change-statements of a few foundations that are actively involved in impact investing.

- “While ordinary charitable gifts are expended during the course of a new program’s launch, Angel Fund gifts are designed for reinvestment, so they make an impact, time and time again....a self-sustaining resource is created by-and accountable to- donors who we call Social Impact Investors.” – The Porter Hills Foundation

- “Grantmaking remains the primary tool for foundations like WKKF. But in a fast-changing world with scarce resources..... it is imperative that we look for additional ways to put endowment dollars to work to make a difference in the lives of vulnerable children..... Through the Mission Driven Investments (MDI) program, we support private-sector, for-profit entities working for social change. Many of these likely would not be funded through traditional grantmaking.”–W. K. Kellogg Foundation

- “Through Program Related Investments, the Community Foundation hopes to: 1) Increase the sustainability of nonprofit organizations through creation of social enterprise that generates revenue, 2) Extend the power of its invested assets by investing in the local economy, 3) Recover assets invested in the community for future reinvestment, 4) Leverage other investments or sources of support....”–Grand Rapids Community Foundation

- “Program Related Investments (PRI) enhance and advance the philanthropic work of Rotary Charities and Rotary Camps & Services. PRIs are primarily an extension of Rotary Charities' grantmaking program and are not viewed as an alternative investment strategy.”–Rotary Charities of Traverse City

The change that investors (both locally and nationally) appear equally interested in is the ability to use capital in a way that encourages organizational sustainability and drives impact. In some cases investors have been implicit about the fact that the relevance of the work and not the legal structure or operating model of the provider is important, therefore their funding tools must reflect the needs of the changing provider base.
PHILANTHROPIC CAPITAL

The term capital is used loosely but what is capital and why is it important to any discussion about philanthropy? First, capital is different from revenue. Revenue is money received from the sale of a product or service. Its flow is fairly consistent and it pays for normal operating expenses like salaries and supplies.

For many nonprofits a significant portion of their revenue is restricted in that it can only be used to fund the project that the foundation or donor agreed to support. For example, the proceeds of a grant made to support health screenings can’t be used to fund medications for a patient or to radically change the way healthcare is delivered.

**Change, growth, large-scale collaboration, innovation, and expansion almost always require capital.** Unlike revenue, capital is a targeted infusion of funding, separate from operating money, which helps the nonprofit improve its opportunities to produce revenue and to increase social impact.

Think of it this way, revenue pays for more gas to fuel a truck but capital pays for technology to optimize delivery routes which in turn reduces fuel usage and speeds up deliveries. Though this example of fuel savings was borrowed from shipping giant UPS, it could be easily applied to food banks, disaster relief agencies, and other nonprofits that operate a fleet of vehicles.

One of the key challenges that the nonprofit sector faces is inadequate or misaligned capital structures. Organizations may try to finance long-term assets with short-term funding or grow or boot-strap new programs without dedicated seed money. Poor capitalization limits an organization’s ability to plan, adapt, and respond which leaves them in the vulnerable position of “reacting” to change or missing opportunities. CMF theorizes that as the philanthropic sector’s role as a change agent in Michigan’s revitalization continues to grow and evolve, the sector will need to employ a wider range of philanthropic capital tools such as impact investments. One size will not fit all.

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**Grants**
- Meets affordability gap (costs exceed revenue potential) vs. financing gap (capital is needed to produce new or more durable revenue that repays funding)
- 100% negative return, no repayment
- Smaller $$ size
- Project funding vs. enterprise – level funding

**Program-Related Investments**
- True financing gap
- Larger $$ size
- Enterprise –level funding to meet growth or change
- Ability to repay funding
- Often below market rate return

**Mission-Related Investments**
- Often market rate or above returns
- Well-defined financial and social return metrics
- Higher level of risk evaluation
- Suitable for scaling, product commercialization, mergers & acquisitions
- Wide range of asset classes to choose from (e.g. private equity, fixed income, guarantees)
INVESTOR PROFILE

Impact investing existed long before the term itself came into being or any professional practice was built around it. Generous individuals have historically offered credit to charities but in 1969 the federal Tax Code recognized program-related investments and that legitimized the space for institutional investors like universities, banks and pension funds. The growth in institutional investors also sparked myriad names for impact investing such as: mission-related, mission-driven, socially-responsible, and triple bottom line investing. According to a report from the Monitor Institute (Investing for Social & Environmental Impact”. 2009), the impact investing market was expected to grow from $50 billion in 2009 to $500 billion by 2019.

While the increased appetite for impact investing is definitely significant, it doesn’t necessarily mean that most investors, even foundations, are hungry to try it. In fact, the 2013 infographic from the Foundation Center depicted below shows that only a small fraction of foundation assets nationally are being deployed for impact investing. Michigan’s philanthropic sector appears to mimic national trends as over 60% of foundations surveyed for this report indicated that they had not engaged in impact investing. Of those that had made impact investments, the majority of those investments were centered in loans and loan guarantees followed by equity investments in for profit entities.
Anecdotally, it appears that most Michigan foundations engaged in the space are not acting with intention meaning that: 1) they are not actively soliciting investment candidates, 2) impacting investing is not an explicitly stated program or activity, 3) no formal investing guidelines or policies exist, and 4) no impact investment capital has been ear-marked or reserved.

The seeming lack of intention is not a black-eye on the sector and may actually signal that some investors are taking risks, learning by doing, and challenging nonprofits to “think outside the grant” without having a template to refer to. Another counterpoint is that while the number of intentional foundation investors is small; they have formed a powerful learning circle that less formal investors turn to for information and advice. It should be noted that 39% of respondents cited peer organizations as their most valued external source of information about investing. So why aren’t more Michigan foundations engaged? The key reasons (by rank order of importance) cited by respondents are listed below.

### TOP SIX OBSTACLES TO INVESTING

1. Inadequate information and tools
2. No interest from grantees
3. Doesn’t fit with mission
4. Insufficient capital to invest
5. Too financially risky
6. Doesn’t comply with by-laws or governance

Other potential obstacles cited by investors based upon their actual experiences and or perceptions include:

- Foundations lack adequate back office support to make and monitor investments
- Foundations are risk-averse, trustee and donor buy-in lagging
- Insufficient evidence/history that financial and social outcomes can be achieved
- Cost of investing and time needed to deploy capital is too great
- Good deals are hard to find/source
- Number of nonprofits that are situated to use investments is too small, many lack financial literacy
- Philanthropic culture favors grants, compelling projects should not have to repay
It’s important to unpack a few of these concerns in order to better understand whether reasonable solutions exist or can be created to overcome real or perceived barriers or whether the reward for doing so is meaningful.

**INFORMATION GAP**

Just over 56% of investor respondents stated that they had limited or no knowledge of impact investing. Roughly 50% of respondents stated that they would find board and staff training, underwriting, and legal/compliance assistance useful in creating, sustaining, or expanding an impact investing program. While websites, blogs, and how-to guides about impact investing abound and are good primers for bridging the “knowing gap,” investors may require more tools and information to bridge the “doing gap,” or the place where knowledge is put into action.

CMF can serve as a broker or conduit for knowledge about impact investing by providing training, coaching, counseling, and aggregating resource information. While peer organizations were respondents’ first choice as external thought partners, their second choice was trade organizations like CMF. CMF already has relationships with other associations such as the Mission Investors Exchange and the Michigan Nonprofit Association that could be tapped to supply specific subject matter expertise to the market. However, CMF must carefully consider its own capacity to staff and manage initiatives outside of its historic core business.

**DEMAND GAP**

Investors rightly want to know the size, composition, and durability of the market and have some assurance that their efforts will attract ready, willing, and able investment candidates. True impact investment demand is difficult to quantify because of the nature of philanthropic capital - a targeted infusion of cash intended to create better revenue and social impact opportunities. The targeted nature of this financing suggests that investors play a key role in seeking out deals that meet their well-defined investment objectives or meet very specific or timely community needs.

This is in contrast to traditional grant-making where grantees can cast a broad net in search of revenue that pays for its recurring programming. That said there are over 48,000 nonprofits (30,000 public charities) in Michigan, most in the human services field and most with assets under $250,000, according to the Michigan Nonprofit Association (“Overview of Michigan’s Nonprofit Sector, 2012). While organizational asset-size is not the sole determinant of suitability for impact investing, smaller organizations will likely require supplemental management and finance supports in order to make, understand, and execute the investment strategy.
Foundations can boost their pipeline of bankable deals by first and foremost being intentional about their investing interests and objectives. A structured and publicly articulated investing program can attract certain candidates. Investment candidates must have some understanding of who is willing to hear their pitch as it would be unproductive to send random solicitations to the over 2,000 Michigan foundations. For investors that choose to provide capital on a case-by-case basis, opportunities exist to have personal or small group meetings with select mission-aligned organizations for the purpose of understanding if or how they might use investment capital. Maintaining a consistent pipeline of deals for evaluation was cited by respondents engaged in impact investing as a major challenge.

Creating energy and excitement about the impact investing space through promotions such as pitch contests, “idea prizes”, and mining entrepreneurs in a narrowly-defined place (e.g. neighborhood, commercial corridor, or city) can serve to attract innovative and entrepreneurial organizations. The philanthropic sector may also consider expanding its partnership networks to include non-foundation funders and stakeholders that have access to the demand pool. This pool expands exponentially if investors are willing to consider organizations that do not have a 501 (c) 3 designation, lessening the focus on the legal structure of the provider and increasing the focus on the best way to deliver on value and outcomes. CMF’s activities can promote the demand-side in ways as simple as encouraging support for intermediaries that can grow the pipeline or systematically sharing information about investment opportunities among its diverse partners.
INVESTMENT CANDIDATE PROFILE

The Michigan nonprofit sector includes foundations and public charities as well as non-charitable organizations such as business leagues and labor unions. According to the Michigan Nonprofit Association ("Economic Benefits of Michigan’s Nonprofit Sector," 2012), the sector receives over $200 billion in revenue and holds over $200 billion in assets. At face-value the statistics point to a well-capitalized, well-oiled machine. In reality, the sector is highly fragmented and capital is unevenly distributed across the sector and often misaligned within organizations.

The cash and capital-starved nature of the sector is somewhat evident in the research performed for this report. About 80% of respondents indicated that they had no or limited knowledge of impact investing and 75% indicated that they had never been approached by a foundation about impact investing, however, over 80% of respondents stated that they were interested or very interested in applying for impact investments. Any vehicle or forum that provides access to capital is generally viewed favorably by the nonprofit sector.

Statistically speaking, most of the interested organizations will not be investment-grade or investment ready. Some operate under a business model where an affordability gap (e.g. program costs exceed revenue potential) is an acceptable norm vs. a financing gap. This lack of readiness often creates a need for potential investors to engage in capacity-building with or on behalf of the candidate. This process of cultivating investment candidates tends to slow down the deal pipeline but generally leads to better and more informed decision-making by all. The following chart depicts the types of capacity building services respondents said they would find most useful in preparing for investment capital and the ways (by rank order) that they might utilize capital.

### Capacity Building Needs

- 65% - Data evaluation
- 58% - Business Planning
- 48% - Board and staff development
- 41% - Legal and IT (tie)

### Use of Funds

- #1 - Scaling
- #2 - Fixed asset acquisition
- #3 - R & D
- #4 - Systems improvements
The provision of capacity-building services could be an excellent way for foundations that don’t wish to engage in impact investing to support the field and contribute to shared social outcomes. Impact investing is not a substitute for grant-making nor is it considered superior to grant-making instead each exists on the continuum of capital tools needed by social benefit entities. An established investor specifically commented that in order for impact investing to be successful within a foundation it is imperative that program staff understand how the two tools differ so they can spot opportunities but no value distinction should be made between the tools or the staff (if two separate teams) that manage them. Program grants may also be needed to incubate new ideas until the proof of concept can be presented to investors or to shore up shortfalls in the total financing package.

Though no sub-sector or discipline is uniquely unfit for impact investing, investor respondents provided insight into the types of investment candidates that they viewed as most suitable for this type of financing:

- Health service providers with third-party billings (e.g. federally qualified health clinics, behavioral healthcare maintenance organizations)
- Community financial institutions and financial intermediaries (e.g. loan funds, credit unions)
- Juvenile justice service providers working under government contracts
- Private/charter school systems
- Workforce development organizations (e.g. Goodwill Industries, Salvation Army)
- Technology-based businesses with patented products or processes
- Agribusiness ventures
- Community economic development agencies

Sub-sectors for which impact investing may be least suitable include:

- Medical research or other academic pursuits without defined end-dates or technology transfer applications
- Scholarship programs
- Camps or seasonal businesses
- Recreational leagues/sports teams
- Neighborhood beautification
- Organizations that purchase large assets solely for holding purposes and not to redeploy into revenue-generating activity
INVESTMENT CANDIDATE SCREENING

Investment candidates must be screened through two or three filters: 1) Mission: Does their scope of work produce meaningful outcomes that align with the social impact objectives of the investor? The mission filter or the ability of an organization to do well is also known as the “single bottom line” and is the basis for all philanthropy, 2) Return: Does their business model support the creation of earned revenues (vs. contributed/donated revenues) that are robust and reliable enough to repay the investment. The return filter is known as the “double bottom line.” and 3) Upside: Does the investment have the potential for financial returns greater than the repayment principal and interest? The upside or “triple bottom line” might exist in the form of dividends, equity ownership, pre-payment fees, or other success fees. Every impact investment does not demand upside potential.

There is no ideal impact investment candidate as each investor needs to determine the right fit in accordance with their investment budget, risk orientation, transaction costs (e.g. due diligence, legal fees monitoring, etc.), market needs, and desired asset classes (e.g. purchasing a $250,000 CD from a community credit union has a different affect than offering a $250,000 equity infusion to a social entrepreneur). By way of illustration, the state-wide Michigan Women’s Foundation is making micro-loans of $10-20,000 each to women entrepreneurs many of which have low-to-moderate incomes. While the dollar value of these investments is small, the generational wealth creation potential is great. Conversely, the W.K. Kellogg Foundation which has over $8 billion in assets and is international in scope is making multi-million dollar investments to impact major systems that affect the quality of life for children.

The caveat here is that small-dollar investments generally require as much care and handling as large-dollar investments and for this reason many investors set investment thresholds at their highest risk tolerance in order to limit the investment pool to an orderly size. Additionally, all investors but especially small-dollar investors must be very realistic about the impact or change that they seek to make with their funds. Change made by small-dollar investments may be more incremental than that funded by large-dollar investments which can often immediately and significantly reposition the investment candidate in its field (e.g. increase in staffing, purchase of equipment, acquisition of facilities, expansion of sites or markets, etc.)
Investment candidates with the highest likelihood of success often share the following characteristics:

- Strong governance and leadership bodies
- Proven success in launching or managing programs, products, or new businesses and initiatives
- Well-developed business model, high level of research and planning around the opportunity/need that the business model addresses
- Managers experienced in the revenue-producing body of work. Candidates often fail when their current staff skill sets are inadequate to advance growth or change
- Effective networks or partnerships (“who knows them”)
- Functional operating systems and processes (technology, budgeting, communications, etc.)
- Financial literacy (understanding of the flow of funds, accounting and compliance principles, etc.) and history of effectively managing financial resources
- Some organizational/personal investment in the business model even if in the form of “sweat equity

Anecdotally speaking, it is rare that impact investment candidates come to the table with all of the aforementioned traits and more often the investment itself helps buy or build-out some of these assets. Impact investing is usually inseparable from capacity-building which is needed either to ready the candidate for investment (or the determination that investment is not feasible) or to periodically ensure that the investment stays on track.

Absent, from this discussion is the notion of a minimum asset size for the ideal investment candidate. Clearly size is important in some ways because larger, more fiscally stable organizations can better afford to acquire or develop the referenced success traits. The candidate must recognize that the investment is to be used for revenue-generating activity and not to repay other debts or address structural deficits. There is a separate type of capital need for restorative or repair purposes. In the same vein that a foundation would not want to make a grant so large that it “tipped” the grantee, investments must be configured to the candidates’ size and capacity.

An exception to any asset size criteria would be start-up organizations since many have little currency beyond a compelling concept. Again, mission is the first and most important filter in investment candidate screening. If a start-up can evidence that it can fill a critical mission gap in the existing landscape or respond to an emerging need or practice then it might benefit from a range of phased philanthropic capital to include grant funds to develop the proof of concept or feasibility.
PROFESSIONAL SERVICES PROVIDER PROFILE

Impact investing by design is concerned with both the mission business and the money business of the investment candidate unlike grant-making which promotes fiscally sound grantees but takes an arms-length approach to involvement in grantee’s actual business decisions. In order to meet investment goals both the investor and the investment candidate require a cadre of professional services. This heightened level of diligence may be one of the reasons that investor respondents rated “the availability of knowledgeable in-house staff” as the second most relevant factor (behind having more unrestricted capital) that would influence their decision to create, sustain, or expand an impact investing program.

Research supported that a few generalist disciplines in the realm of professional services were well-represented state-wide, namely management support organizations, construction managers, and accountants. However, many of the specialist fields such as investment underwriting, fund management, and product development lacked sufficient providers or providers sufficiently skilled in working with nonprofits. There was a large deficit in the number of evaluation firms that could be easily identified as experienced in impact evaluation. Most of the specialist practices were located in or around urban cities, many in metropolitan Detroit and metropolitan Grand Rapids, MI.

Because the volume of impact investing business is comparatively small (relative to other philanthropic engagement) and relatively inconsistent, there does not appear to be enough business for practitioners to gain expertise with or to earn a living from. Many nonprofit consultants work as sole proprietors so documenting this workforce can be difficult.

CMF can serve as a facilitator or broker of advisory and consulting services by vetting and engaging qualified consultants on behalf of the sector. Shared services providers might also serve to lower costs, increase quality, and codify best practice.
CONCEPT SERVICE HUB

Approximately 45% of investor respondents indicated that if CMF created a hub that connected investors, investment candidates and services providers to knowledge tools, resources, and investing opportunities they would be likely or highly likely to use those services. An additional 20% responded that they would be somewhat likely to use CMF services with the remainder being unlikely to use CMF services or unsure about whether they would use those services.

The form of service delivery that the hub might take was only generally articulated to respondents as a set of services that CMF might provide directly or broker but in many cases would only facilitate as in an “open source” type platform where multiple contributors own, control, or direct information. Specific concerns and commentary included:

- Inherent difficulty in co-investing and sharing services given that each investor may have very unique needs and guidelines and wish to work only with providers known to them
- CMF is one of a few organizations with enough credibility to engage all of the players
- Uncertain advantage of going through CMF or any broker vs. obtaining knowledge and skills independently
- Difficulty in getting boards and donors to allocate resources to impact investing when so few investments have been made nationally over the last decade and impact evaluation data (where applicable) is just being produced
- Most foundations do not have the staff resources to go out and compile all of the relevant learning resources so it seems reasonable the member association would provide this service
- Impact investing is not core enough to foundations’ giving philosophy to merit special training or consideration
- CMF will need to expand its own capacity to fully launch the hub
- Underwriting assistance would be a service that a foundation would like to purchase
- Grant-making and receipt is the primary way in which mission-related services have been funded so certain organizations will need CMF’s help in adapting their culture to other funding models

Given that 65% of investor respondents felt that that they might use CMF’s services, there appears to be a level of affirmative support that could lead CMF to more detailed discovery and testing of the Theory of Change or actual program design work. Subsequent to the preparation of this report the CMF Impact Investing Task Force developed a functional hub model as depicted in
Appendix A herein. The referenced model may or may not be the final model used to guide future research and or program development.

APPENDIX A-MODEL HUB SCHEMATIC

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RoundBox Consulting is an impact solutions advisor serving the philanthropic and social benefit sector. “Reshaping possibilities.”

Dione Alexander

Dione Alexander is the Principal of RoundBox Consulting, an impact solutions consulting firm dedicated to the philanthropy, nonprofit, and community/social finance sectors. Dione formerly served as the V.P. of the Midwest Region and V.P. of National Capital Asset Development for Nonprofit Finance Fund (“NFF”), one of the nation’s leading community development financial institutions. She has also provided executive management and leadership to Comerica Bank, Wayne County (MI) Departments of Economic Development and Environment, the Detroit Minority Business Development Center, and the Small Business & Technology Development Center at Eastern Michigan University.

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