

## ANNIE E. CASEY FOUNDATION SOCIAL INVESTMENTS PROGRAM

### About the Foundation

The Annie E. Casey Foundation is a private charitable organization dedicated to helping build better futures for disadvantaged children in the United States. It was established in 1948 by Jim Casey, one of the founders of UPS, and his siblings, who named the Foundation in honor of their mother. The primary mission of the Foundation is to foster public policies, human-service reforms, and community supports that more effectively meet the needs of today's vulnerable children and families. In pursuit of this goal, the Foundation makes grants that help states, cities, and neighborhoods fashion more innovative, cost-effective responses to these needs. For more information about the Foundation, visit [www.aecf.org](http://www.aecf.org).

### Background

The Annie E. Casey Foundation employs a wide range of strategies in its effort to improve outcomes for vulnerable children and families. Much of the Foundation's work is "place-based," meaning that the Foundation supports comprehensive strategies in specific neighborhoods and communities. Working with neighborhoods and state and local governments, the Foundation provides grants in specific communities as part of a long-term effort to strengthen the support services, social networks, physical infrastructure, employment, self-determination, and economic vitality of distressed communities.

For foundations, returns on endowment investments are critical to maintaining and growing programmatic (grant making) budgets. In 1998, the Annie E. Casey Foundation began to consider whether these endowment investments could be made more directly to strengthen its grant making. In particular, the Foundation sought to identify types of investments that would specifically enable Foundation staff to build upon their work and establish productive partnerships with the organizations and businesses that serve their communities.

Trustees of the Annie E. Casey Foundation originally allocated \$20 million for social investing—mission-related deposits, program-related investments, and market-rate investments that leverage grant-making activities in support of the Foundation's mission. By 2002, the Foundation established a formal Social Investments portfolio, and in 2004, Trustees increased the social investing allocation to \$100 million, approximately 3 percent of the endowment. Today, the Foundation employs a wide range of social investments to benefit both its endowment and its programmatic activities.

### Types of Social Investments

Social Investing at foundations can include a range of approaches such as social screening of investment portfolios or Program-Related Investments. The Annie E. Casey Foundation focuses its Social Investing activity in three areas:

1. **Program-Related Investments:** Investments that support charitable purposes aligned with the Foundation's mission. No significant purpose of the investment is the production of income or the appreciation of property. Terms of Program-Related Investments must be below-market on a risk-adjusted basis. Program-Related Investments at the Foundation are generally structured as loans, loan guarantees, or equity investments.
2. **Mission-Related Deposits:** Deposits made to federally insured depository institutions including traditional banks, community development financial institutions, credit unions, etc. These are structured as insured certificates of deposit or share certificates.
3. **Mission-Related Investments:** Investments that are intended to generate market rates of return but have a programmatic and/or social benefit as well. The Foundation will make limited mission-related investments.

## Evaluating Risk vs. Return

The Foundation considers a range of impact criteria when evaluating a potential social investment. The proposed investment does not necessarily have to rate high in all areas if a favorable combination is reached. For example, the Foundation might consider a higher risk investment if it is proven to have a particularly high impact on its grant-making objectives.

Criteria	Low	Mid	High
<b>Further Foundation Mission/Programmatic Fit</b>	Little or no relationship to program-related objectives	Significant indirect or moderate direct relationship to program objectives	Clear, direct relationship to program objectives
<b>Potential Program Impact</b>	Indirect or limited positive impact on strengthening families	Significant indirect or moderate direct positive impact on strengthening families	Significant, direct positive impact on strengthening families
<b>Financial Strength of Organization and Project</b>	Weak; poor financial position, experiences liquidity problems or other financial challenges; unclear that the project will generate sufficient revenue to support project or repay investors	Moderate; acceptable financial position, may have a financial challenge, but working to address it; project should generate sufficient revenue	Strong; good financial position, clear that project will generate sufficient revenue to support project and repay investors
<b>Strength of Management</b>	Limited or no experience with similar projects; newer management/board	Some experience with similar projects; experienced board	Deep experience with similar projects, strong board, long-standing management team
<b>Geographic Coverage</b>	Less than 50% of PRI proceeds intended for targeted geography	At least 50% of PRI proceeds intended for targeted geography	100% of PRI proceeds intended for targeted geography
<b>Leverage of Additional Funds</b>	Leverages no additional funds	Leverages additional funds from traditional social investors	Leverages additional funds from other investors
<b>Potential Influence</b>	Low, limited potential influence on systems reform or policy	Moderate, some potential to influence systems reform or policy	High, significant potential to influence systems reform or policy
<b>Innovation and Replication</b>	Limited potential for success to be replicated or new approaches to be advanced	Mid-range potential for replication; some aspects of approach considered innovative	Significant opportunity for replication; highly innovative project

## Measuring the Impact

Tangible outcomes that are aligned with the Foundation’s grant-making strategies are a key objective of its social investing strategy. The approach to evaluation is rigorous and creative, designed to respond to the unique needs of a community and the specific capacities of an investee organization to respond to those needs.

The Foundation measures the impact of its social investments on two levels:

- 1. Population-level impact** focuses on community-wide improvements. These can include increased access to services, reductions in poverty, public policy that responds to the needs of families, improved infrastructure, increases in jobs, homeownership, earnings, etc. In many cases, the Foundation partners with research institutions to collect objective data on macro-level outcomes in targeted neighborhoods.
- 2. Deal-specific impact** is written into the covenants of individual investment agreements. These are established on a case-by-case basis, depending on the investee organization’s competencies and include quantifiable targets, such as specific numbers of affordable housing units developed, small businesses financed, jobs created, etc. These impacts are measured on an ongoing basis as part of each organization’s reporting requirements.