

INVESTMPLS

A New Investment Option
for Charitable Assets



MINNEAPOLIS
FOUNDATION

INVEST IN MINNEAPOLIS



A New Investment Option for Charitable Assets

THE POWER OF IMPACT INVESTING

Traditionally, philanthropy and investing have been thought of as two separate disciplines, one promoting social change, the other financial gain. That's changing fast with the rise of **impact investing**.

Originally used by large national foundations such as Ford and Rockefeller, impact investments aim to produce a financial return *and* a social benefit. This strategy has caught on with a wide range of investors, including large-scale financial institutions, pension funds, private wealth managers, and commercial banks. Community foundations have engaged in impact investing for more than twenty years. In the last six years, The Minneapolis Foundation has taken a leading role in making this powerful tool available to individuals and families with Donor Advised Funds. Now we're building on that success with InvestMPLS.

HOW IT WORKS

InvestMPLS is a \$10 million revolving loan pool with a fixed interest rate paid to participating investors. Your Donor Advised Fund can join a cohort of charitable investors on **January 1** or **July 1** each year until the pool is fully subscribed. Assets will be invested with highly qualified intermediary organizations, including Community Development Financial Institutions (CDFIs), mostly located here in the Twin Cities. CDFIs are recognized by the U.S. Treasury Department, adhering to high standards of management to create both a financial return and a social benefit to communities.

In partnership with these institutions, InvestMPLS assets are deployed as opportunities arise to effect positive change in line with the Foundation's mission.

INVESTMENT GOALS

Economic Vitality

The Foundation is committed to building a business climate that fosters innovation, entrepreneurship, and self-sufficiency and a workforce that reflects our changing demographics. To help us achieve these goals, InvestMPLS will support projects such as high-quality job training programs and business development in distressed neighborhoods. In partnership with CDFIs and others that offer technical assistance and capital to minority-owned businesses and entrepreneurs of color, we're working to create 1,500 new living-wage jobs by 2020.

Education

We envision an education system that prepares all children to compete in a global economy and pursue their dreams. To realize this vision, InvestMPLS will make strategic investments to support the creation and expansion of high-performing schools. By 2020, we're committed to creating at least 10,000 high-quality seats for low-income students of color. A coalition composed of Propel Nonprofits and other education partners will develop and deploy financial capital to support this goal.

IS THIS FOR YOU?

Donors make impact investments for a variety of reasons. Here are a few signs that InvestMPLS might be a great tool for your Donor Advised Fund:

- You care about making positive change in your own backyard, on issues like education and economic vitality.
- You're interested in pooling your Donor Advised Fund assets with the Foundation and other Donor Advised Funds to leverage your impact.
- Your Donor Advised Fund maintains a significant balance from year to year.
- Your Donor Advised Fund has a balance of at least \$50,000, and you want to dedicate at least \$10,000 to impact investing for 5 years.
- You have a private or family foundation and are interested in exploring new ways to leverage your charitable assets for maximum impact.

WHAT'S NEXT?

We'd love the opportunity to tell you more about the power of impact investing. If you have any questions about InvestMPLS, please call us at 612-672-3878 or call your Foundation representative directly.

Ready to invest? Please review the enclosed term sheet and return the recommendation form to us.

A PROVEN MODEL

We first invited Donor Advised Funds to participate in impact investments in 2012 when we placed a \$1 million, five-year note with the Nonprofits Assistance Fund (now Propel Nonprofits). Propel provides capital and short-term financing to Minnesota nonprofits. Propel's loans, which are evaluated by its investment professionals, help organizations in all fields of service, including health care, education, and the arts. In 2013, a second five-year note added \$800,000 to the loan portfolio.

In 2014, the Foundation and several Donor Advised Funds teamed up again to create a three-year, \$1 million Working Capital Loan Fund to provide cash-flow loans to minority contractors bidding on construction of U.S. Bank Stadium.

All three of these investments met their financial objectives and delivered a strong social benefit. They provided an annual return, and at the end of their terms, principal returned to the Donor Advised Funds.

This model worked so well that we created InvestMPLS to give donors more options for putting their Donor Advised Funds to work in the community.

An investment in InvestMPLS is subject to the risk of loss, including the loss of Donor Advised Fund principal.



IMPACT INVESTING AT WORK...

Getting Minority-Owned Businesses in the Game at U.S. Bank Stadium

After the Legislature approved a billion-dollar stadium for the Minnesota Vikings, The Minneapolis Foundation used impact investing to help more local business owners take advantage of the project's economic opportunities.

The Working Capital Loan Fund, which the Foundation teamed up with donors to create in 2014, was designed to eliminate one of the largest barriers that keeps emerging construction companies from growing.

Ed and Judy Cannon were among several donors who recommended that a portion of their Donor Advised Fund at The Minneapolis Foundation be invested in the loan fund, which provided cash-flow loans to minority-owned businesses so they could participate in construction of the stadium.

“Small business support and local issues are important to us, which the Foundation understands,” Ed said. “We started our own company years ago, and we know what it’s like to be a small business and the struggle it can be to get financing and the necessary bonds to participate in projects like this.”

The Working Capital Loan Fund was a three-year, \$1 million loan made to the Metropolitan Economic Development Association. The loan took a reuse-and-recycle approach; as businesses repaid their loans, the funds were redeployed to help others. All told, the fund made 14 loans to help minority-owned construction companies, supporting the equivalent of 191 full-time jobs.

Dave Bice, a member of the White Earth Band of Ojibwe and owner of Bald Eagle Erectors, was one of the business owners who got a stadium contract with help from the loan fund. “Without that \$200,000 working capital loan, we wouldn’t be able to do this job,” he told the Star Tribune.

“Contributing to this fund helps level the playing field, so it’s rewarding to see it help jumpstart jobs for minority-owned businesses,” Judy said.

“Like the Foundation, we’re always thinking about equity,” Ed said. “The Vikings stadium project has been a springboard for a lot of businesses, creating opportunities for people to get in the game—one that lasts a lot longer than 60 minutes.”

