The California Accountable Communities for Health Initiative (CACHI) is implementing a new model for modernizing our health system. By uniting local leaders in the common cause of improving health, local Accountable Communities for Health (ACH) serve as groundbreaking vehicles for collaboration across multiple sectors to address critical community health issues. Recognizing sustainability—and ultimately aligning financing with this new model—is a major challenge, CACHI hosted a three-part roundtable series to explore key financing issues.

Goals for Roundtable Series:

- To generate common language and strategies for California Accountable Communities for Health Initiative (CACHI) sites to support their sustainability and financing efforts.
- To continue building the case for investments in ACHs based on their financial, economic, and intangible valuation.
- To inform local, state, and federal policy and the general field of people and organizations working to advance the accountable communities for health-type model.

The attached paper was developed in partnership with ReThink Health to frame the session on social impact investment strategies and Accountable Communities for Health.

California Accountable Communities for Health Roundtable
The ABCs of Social Impact Investing

Prepared by Katherine Wright and Stacy Becker, ReThink Health

The California Accountable Communities for Health Initiative (CACHI) is a pioneering effort to demonstrate the Accountable Communities for Health model. The roles and responsibilities of accountable communities for health (ACHs) are considerable and CACHI endeavors to show how these can be successfully fulfilled. Of the many challenges, one of the more difficult is securing the financial resources to sustain the work of ACHs.

New ways of creating health will certainly require new ways of funding health. Grants will continue to play a role, but they are not sustainable over the long run. Yet most multisector partnerships for health, ACHs included, rely heavily on grants to fund their activities. (See ReThink Health's Pulse Check on Multisector Partnerships) Other sources of funding should be considered and—when appropriate—pursued. One such option is social impact investing.

Social impact investing, also known as impact investing or impact investment, is a term used to describe a type of investment that produces a financial return for private investors *and* positive community outcomes, such as social or environmental impacts. While impact investing is certainly a possibility for ACHs, it is both relatively new and more complex than a typical grant process. As such, it deserves a short orientation.

Most notably, the money an ACH receives through an impact investment is not a grant. Impact investors typically expect to recoup their investments in full, along with a return or profit, within a specified timeframe. Therefore, an ACH that wishes to utilize impact investing must be able to identify either: 1) the **financial** value and/or the asset it will create, or 2) a source of funds to repay the debt.[1]

This paper summarizes six prominent or emerging forms of impact investments. It is not meant to provide a comprehensive review, but to familiarize ACHs with the social impact investing landscape and the conditions for success. The six financial instruments are: social impact bonds, program-related investments/mission-related investments, community development loans, mini-bonds, equity investments, and opportunity zone investments. (The chart in the Appendix summarizes some of the key distinctions between the six instruments.) The paper concludes by drawing some lessons for ACHs interested in impact investing.

This paper was compiled by conducting a literature review as well as several interviews with individuals who have expertise in these instruments. Supplemental information, including the list of interviewees and a glossary of terms, can be found in the Appendix.

Social Impact Bonds (Pay-for-Success)

Social impact bonds (SIBs) are a form of a pay-for-success (PFS) contract, typically between government and social service providers. Worldwide, nearly 100 SIBs have been issued as of August 2017, totaling approximately $400 million in value. SIBs have funded a variety of social service programs addressing issues such as homelessness, youth engagement, criminal justice, and education. Most SIB contracts are under $5 million, but the largest to date is a $30 million contract in South Carolina.[2]

In a nutshell, SIBs finance interventions by estimating the future cost savings that will result from the intervention and using those savings to fund the intervention. This might sound a little confusing, so let's look at how this works.

1. SIBs focus on interventions that have demonstrated cost savings, most often to the government.[*]
2. Private investors agree to fund the interventions upfront, with the expectation that the government will repay their initial investment, plus a return (such as interest) using the future savings.
3. The repayment of investors is contingent on the delivery of certain benchmarks (e.g., a certain reduction in recidivism or a decrease in the number of special education students). Therefore, SIBs transfer risk from the government[*] to the investor because the government only repays the investor when the benchmarks are realized and the savings all but guaranteed.[3]

For example, the United Kingdom's Peterborough Prison One Service SIB was the first ever SIB, implemented in 2010. The goal was to reduce recidivism in adult male offenders by providing pre- and post-release support for up to 12 months following release from prison. Seventeen investors, including trusts and foundations, funded the £5 million SIB. The Ministry of Justice agreed to pay a return to investors if recidivism was reduced by at least a specified amount. After seven years, recidivism was reduced by 9%, which exceeded the target. Investors were paid back their initial capital along with a 3% return.[4]

SIBs are complex contractual transactions, and they present a variety of challenges. (The following list isn't intended to scare ACHs away from SIBs, but to ensure they are fully aware of the intricacies of a SIB contract.)

1. Defining and measuring the outcomes upon which payment is contingent typically requires robust evaluation methodologies (such as double-blind studies with control groups) to certify outcomes.
2. Most investors will require the money for repayment be set aside upfront—which can be an especially big hurdle for governments. If investors must rely on government to allocate money in the future to repay them, they are likely to view the SIB as too risky of an investment. Interviewees suggested that this is one the most challenging aspect of SIBs.
3. Investors are most interested in investments with short- to medium-term horizons (five to seven years), so interventions with longer-term payback periods are not suitable.
4. Long-term financial stability is not always ensured for the social service providers involved because once the SIB contract is completed there is no assurance of future funding. One interviewee suggested that the true value of a SIB isn't an innovative way to finance an intervention; rather, it's to demonstrate to the government that an intervention is effective and should be funded in the longer term.[5]

> *"The hardest job is aligning the payer. This is 80% of our work. We need to get clear with them about the data set, intended outcomes and a baseline for the current project, then raising the outside money is easy in comparison."*
>
> *-Social Impact Bond Interviewee*

[*] The government is most often the end payer, but it is possible a SIB deal could involve other end payers.

> *"Organizations interested in pursuing healthcare-related pay-for-success projects should expect a long and complex planning process and involve government partners and evaluators early to maximize the project's chances of success and replicability."*
> *-The Urban Institute*[6]

SIBs in the health arena face some additional challenges, namely: there is little *definitive* evidence that social interventions impact health care costs; there are few incentives to reduce health care costs; and to demonstrate savings, interventions often must target a specific population (usually small populations with high health care use), which leads to recruitment and evaluation challenges.[7]

Due to the challenges and rigors of SIBs, some interested parties don't get past the inquiry stage—according to one interviewee, they turn down more ideas for new SIBs than they accept. In fact, some financial intermediaries currently active in PFS are beginning to turn away from SIBs—because of the difficulty in executing them—and, instead, are turning to more outcomes-based contracts. (See the Appendix for additional information.)

ACHs interested in pursuing a SIB should be prepared to:

1. Have the government (or other end payer) at the table from the beginning. Know what the payer is interested in financing. Also, if the payer is required to set aside funds for future payments, make sure they're willing to do so. Partnering with a knowledgeable financial intermediary is a good first step.
2. Conduct a cost-benefit analysis or preliminary assessment to determine the health-related outcomes and financial value of the intervention. You'll need to outline what outcomes would be expected if the intervention weren't delivered (the "baseline") and how those outcomes will change as a result of the intervention.
3. Establish a robust way to measure performance of the intervention. Also, create milestones: you want to provide reasonable timelines for implementation start up as well as the time it takes to achieve the desired outcomes. It will be important to know you're on schedule to deliver the intended results—with measures that are simple, verifiable, and realistic.
4. Lastly, ensure service providers can meet the challenges and rigor of a SIB contract—this means having a solid sense of their performance, and the ability to measure not only outcomes, but costs as well.[8]

Program-Related Investments & Mission-Related Investments

Program-related investments (PRIs) and mission-related investments (MRIs) are two forms of impact investing used primarily by foundations. PRIs are investments made to support charitable activities; the investment counts toward the 5% minimum charitable activity payout required of private foundations by the federal government each year. PRI loans are made at below-market interest rates. MRIs are investments that are made as part of the overall portfolio for a foundation's endowment; as such they do not count toward the 5% minimum payout requirement and typically seek a competitive return.[9]

According to a report from the Center for High Impact Philanthropy, fewer than 2% of private foundations used PRIs or MRIs in 2013. The median range of PRIs and MRIs was between $250,000 and $1 million for the 230 foundations and mission investing organizations analyzed in the report. Smaller foundations were found to use PRIs and MRIs more aggressively to further their missions, including spending more than 5% of their endowment. For example, the Cedar Tree Foundation has a $100 million endowment and has placed more than $10 million in PRIs and MRIs.[10] While larger foundations seem to award PRIs and MRIs less, they do use them. For example, the Bill & Melinda Gates Foundation funded $1.5 billion of PRIs worldwide in 2016.[11]

PRIs are offered interest free or at below-market interest rates and must follow three guidelines: 1) they must further the foundation's mission, 2) the sole purpose of the investment must not be producing income for the foundation (thus the below-market rate), and 3) no funds can be used for political activities. The MacArthur Foundation uses its PRIs to grow the capacity of community development financial institutions (CDFIs—see "Community Development Loans" below) to serve communities, and to preserve affordable rental housing and advance economic development in Chicago.[12] For MRIs, there are no legal definitions or requirements beyond the state and federal laws governing typical investment standards.[13]

One challenge for foundations using PRIs and MRIs is finding the right balance between investing to advance a social cause, and investing to ensure positive returns for the foundation's endowment. Therefore, ACHs looking to access PRIs or MRIs should: 1) be able to clearly articulate why it is a good investment for the foundation, 2) be able to demonstrate that the investment can create a return—financial, social, or otherwise (financial return isn't the only thing foundations have interest in!), and 3) develop financial projections around the work. Moreover, many foundations[†] invest PRIs primarily with financial intermediaries such as CDFIs, so consider consulting with a local or specialist CDFI before soliciting a PRI.[14]

> *"Capital has a lot of great things it can do. But it's not free money. It's a struggle [to get]—and folks [often] find it disappointing."*
> *—Interviewee*

Community Development Loans

The community development sector often uses loans to finance development projects. These are very often provided through CDFIs. In 2016, there were over 1,000 CDFIs in the U.S. managing $108 billion in total assets with funds coming from governments, philanthropies, health systems, corporations, and banks.[15]

CDFIs are defined as "specialized entities that provide lending, investments, and other financial services in economically distressed communities." CDFIs typically target a specific state or geographic region; however, some specialize in certain types of transactions and work nationwide. Upon certification by the U.S. Department of the Treasury, CDFIs are eligible to receive funding from the federal government; these funds help CDFIs offer below market-rate loans. All CDFIs serve low-income people and communities, but there are four different types, each with a different legal and business structure that equips it to do specific tasks.[16]

CDFIs often work through partnerships. For example, Capital Impact Partners, a CDFI that works throughout the U.S., partnered with individual and institutional investors to raise $100 million with "fixed income investment notes" for low-income communities (which function much like bonds). While CDFIs generate financing for buildings and developments, they can also help fund operations. Activities funded by Capital Impact Partners include the Detroit Equitable Developer Initiative, which provides real estate development training, and the Michigan Good Food Fund, which builds capacity of the community in all aspects of the food industry.[17]

[†] For example, The Mary Reynolds Babcock Foundation and the Northwest Area Foundation make all of their PRIs to CDFIs. The Meyer Memorial Trust, see CDFI Investor Profiles, makes about half of its PRIs to CDFIs. Foundations making PRIs to CDFIs varies by foundation.

> *"CDFI's are like having a community banker who is dedicated to helping you make the most out of tax credit opportunities and other funding mechanisms ultimately funded by the U.S. Government."*
> *—Interviewee*

The Greater Minnesota Housing Fund, a CDFI, was formed to cultivate partnerships and attract investments in affordable rental housing. In 2013, UnitedHealth Group, Inc. invested $50 million (of which $12 million was equity) into the Fund and the region's affordable housing as part of the company's Affordable Housing Investment Program.[18] CDFIs have also partnered with hospitals and hospital systems to bring additional investors to the table. CDFIs can leverage hospital or hospital systems' resources, along with other resources, and "provide a degree of risk protection for hospitals." [19] (For more examples, see University of New Hampshire's Summary of its Chicago Convening.)

CDFIs are expert at community financial transactions. As such, they make good partners for those seeking impact investments because CDFIs are often tied to, anchored in, and care about the communities they serve. They typically are more patient investors because they care about the social and economic outcomes their investments create. ACHs considering impact investing would benefit from developing a relationship with a CDFI: as partners, CDFIs share their interests about the welfare of the community and can provide expert guidance and assistance through complex financial transactions.

Mini-bonds

Mini-bonds are a form of municipal bonds, or "munis." Municipal bonds have been used to issue debt since the 1800s, when they were first used to construct canals and San Francisco's Golden Gate Bridge.[20] Munis are debt securities issued by states, cities, counties, and other government entities to finance capital projects that are of interest to the community or the government; the debt is repaid with taxes. At first glance, it may seem inappropriate to include them as a form of impact investing. However, the emerging mini-bond has unique characteristics in that it is specifically designed to fund community priorities, and it enables residents to serve as investors.

Mini-bonds are designed to sell in small denominations, making them more affordable and more accessible to retail investors—most notably, community members. Muni bonds are typically sold through investment banking houses in minimum denominations of $5,000. Mini-bonds, on the other hand, are sold "retail" in minimum denominations of $500 to $1,000. Denver, Colorado has successfully issued several mini-bonds ranging from $3 million for neighborhood programs to $12 million for its Better Denver Bond Program to fix roads and civic buildings. Investors in the Denver mini-bonds program could purchase in several easy ways, including online or by mail. The $12 million bond issue in denominations of $500 sold out in under an hour.[21]

Vancouver, Washington offered $1.5 million in heritage bonds for a renovation project, with a minimum domination of $500. However, Vancouver's short time frame for the program resulted in a more complex and confusing ordering process. This led to only 86% of available bonds being sold. Cambridge, Massachusetts issued its first mini-bond, with a minimum denomination of $1,000, in February 2017 to raise $2 million to fund capital projects such as school building renovations and upgrades to municipal facilities. All the mini-bonds were sold within a week; a second issue to raise $2.5 million in February 2018 sold $800,000 in the first day.[22]

Vancouver officials caution that the mini-bond model isn't for every municipality. A strong level of community connection to the project is critical and there must be engagement "in a process that has a high degree of public sentiment" (or support) since there is a balancing act when trying to mitigate the financial risk for resident investors.[23]

Equity Investments

Equity investments as a form of impact investing include private equity and venture capital investments. Equity investments provide an ownership share in an enterprise—typically through the purchase of stock—with the expectation that the earnings and/or assets of the business will grow. Unlike debt investments that have a specific repayment schedule and specified rate of return, the returns from equity investments accrue to the investor when the ownership share is sold.[‡] All this adds up to create a process that can be complex—for both the issuer and the investor.

Recently, health systems have been encouraged by organizations such as the Democracy Collaborative and Healthcare Anchor Network to invest in their communities by making equity investments in local businesses either through co-investing alongside a financial intermediary, such as a CDFI; investing in a community development venture capital fund; [24] or even directly owning stock or equity in a company. For example, in 2016, the Kresge Foundation made a $500,000 equity investment in the Urban Innovation Fund to provide capital to new social entrepreneurs "solving critical urban challenges" as part of its Blended Catalyst Fund.[25] And Dignity Health made a direct equity investment by purchasing "preferred common stock" in two community banks to provide banking services in low-income communities.[26]

Opportunity Zones

The 2017 Tax Cuts and Job Act law created tax incentives for investors to re-invest unrealized capital gains. An unrealized capital gain is a profit that exists on paper; the gains are taxed upon the sale of the investment, when they become "realized." The law allows investors to reduce their tax liability when they sell an investment and reinvest the gains in a designated "opportunity zone" to spur economic development.[27] In the U.S., $2.2 trillion of unrealized capital gains is currently held by individuals and corporations.[28] Imagine the power of a $2.2 trillion investment!

Opportunity zones are designated by governors. In establishing these zones, governors may designate up to 25% of eligible state census tracts—those where poverty rates are at least 20% or median family incomes are no more than 80% of statewide or metropolitan median area family income rates. As of May 2018, every state, including the District of Columbia, has opportunity zone designations, except Florida, Nevada, Pennsylvania, and Utah. California has 878 designated opportunity zones; 100 of these are in counties where there is a CACHI community.[29] (Information for California's designated opportunity zones and census tracts is available from the State of California's Department of Finance website.)

Taxpayers wishing to invest in opportunity zones create and invest in "qualified opportunity funds." Qualified opportunity funds may invest in businesses, real estate, and business assets, but cannot invest in entities whose assets are primarily financial (e.g., banks, payday lenders, or holding companies) or sin businesses (e.g., private or commercial golf courses, race tracks, etc.). Opportunity fund investments can only be equity, not debt (therefore precluding direct investment in a nonprofit). An example of a potential qualified opportunity fund is a $50 million fund that develops and leases new affordable housing for residents in an opportunity zone.[30]

Before investments can begin flowing to qualified opportunity funds, the Treasury Department and the Internal Revenue Service must complete guidelines for the certification of qualified opportunity funds,

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‡ Unless it is a dividend paying stock.

which are set to be released in July or August of 2018. Although this is a new law, implementation challenges have already arisen including concerns with incentives favoring communities that were once poor and are now improving (e.g., areas where investment is already planned to take place) and tax incentives possibly subsidizing resident and local business displacement.[31]

> *"There is a reason this policy is called 'Opportunity Zones' instead of 'Guarantee Zones.' While Opportunity Zones is a federal incentive, its success in any given community will ultimately depend on state and local leadership."* [32]

To ensure opportunity zones are successful for the communities most in need of investment, the Brookings Institute recommends: high levels of participation and leadership from community residents, citizen advisory groups to set priorities for opportunity zones, the use of local expertise of organizations and philanthropies, and "basic levels of transparency, inclusiveness, and clarity of outcomes." [33] Additionally, Enterprise Community Partners recommends local communities: 1) take the lead in creating an inventory of state and local policies to prevent both displacement of residents and local businesses, 2) assess each opportunity zone's risk for displacement, 3) pull together a list of local assets and demographics of the zone for potential investors, and 4) encourage investment by combining opportunity zone incentives with other tax incentives. For example, in California, proposed legislation would exempt from the California Environmental Quality Act projects financed by a qualified opportunity fund if it meets specific standards. In Missouri, the legislature modified a state Historical Preservation Tax Credit to provide an additional $30 million in tax credits for projects located in an opportunity zone.[34]

The Role of Grants in Impact Investing

It goes without saying that, with so many different forms of impact investments, the interests of impact investors vary. In some cases, impact investors are hesitant to invest in organizations that may not seem ready to take on debt or that have an unknown record of performance. The risk that their investment won't be repaid is simply too great. In these instances, grants can be of great assistance because they can bring other investors to the table and ease the minds of more risk-adverse investors.

Imagine for a minute that you are an investor interested in making a loan to Nonprofit X. Even though Nonprofit X has an impressive project plan, you are reluctant to invest because you aren't sure the project will generate enough revenue to repay all the debt that it's taking on. If Nonprofit X had a sizable grant to put toward the project, you might be more likely to invest because you'd have greater assurance that Nonprofit X would, at least, be able to repay you. (This is what's called a "capital stack" and, while it's slightly more complex than how it is described here, this example gives you an idea of what it is: you "stack" different forms of funding to meet different investors' needs. The Family Nurse Partnership SIB, mentioned below in Table One, relied on a "capital stack.")

Or, suppose Nonprofit X's plan is to use your investment to make micro loans in its community. You might be even less sure you'd be repaid because you don't know the credit worthiness of the organizations to which Nonprofit X is lending your investment. But, if Nonprofit X uses a grant to create a loan loss reserve (to cover it in case some of their borrowers don't repay), you might be more willing to make the investment because there's a financial cushion. (A loan loss reserve is a type of credit enhancement to improve debt and credit worthiness to reduce the risk for receiving investment.) So, while most of what's laid out in this paper describes debt or equity, don't forget the critical role that grants can play in securing those investments. Since they don't need to be repaid, grants serve as a source of flexible funding, so think strategically about how they can be used to leverage other investments.

Conclusion

Impact investing holds promise for financing ACHs, although there is a clear set of conditions under which impact investing works best. This exploration of impact investing suggests several conclusions for CACHI's Accountable Communities for Health grantees:

1. **Identify the revenue stream or financial value that is created by your work.** If you cannot identify how you will create a revenue stream or financial value, these investments will be difficult to access. Investors want to know how great of a return they can expect, over what time period, and what their risk exposure is.
2. **Understand that investors want an assurance of financial return. As a result, impact investing does not lend itself very well to funding services** (except for SIBs). Most investments will either create a physical asset (such as housing or a clinic) and/or have identifiable revenue streams attached (such as rent or health care payments).
3. **Acknowledge that most of these investment forms are structured as "deals."** This means: terms can be negotiated; in many cases, more than one revenue source is involved in packaging the deal, and they tend to be somewhat to very complex—certainly more so than grants.
4. **Start creating relationships with a local or specialist CDFI or other financial intermediary.** These intermediaries are critical to many investments because of their knowledge of the community and their ability to structure deals and handle complex transactions.
5. **Be aware that additional revenue sources may be needed to structure the deal.** Sometimes subsidies are needed because projected revenue streams are insufficient. Sometimes investors want to lower their risks, so they may seek some form of a guarantee. On the flip side, however, when done in the right way, impact investing can be a powerful way to leverage one-time funding sources such as grants.
6. **To receive or even be considered for these debt or equity investments, ACHs will need to create formal financial arrangements.** There are few, if any, investors who would make a debt or equity investment with an informal group of organizations. Investors will only place their funds with established and financially sound organizations, requiring financial arrangements with CDFIs or other well-established, well-respected entities.

Appendix

Table One: Social Impact Investing Financial Instruments Typology

Financial Instruments	Who Structures the Deal	Source of Funding	Source of Repayment	Typical Investments	Example
Social Impact Bonds (SIBs)	Financial intermediaries	Investors (private, foundations, and other organizations or individuals)	Usually government	Evidence-based social impact interventions (e.g., homelessness, criminal justice, and education) that create potential cost savings to the public	South Carolina Nurse-Family Partnership pairs nurses and first-time, low-income moms to reduce risks associated with children born into poverty and to support the health of both mother and child. [35]
Program-Related Investments (PRIs) / Mission-Related Investments (MRIs)	Foundations	Foundation endowments	Organizations: nonprofits, businesses, etc.	Investment in CDFIs to build community development capacity to support businesses that have impact in communities, but need capital to continue work (e.g., affordable housing)	The MacArthur Foundation committed $65 million in PRIs to stimulate public and private investment in Chicago, including a Foreclosure and Prevention and Mitigation Project.[36]
Community Development Loans	Community development financial institutions (CDFIs)	Federal Government; Hospital systems; Banks; Foundations; Corporations	Loan recipients	Affordable housing; community health facilities; local businesses	Greater Minnesota Housing Fund provides low-interest loans to affordable housing developments through a $42 million Development Loan Fund.[37]
Equity Investments	CDFIs; venture capital funds; social impact funds	Hospital systems; venture capital investors; Impact investors	Sale of asset	Purchasing of common stock in businesses or community banks; investing in a community development venture capital fund	Dignity Health made a direct equity investment by purchasing “preferred common stock” in two community banks to provide banking services in low-income communities.[38]
Mini-Municipal Bonds	Governments (state, cities, counties, other entities)	Individual and institutional investors	Government	Civic infrastructure (roads, bridges) and other community projects of significance to the public	Better Denver Bond Program sold $12 million in mini-bonds to fix roads and build civic buildings.[39]
Qualified Opportunity Fund Equity Investments	Self-certified qualified opportunity funds	Unrealized capital gains from private investors	Sale of asset or qualified opportunity fund	Opportunity zone equity investments (e.g., local businesses and real estate and business assets)	Qualified opportunity fund created to build and lease affordable housing to residents of a qualified opportunity zone.[40] *(Note: Additional guidance has yet to be provided by the Treasury Department; no investments can take place until guidance is published)*

Additional Information on Advancements in Pay-for-Success Contracting

Outcome rate cards are a pay-for-success procurement and contracting tool. An entity such as a state agency, local government, or other organization, identifies a problem, target population, and the outcomes it will contract and pay for. Outcome rate cards include goals, steps towards the goal, and contracted rates for each outcome. The entity creating the outcome rate card determines rates based on target populations, geography, and other priorities to address any challenges with "cherry picking." The entity creating the outcome rate cards then publishes a request for proposals, reviews submitted proposals, and selects service providers. It may formulate multiple projects to reach the outcomes it desires. For examples, see Social Finance's outcomes rate cards in development and Center for Health Care Strategies, Inc.'s illustrative outcome rate cards.[41]

Glossary of Terms

- Community Development Financial Institutions (CDFI):
  - "Community development financial institutions (CDFIs) are private financial institutions that are 100% dedicated to delivering responsible, affordable lending to help low-income, low-wealth, and other disadvantaged people and communities join the economic mainstream." [42]
- Equity Investments:
  - "Equity investments, such as stock, are securities that come with a "claim" on the earnings and/or assets of the corporation." [43]
- Financial Intermediary:
  - "A financial intermediary is an entity that acts as the middleman between two parties in a financial transaction, such as a commercial bank, investment banks, mutual funds, and pension funds." [44]
- Impact investing:
  - "…investments made into companies, organizations, and funds with the intention to generate measurable social and environmental impact alongside a financial return." [45]
- Mini-Municipal Bonds:
  - "Municipal bonds (or "munis" for short) are debt securities issued by states, cities, counties, and other governmental entities to fund day-to-day obligations and to finance capital projects such as building schools, highways, or sewer systems." [46]
  - **"…**generally issued to raise funds for public capital projects, but the key distinction is that they are available in smaller dominations to make them available and affordable to retail investors."[47]
- Mission-Related Investments (MRI):
  - "An MRI both furthers the philanthropic mission of the foundation AND seeks to generate a competitive rate of return. Similar to a PRI, an MRI can be made in any asset class; however, since it is not designed to meet the IRS requirements to qualify as a PRI, the MRI will not count toward the foundation's annual 5% payout requirement." [48]
- Opportunity Zone:

  "An Opportunity Zone is an economically-distressed community where new investments, under certain conditions, may be eligible for preferential tax treatment." [49]
- Pay-for-Success (PFS):
  - "An innovative contracting model that drives government resources toward high-performing social programs. PFS contracts track the effectiveness of programs over time to ensure that funding is directed toward programs that succeed in measurably improving the lives of people most in need." [50]
- Program-Related Investments (PRI):
  - "A PRI can be counted, along with grants and program support costs, toward the 5% minimum payout required for private foundations annually. The returns on the investment, in the year

they materialize, are added to the 5% minimum payout requirement for that year, which serves to recycle the philanthropic capital." [51]

- Qualified Opportunity Fund:
  - "Qualified Opportunity Fund is an investment vehicle that is set up as either a partnership or corporation for investing in eligible property that is located in an Opportunity Zone and that utilizes the investor's gains from a prior investment for funding the Opportunity Fund." [52]
- Social Impact Bonds (SIB):
  - "…an innovative financing mechanism in which governments or commissioners enter into agreements with social service providers, such as social enterprises or nonprofit organizations, and investors to pay for the delivery of pre-defined social outcomes." [53]

Interviewee List

- Amy Chung, director of program related investments at California Endowment
- Annie Donovan, director at CDFI Fund
- Bracebridge Young, chair of the board at Social Finance
- David Zuckerman, director for healthcare engagement at Democracy Collaborative
- Deborah Smolover, executive director at America Forward
- Jane Henderson, president and chief executive officer at Virginia Community Capital
- Katherine Shamraj, managing director at Third Sector Capital Partners, Inc.
- Shu Dar Yao, director of capital formation at Social Finance
- Sydney England, client development associate at LOCUS Impact Investing
- Tracy Palandjian, chief executive officer and Co-Founder at Social Finance
- Valerie Piper, vice president of engaged practice at Democracy Collaborative

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