

# THE IMPACT INVESTMENT CASE FOR CASH

Featuring San Francisco Foundation

## A Case Study



Since 1948, the San Francisco Foundation (SFF) has been committed to improving life in the San Francisco Bay Area. The foundation has been aligning its investments with its mission for more than 30 years. This case study highlights how SFF has deepened its community impact by deploying a portion of its cash with impact investment firm [CNote](#).

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# About the San Francisco Foundation

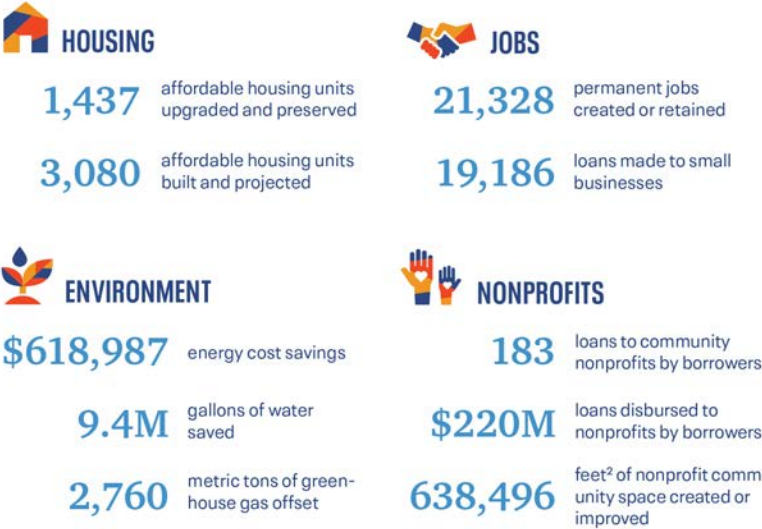
The San Francisco Foundation, one of the nation’s largest community foundations, is a grantmaking public charity dedicated to improving life in the San Francisco Bay Area. Working with donors, grantees, civic leaders, and policymakers, the foundation is focused on ensuring that everyone in the Bay Area has a chance to get a good job, to live in a safe and affordable home, and to exercise their political voice. Learn more: [www.sff.org](http://www.sff.org)



## About the Bay Area Community Impact Fund

Since 2009, SFF has invested more than \$20 million through its [Bay Area Community Impact Fund](#), a program-related investment (PRI) program which provides nonprofits with low-interest, long-term loans to expand their activities and work on high-impact projects. The Bay Area Community Impact Fund is an important part of the foundation’s work to advance racial equity and economic inclusion in the San Francisco Bay Area.

### BAY AREA COMMUNITY IMPACT FUND RESULTS IN THE BAY AREA



*\*Impact made in combination with other financing sources. Numbers cumulative to 12.31.18.*

## About CNote



CNote is an award-winning, first-of-its-kind financial platform that allows anyone to make money investing in causes and communities they care about. With the mission of closing the wealth gap, CNote directs every dollar invested toward funding female-and minority-led small businesses, affordable housing and economic development through its nationwide network of CDFI community lenders.

# Mobilizing Impact Across The Entire Portfolio

Through the years, over \$24 million has been invested into the Bay Area Community Impact Fund, \$15 million from the foundation's endowment and the balance by individual donors. At any given time, a portion of the fund is not actively deployed.

Whereas the loans SFF makes directly support the foundation's work on affordable housing, economic opportunity, and entrepreneurship by women and people of color, its undeployed PRI dollars had, until 2018, been invested in community bank CD deposits, doing comparatively little to advance the organization's mission.

**Mark Doherty**, SFF's Director of Investments, wanted to change that. Specifically, he wanted to get financial returns and impact returns from those idle PRI dollars, without sacrificing liquidity.



**Mark Doherty**  
SFF's Director of Investments

“While looking for organizations to lend money to, we were able to deploy some of our capital with **CNote**, which is doing work that complements the foundation's grantmaking and PRI programs here in the Bay Area.”

“We always have a fairly long runway when we need cash to make a loan,” said Doherty, “but we wanted to ensure that we could access funds quickly in case we needed to approve new loans.”

In short, SFF wanted to ensure that every dollar was aligned with the foundation's overall mission and long-term objectives.

To achieve that, the foundation needed an agile partner that was equally committed to its mission and had the means to amplify the community impact of their dollars in the short-term.



# The Solution: A Platform Built For Idle Impact Investment Dollars

Through a mutual connection in the investments space, Doherty was introduced to [CNote](#), a women-founded and -led financial technology company that had built an innovative platform for impact investing.



Pictured above, Shavon Marley, owner of Marley Trucking and Jamar Kirk of Cycles Broken, two small business owners that received funding through [CNote](#) partners.

Since 2016, [CNote](#) has helped mission-driven institutions like SFF invest tens of millions of dollars in a national network of proven Community Development Financial Institutions (CDFIs), providing female- and minority-led small businesses and economic development projects access to capital.

Doherty researched [CNote's](#) offerings, management, and expertise, and engaged them in the foundation's internal due diligence process. [CNote](#) communicated both the investment and impact case for their proposed investment solution.

“We needed to understand [CNote's](#) values in addition to its services,” Doherty said. “That meant making sure that the process and the relationship worked as we expected, and that our funds could make an impact from the outset.”

Shortly thereafter, SFF green-lighted an initial investment with [CNote](#) that was customized to target CDFIs in California, making loans to businesses led by women and people of color.

“From an evaluation perspective, [CNote](#) was a solid fit for us,” Doherty said. “While looking for organizations to lend money to, we were able to deploy some of our capital with [CNote](#), which is doing work that complements the foundation's grantmaking and PRI programs here in the Bay Area.”

# By choosing to invest a portion of its Bay Area Community Impact Fund in CNote, SFF benefited in the following ways:

## 1. Financial peace of mind

One of CNote's selling points was the opportunity to invest in a geographically diverse network of CDFIs and thereby diversify SFF's investment portfolios and make its returns more resilient. Not only has the Federal Reserve Bank of San Francisco called CDFIs "["economic shock absorbers"](#)", but CDFIs have been trusted by major U.S. banks as profitable financial entities for over 20 years.

"When we decided to add new investments into our PRI program to increase impact and financial returns," explained Doherty, "we determined that we wanted to diversify and spread our capital across a variety of investment instruments, including mutual funds, money markets, CDs, and CNote."

## 2. A deeper level of community investment

By funneling previously unspent capital into CNote's network of CDFIs, specifically those in California, SFF was able to deepen investment in the Bay Area communities it serves.

More than 70 percent of SFF's grants go to organizations in the Bay Area, and the foundation keeps the majority of its PRI investments and loans in its geographic backyard, too.

"One thing that's attractive about CNote is that they're focused on allocating to CDFIs that are creating jobs and increasing economic opportunity for underserved communities," Doherty added "that aligns well with what we do in the Bay Area."

## 3. The innovation it was seeking

Through its partnership with CNote, Doherty and his team were able to achieve what they set out to do: invest SFF's undeployed PRI capital in a way that aligns with the foundation's mission. Further, this investment was deployed through CNote's online portal, meaning no docuSign, faxes or back and forth. CNote's portal also made administration of the investment simple. At any time, they could check the status of the investment and make changes as well.

"CNote is directing our dollars toward California-based institutions, which adds another layer of impact and intentionality that a different type of investment might not provide us as a community foundation."

Taking the friction out of impact investing has been a priority for CNote, knowing foundations have limited resources to deploy and manage their growing impact investment portfolios.

# Advice For Other Foundations

When speaking at events and with other non-profit leaders, Doherty references SFF's partnership with **CNote** to showcase an innovative way of expanding an organization's impact by rethinking the ways in which it invests its existing resources.

He finds that some foundations are reluctant to pursue impact investing because they're afraid of forgoing fiduciary responsibilities and/or sacrificing returns.

"I tell them that there are win-win solutions that advance your institution's mission while still achieving market-rate returns for different asset classes," Doherty said. "**CNote** is a good example of that."

Unsurprisingly, the next question he often gets is "where do we begin as an organization?"

"Organizations should begin by looking at what they're doing with their cash, and think about how they can better align those assets with their foundation's mission," Doherty said.

“If you're trying to improve economic opportunities in the communities you serve, then working with **CNote** feels like a natural complement to grantmaking.”





# LEARN MORE



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