



CALIFORNIA HEALTHCARE FOUNDATION



**On a Mission:**  
How Foundations  
Are Leveraging  
Investment Dollars  
to Impact Health

Snapshot

December 2013

# Introduction

**M**ission or impact investing, which can generate both a social and financial return, has been gaining attention in philanthropic circles as a way to invest money in for-profit and nonprofit organizations that do work with a positive social impact.

This survey of US-based investors is the first to examine impact investing in domestic health. It was not a comprehensive study of all impact investors. Rather, it was intended to provide a first look at activity in the field and to encourage participation in ongoing data-gathering efforts. Participating organizations included foundations and other social investors that focus on domestic health care impact.

*On a Mission: How Foundations Are Leveraging Investment Dollars to Impact Health* provides an overview of impact investing in domestic health in 2012: foundations participating, topic areas of investment, dollar levels invested, profit status of investees, and investment vehicles. The report describes specific investments made in 2012 and offers examples of innovative investment strategies being deployed by foundations.

Key findings:

- ▶ More than a dozen US grantmaking foundations made mission-focused health investments in 2012.
- ▶ Investments were about equally split between for-profit and nonprofit investees.
- ▶ The majority (59%) of investment dollars went to organizations focused on healthy food (\$24 million) and to community health centers (\$23 million).
- ▶ More than 80% of investments in 2012 went to organizations that were not previous grantees of the investing foundation.
- ▶ Many foundations use a paired grant strategy — providing grant funds alongside the investment — to support start-up activities, training programs, and evaluation.

Note: Organizations not included in this inaugural survey that would like to be included in future surveys are invited to send an email expressing interest to [info@chcf.org](mailto:info@chcf.org).

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## Impact Investing Defined

**Impact investments** are investments made into companies, organizations, and funds with the intention to generate measurable social and environmental impact alongside a financial return.

**Health impact investments** are designed to improve population health status or health care.

This survey focused on three health impact strategies:

- ▶ **Care Delivery System:** These investments seek to improve the health care system by reducing costs, increasing access, or strengthening the performance of care providers.
- ▶ **Wellness and Healthy Lifestyles:** These investments aim to improve the health and well-being of individuals through behavior change, provision of healthy food, or other individual-level interventions.
- ▶ **Environmental and Social Determinants of Health:** The goal of these investments is to improve the environmental and social factors that impact population health, including air pollution, housing, and transportation.

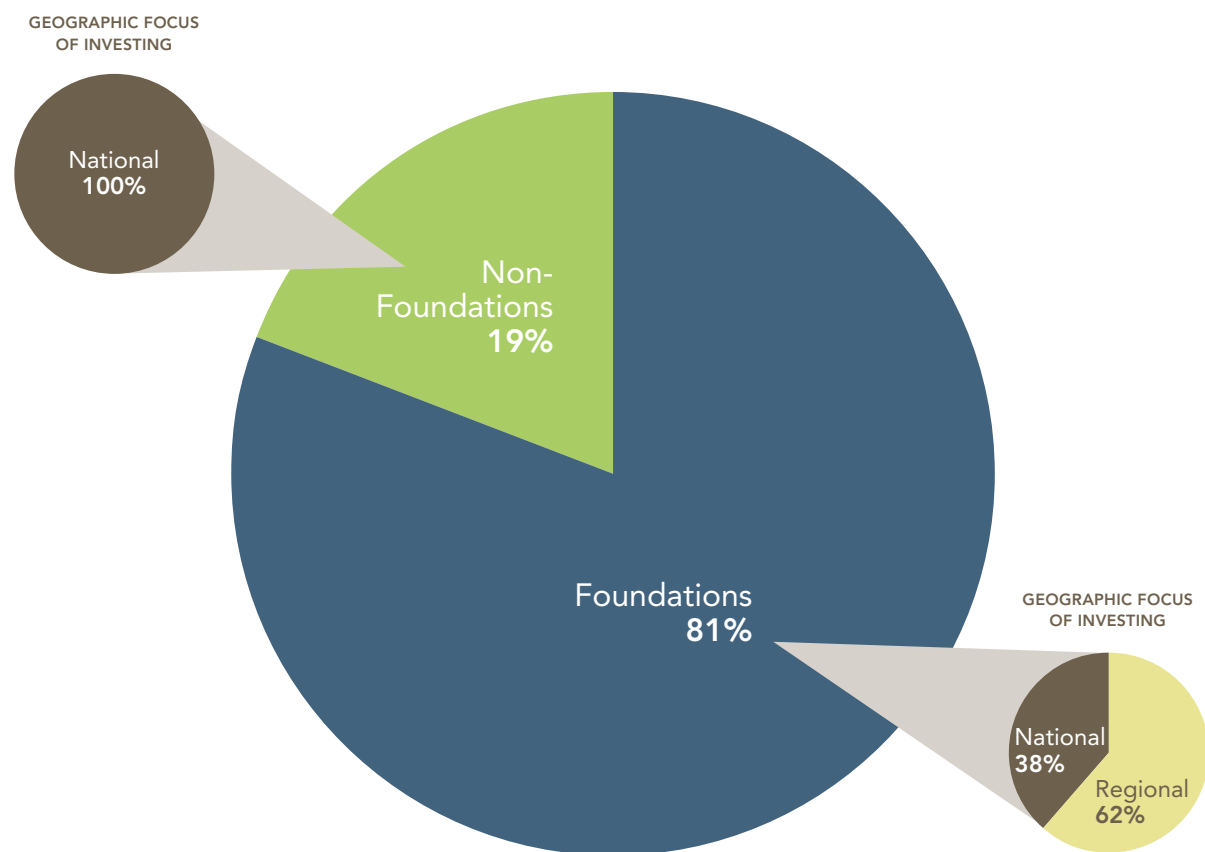
### Overview

Foundations support the missions of organizations not only through grants, but also through investments that are intended to have a positive social impact as well as a financial return.

Source: Global Impact Investing Network's definition of impact investing ([www.thegiin.org](http://www.thegiin.org)).

# Organizations Making Health Impact Investments by Type, 2012

TOTAL NUMBER OF ORGANIZATIONS: 16



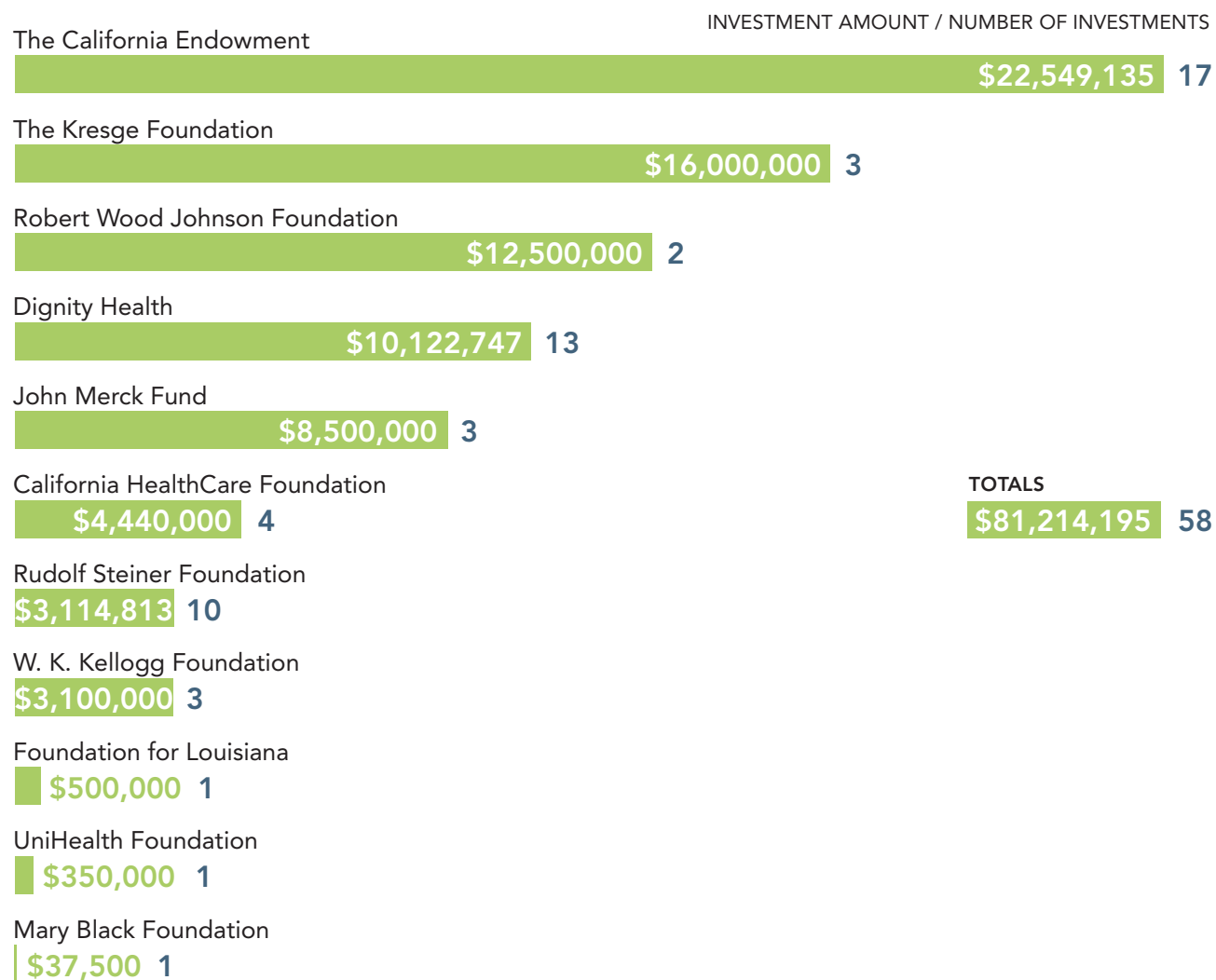
## Overview

Of the 16 organizations identified as making US health impact investments in 2012, 81% (13) were grantmaking institutions (foundations). The survey identified three non-foundation investors that made US health impact investments: Prudential, Uprising, and Kapor Capital. Of the foundations participating in the survey, 62% limited their investments to specific US regions.

Notes: The survey sought responses from organizations investing in funds or enterprises with a measureable social impact on domestic health or health care, and with source capital (no limited partnerships). The survey included investments that focused on care system improvements, wellness and healthy lifestyles, and determinants of population health. The original outreach list was generated based on known investing activity of organizations and a survey solicitation that was broadcast through Mission Investors Exchange and Grantmakers in Health.

Source: Imprint Capital survey, 2013.

# Foundations Making Health Impact Investments by Dollar Amount, 2012



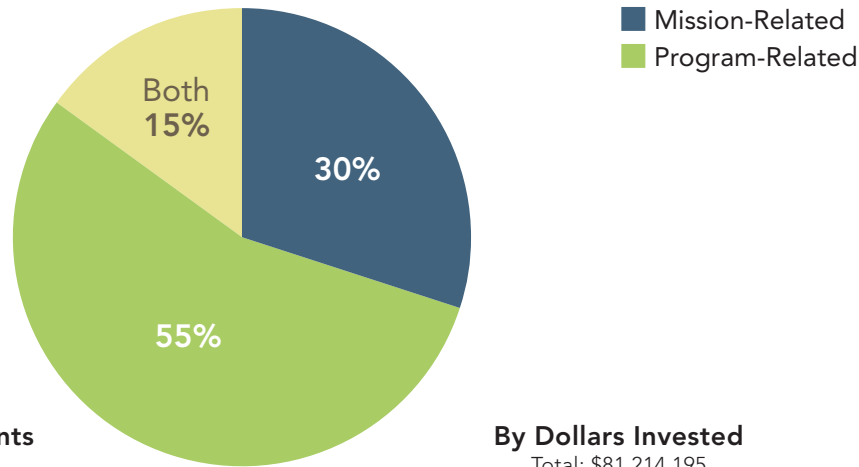
## Overview

Most foundations made between one and five investments in 2012. The California Endowment made the most investments (17), with Dignity Health coming in second with 13. The Robert Wood Johnson Foundation invested more than \$12 million through two investments, and The Kresge Foundation invested \$16 million through three investments.

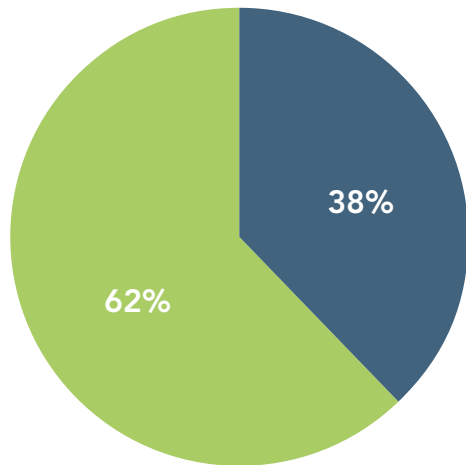
Source: Imprint Capital survey, 2013.

# Investment Strategy: Program- vs. Mission-Related, 2012

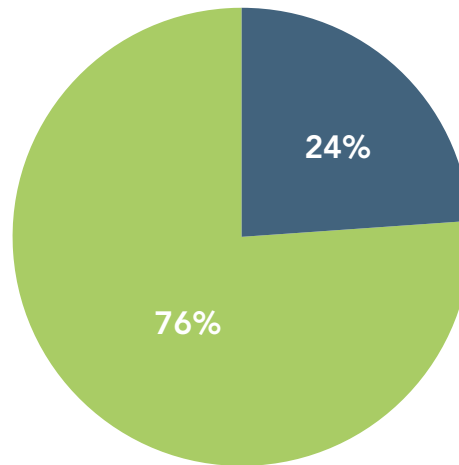
**By Number of Foundations**  
Total: 13



**By Number of Investments**  
Total: 58



**By Dollars Invested**  
Total: \$81,214,195



## Foundation Investments

Of the respondents that made health impact investments in 2012, 55% made program-related investments (PRIs), which come out of a foundation’s grant-making or program funds to achieve a specific impact and are not expected to produce a market rate of return. Thirty percent made mission-related investments (MRIs), which have a specific mission impact and return profile and are often made from a foundation’s endowment (15% made both). In 2012, PRIs represented 76% of the total dollar amount of health impact investments.

Note: For detailed definitions of MRI and PRI, see Appendix A and the Mission Investors Exchange website ([www.missioninvestors.org](http://www.missioninvestors.org)).

Source: Imprint Capital survey, 2013.

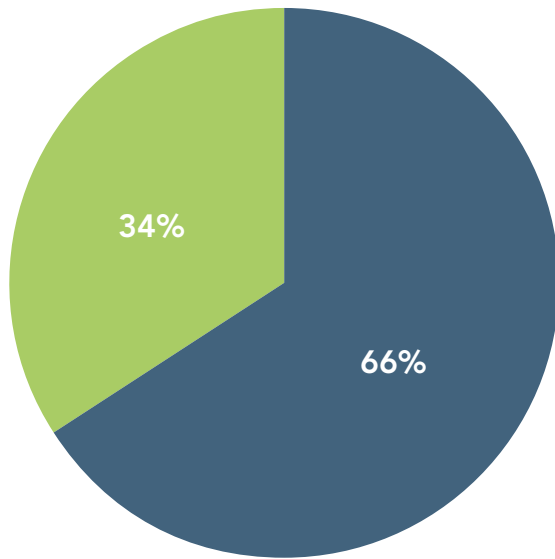
# Investment Mechanism: Direct vs. Intermediated, 2012

TOTAL NUMBER OF FOUNDATIONS: 13

■ Direct    ■ Intermediated

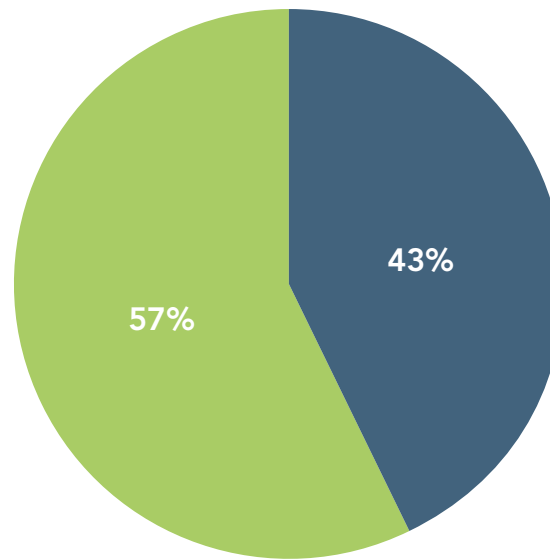
**By Number of Investments**

Total: 58



**By Dollars Invested**

Total: \$81,214,195



## Foundation Investments

While 66% of all investments made by respondents in 2012 were direct investments, intermediated investments moved more capital, representing 57% of the total amount invested.

Definitions: **Direct investments** are made directly to an organization. **Intermediated investments** are investments placed into the fund of an intermediary organization, which makes the investments in the target organization.

Source: Imprint Capital survey, 2013.

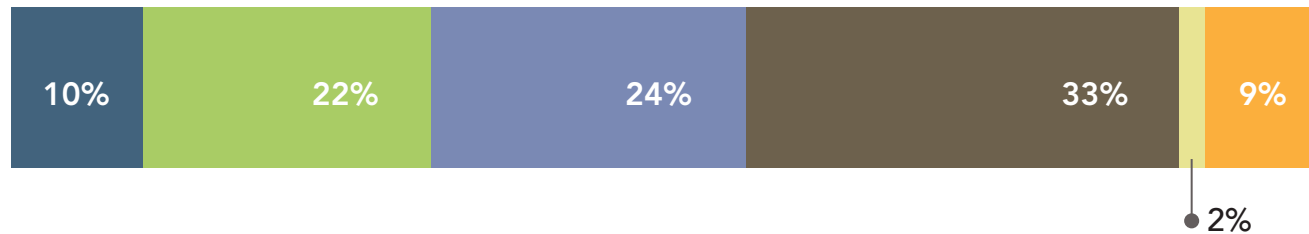
# Investment Size, 2012

TOTAL NUMBER OF FOUNDATIONS: 13

■ <\$100k   
 ■ \$100k–\$499k   
 ■ \$500k–\$999k   
 ■ \$1.0M–2.9M   
 ■ \$3.0M–4.9M   
 ■ \$5.0M–10.0M

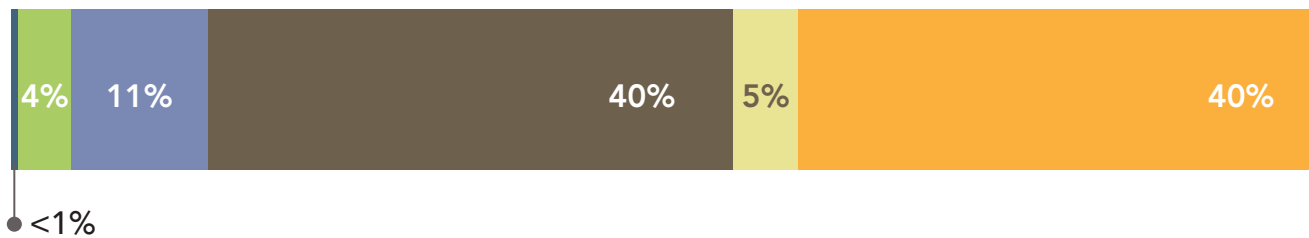
## By Number of Investments

Total: 58



## By Dollars Invested

Total: \$81,214,195



## Foundation Investments

Of those foundations that make health impact investments, the majority (62%) reported that they typically make small investments of less than \$1 million (not shown). Only one foundation reported typically making individual investments larger than \$5 million (not shown). In 2012, 57% of the investments made by respondents were less than \$1 million. Five investments between \$5 million and \$10 million were reported in 2012; these represented 40% of the total dollars invested.

Note: Percentages may not add to 100% due to rounding.

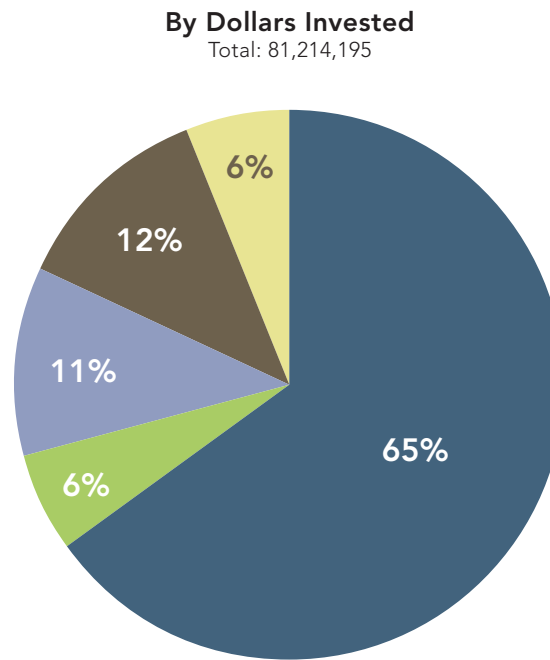
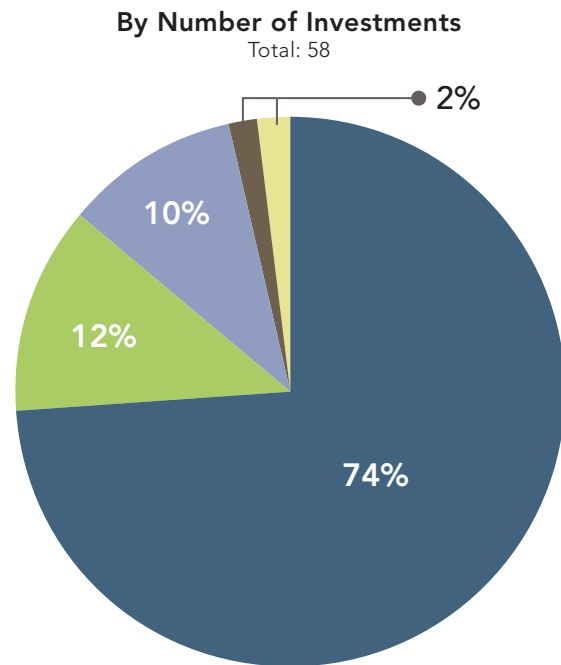
Source: Imprint Capital survey, 2013.



# Investment Vehicle, 2012

TOTAL NUMBER OF FOUNDATIONS: 13

■ Debt   ■ Convertible Debt   ■ Equity   ■ Credit Facility   ■ Loan Guaranty



Definitions: **Debt** is money borrowed by one party from another. A debt arrangement, usually in the form of a bond, gives the borrowing party permission to borrow money under the condition that it is to be paid back at a later date, usually with interest. **Convertible debt** includes an option to convert the bond's value into the issuing company's shares at an agreed-upon pre-specified ratio. **Equity** (private equity) is an investment resulting in part ownership of an asset (e.g., a company) that is not publicly traded. The investor receives stock or another security representing an ownership interest in return for investment. A **credit facility** is an arrangement in which one party agrees to lend money to another, up to a specified limit. This arrangement is generally made before the funds are required, providing flexibility for the investee to meet short-term cash needs as they arise. A **loan guaranty** is a contract whereby one party becomes liable for a second party's debt or obligation if the second party does not fulfill its responsibility.

Source: Imprint Capital survey, 2013.

## Foundation Investments

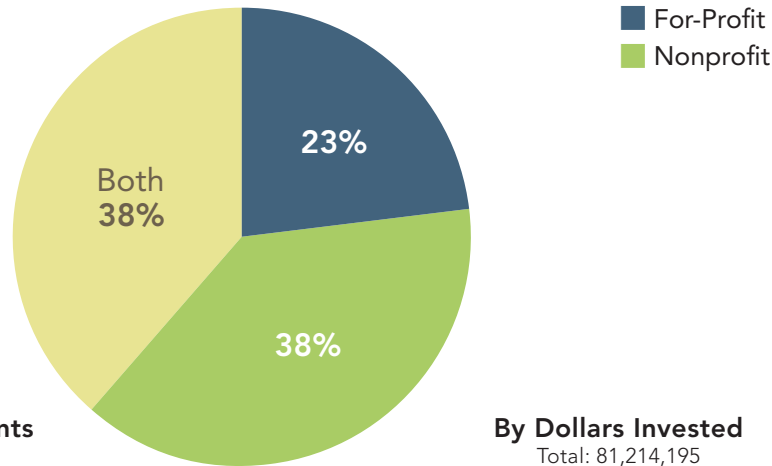
The vast majority (74%) of health impact investments reported by foundations were investments of debt, the most traditional structure for mission investments. More than one-fifth of investments, however, were of convertible debt or equity, giving mission investors ownership stake in their investees.

# Investee Organizations: For-Profit vs. Nonprofit, 2012

PERCENTAGE OF FOUNDATIONS THAT INVEST IN ORGANIZATIONS THAT ARE...

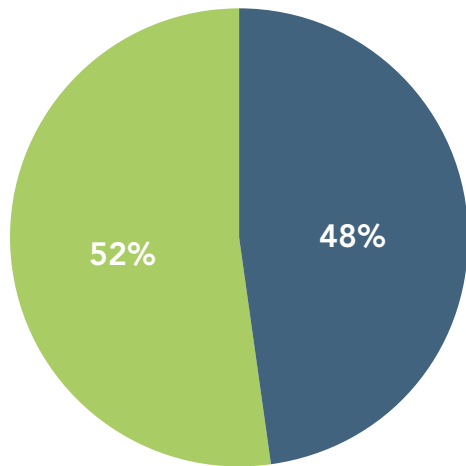
**By Number of Foundations**

Total: 13



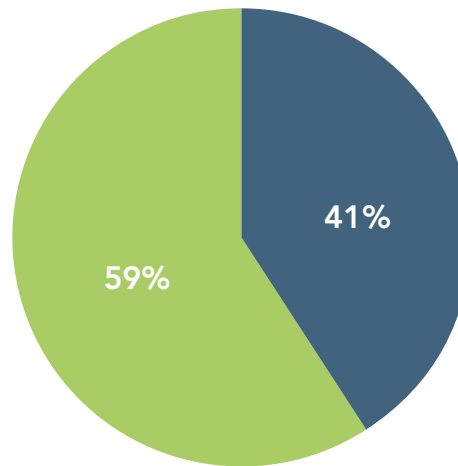
**By Number of Investments**

Total: 58



**By Dollars Invested**

Total: 81,214,195



Note: Percentages may not add to 100% due to rounding.

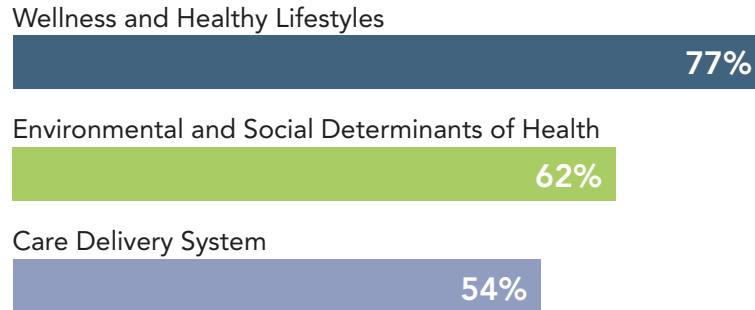
Source: Imprint Capital survey, 2013.

## Investment Recipients

More than one-third (38%) of respondents only invested in nonprofit organizations, 23% only invested in for-profit organizations, and 38% invested in both. The number of investments made by foundations to for-profit (28) and to nonprofit organizations (30) was about evenly split. However, the amounts invested differed: 59% of investment dollars went to nonprofits.

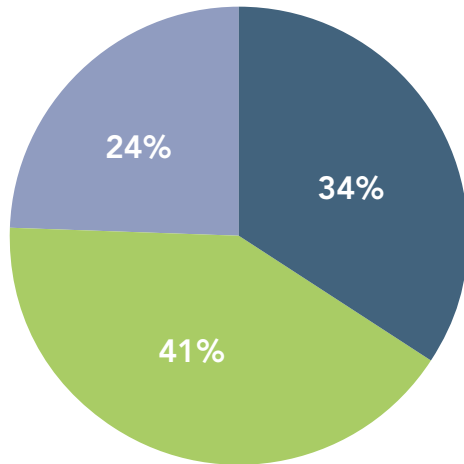
# Investee Organization Impact Strategy, 2012

PERCENTAGE OF FOUNDATIONS (13 TOTAL) INVESTING IN ORGANIZATIONS THAT FOCUS ON...



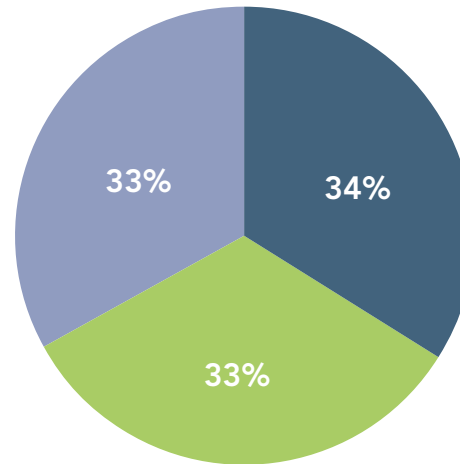
**By Number of Investments**

Total: 58



**By Dollars Invested**

Total: \$81,214,195



## Investment Recipients

Investee organizations engaged in different strategies to improve health. Of the respondents, 77% invested in organizations with wellness and disease prevention programs, 62% in organizations that address social and environmental determinants of health, and 54% in organizations with strategies to improve the care delivery system. Many of these foundations made investments across these three strategies.

Note: Percentages may not add to 100% due to rounding.

Source: Imprint Capital survey, 2013.

# Examples of Investee Organizations by Profit Status and Impact Strategy, 2012

## For-Profit Investees

### Care Delivery System

- ▶ CareInSync
- ▶ Direct Dermatology
- ▶ iRhythm
- ▶ PipelineRx
- ▶ SendHub

### Wellness and Healthy Lifestyles

- ▶ El Rancho Marketplace
- ▶ Happy Family
- ▶ Northgate Market
- ▶ Numero Uno Market
- ▶ Revolution Foods

### Social and Environmental Determinants of Health

- ▶ Aclima
- ▶ Lend Up
- ▶ Mosaic
- ▶ Save Up

## Nonprofit Investees

- ▶ Community Health Center Capital Fund (CHCCF)
- ▶ La Maestra Community Health Centers
- ▶ Local Initiatives Support Corporation (LISC)
- ▶ Northeast Community Clinics
- ▶ University of South Carolina Upstate Foundation

- ▶ The Reinvestment Fund (TRF)

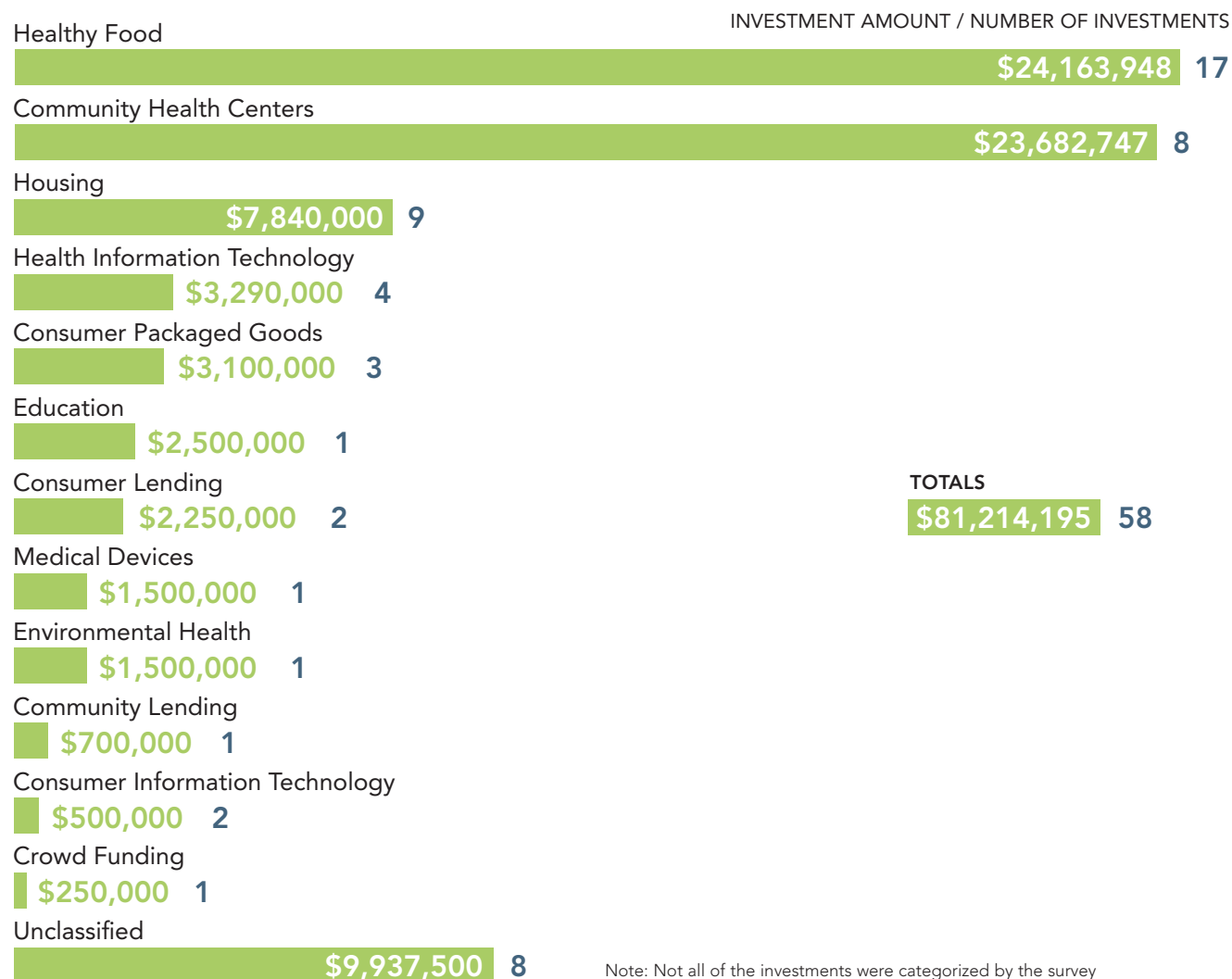
- ▶ Accessible Space
- ▶ Corporation for Supportive Housing (CSH)
- ▶ LINC Housing Corporation
- ▶ Rural Community Assistance Corporation (RCAC)
- ▶ The Disability Opportunity Fund

## Investment Recipients

Foundations have invested in both for-profit and non-profit organizations that work in each of the three health strategy areas: care delivery system, wellness and disease prevention, and environmental and social determinants of health.

Source: Imprint Capital survey, 2013.

# Investee Organizations by Area of Focus, 2012



Note: Not all of the investments were categorized by the survey respondents: 50 of the 58 investments were categorized by the focus area of the investee organization.

## Investment Recipients

The majority (59%) of investment dollars went to organizations focused on healthy food (\$24 million) and to community health centers (more than \$23 million); this represents a total of 25 investments. Many small investments were made to organizations working on housing (9 investments totaling nearly \$8 million) and health information technology (4 investments totaling \$3 million).

Source: Imprint Capital survey, 2013.

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## Examples of Leveraged Investments

### Foundation / Fund

#### The California Endowment

**California Freshworks Fund.** *Loans to grocery stores and other healthy food retailers in underserved communities.*

- ▶ Funds committed (July 20, 2011)      \$30,000,000
- ▶ Total fund (as of December 4, 2012)      \$272,000,000

PARTNERS: JP Morgan, Kaiser Permanente, National Cooperative Bank, California Grocers Association

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#### The Kresge Foundation

**Healthy Futures Fund.** *Capital to build 500 housing units with integrated health services and eight community health centers.*

- ▶ Funds committed (January 14, 2013)      \$6,000,000
- ▶ Total fund (as of January 14, 2013)      \$100,000,000

PARTNERS: Morgan Stanley, Local Initiatives Support Corporation

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### Investment Recipients

Organizations that received seed funding from The California Endowment and The Kresge Foundation were able to leverage those investments to secure significant amounts of outside capital to sustain their health-related work.

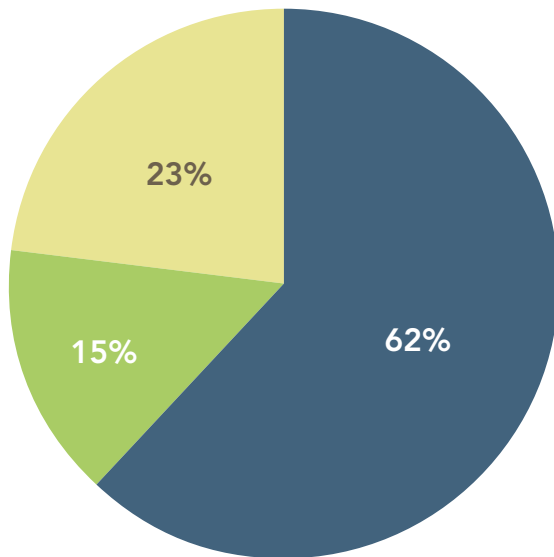
Note: These amounts represent commitments, not investments.

Sources: The California Endowment, The Kresge Foundation.

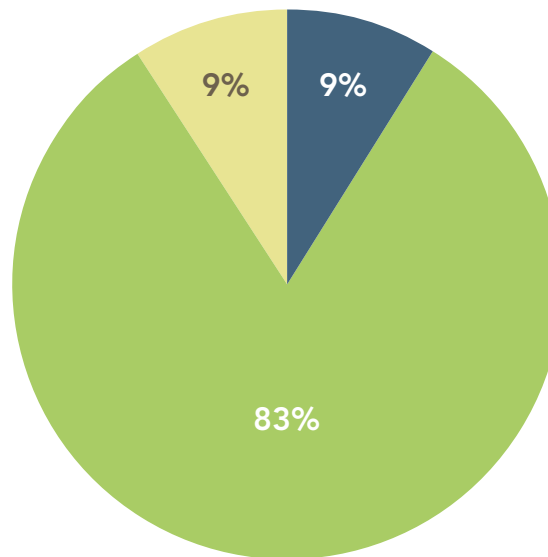
# Investee Organizations: Grantees vs. Nongrantees, 2012

■ Grantee ■ Nongrantee ■ Don't Know/No Answer

**By Number of Foundations**  
Total: 13



**By Number of Investments**  
Total: 58



## Investment Recipients

More than half (62%) of respondents reported having a paired-grant strategy, in which the foundation makes investments and grants to the same organization. However, almost all (83%) of the 2012 investments made by respondents were made to organizations that had not previously been grantees.

Note: Percentages may not add to 100% due to rounding.

Source: Imprint Capital survey, 2013.

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## Examples of Foundation Paired-Grant Strategies

### Projects Funded

#### Program Impact

- ▶ Organizational effectiveness
- ▶ Evaluation
- ▶ Training

#### Start-Up Activities

- ▶ Business development
- ▶ Start-up expenses
- ▶ Staff capacity
- ▶ Needs assessment

### Investment Recipients

Many foundations used a paired-grant strategy — making investments and grants to the same organization — to strengthen programmatic impact and to support start-up activities such as business planning.

Source: Imprint Capital survey, 2013.



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## Methodology

Imprint Capital surveyed funders about investments they have made to impact US health and health care — including investments influencing determinants of health, wellness and healthy lifestyles, and care system improvements. The two-part survey is included in Appendix B.

The Mission Investors Exchange and Grantmakers in Health networks were used to identify survey participants. Surveys were sent to 46 organizations, and 32 organizations completed it. Included in this analysis are the responses of the 16 organizations (13 foundations and three investments institutions) that identified as having made impact investments in US health in 2012.

This survey was the first of its kind in the field. It is not comprehensive. The goal of this report is to publicize the findings of this initial survey and encourage other active impact investors to participate in future surveys.

## About the Author

Imprint Capital is a registered investment advisor, focused exclusively on impact investing. Imprint works with clients to develop and manage investment programs and portfolios across impact areas and asset classes that are grounded in the client's mission objectives, financial parameters, and organizational context.

For more information, visit [www.imprintcap.com](http://www.imprintcap.com).

## About the Foundation

The California HealthCare Foundation works as a catalyst to fulfill the promise of better health care for all Californians. We support ideas and innovations that improve quality, increase efficiency, and lower the costs of care. For more information, visit [www.chcf.org](http://www.chcf.org).

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## Appendix A: Definitions of Mission- and Program-Related Investing

There are many terms used to describe investments that generate both a social and a financial return. The term “mission investment” is used in this report to describe investments made by foundations and other mission-based organizations to further their philanthropic goals.

Mission investments cover two distinct categories of investments: market-rate mission-related investments (MRIs) that have a positive social impact while contributing to the foundation’s long-term financial stability and growth, and program-related investments (PRIs) that are designed to achieve specific program objectives, without the expectation of a market rate of return.

### **Mission-Related Investments (MRIs)**

- ▶ MRIs are market-rate investments that support the mission of the foundation by generating a positive social or environmental impact.
- ▶ An MRI is fundamentally a financial investment, and must meet applicable prudent investor standards just like more conventional investments.
- ▶ MRI opportunities exist across asset classes in cash, fixed income, public equity, private equity and venture capital, and real estate.

### **Program-Related Investments (PRIs)**

- ▶ PRIs are investments made with a targeted program or mission objective for which the investor is not seeking to earn a market rate of return.
- ▶ PRIs are defined by the IRS tax code, and they are eligible to count as part of the 5% payout that foundations are required to make each year to retain their tax-exempt status. PRIs must conform to the following:
  - ▶ Be made primarily to further the foundation’s charitable purpose
  - ▶ Lack any significant investment purpose
  - ▶ Not be used for electioneering or lobbying
- ▶ PRIs may be made in the form of loans, loan guarantees, cash deposits, equity investments, and other investments made for a specific purpose such as development of affordable, workforce housing or construction of community development facilities.
- ▶ Foundations vary in their approach to PRIs — they may include PRIs as part of their grant budget or have a separate pool of capital allocated by the endowment for PRIs that leaves the 5% payout for grants.

Source: Mission Investors Exchange website, About Mission Investing ([www.missioninvestors.org](http://www.missioninvestors.org)).

# Appendix B: Survey Tool

## Sample Survey Questions (not complete)

### Health Impact Investor Survey 2013

\* Required

Please enter your organization name: \*

Please enter your name and title: \*

Please confirm your email address: \*

Do you do mission investing in health or healthcare? \*

Please select the type – MRI (invest out of your endowment, including "MDI"), PRI (invest out of your program funds), both, neither, or other impact investing.

- Mission-Related Investing (MRI)  
 Program-Related Investing (PRI)  
 Both  
 None  
 Other:

Have you targeted or set aside an allocation for mission investing over a given time period? If yes, what is the amount and time period?

(if health investments are only a subset of your allocation, please note that as well)

Do you have a typical investment size?

Please select the closest fit. If you commonly invest across ranges below, please note in "Other"

- < \$1M  
 \$1-3M  
 \$3-5M  
 \$5-10M  
 \$10-20M  
 > \$20M  
 Other:

Impact focus: Do you have a stated investment thesis/focus or set of topic areas in which you invest in health/care?

Please share an overview

Do the impacts of your investments fall into any of the following three categories?

Check all that apply.

- Social determinants of health  
 Wellness & healthy lifestyle  
 Healthcare delivery system  
 Other:

Do you have a preference for investing in for-profits or non-profits, or both?

Please select your preference. If your strategy is more nuanced, please use the "Other" box to provide more detail

- For-profit organizations  
 Non-profit organizations  
 Both  
 Other:

Do you have a preference for investing directly, or through intermediaries, or both?

Please select one, or provide comments on your strategy in the "Other" box

- Direct investment  
 Intermediate investment  
 Strategy involves both direct and intermediated investments  
 Other:

In your health impact investing, do you have a national, regional or other geographic focus?

Please select all that apply. You may also use "Other" to specify which regions.

- International  
 National  
 Regional  
 Other:

Do you have a preference for investing in former / current grantees?

If you have a more nuanced strategy, please note it in the "Other" box.

- Always  
 Sometimes  
 Rarely  
 Never / have not yet  
 Other:

What are your key sources of pipeline?

Please select all that apply.

- Former grantees  
 Referrals from other foundations / non-profit organizations  
 Referrals from other investors  
 Conferences  
 Prize / call for proposals  
 Intermediaries  
 Other networks  
 Other:

How many potential investments did you review in the past year (size of pipeline)?

- <20  
 21-100  
 101-300  
 301-600  
 600+  
 Other:

Do you use grants in conjunction with your investments? \*

- Yes  
 No  
 Not sure

If so, what is the purpose of the grants?

Source: Imprint Capital survey, 2013.