

Program-Related Investments

Using Tools Beyond Grantmaking for Greater Impact,
Influence, and Leverage



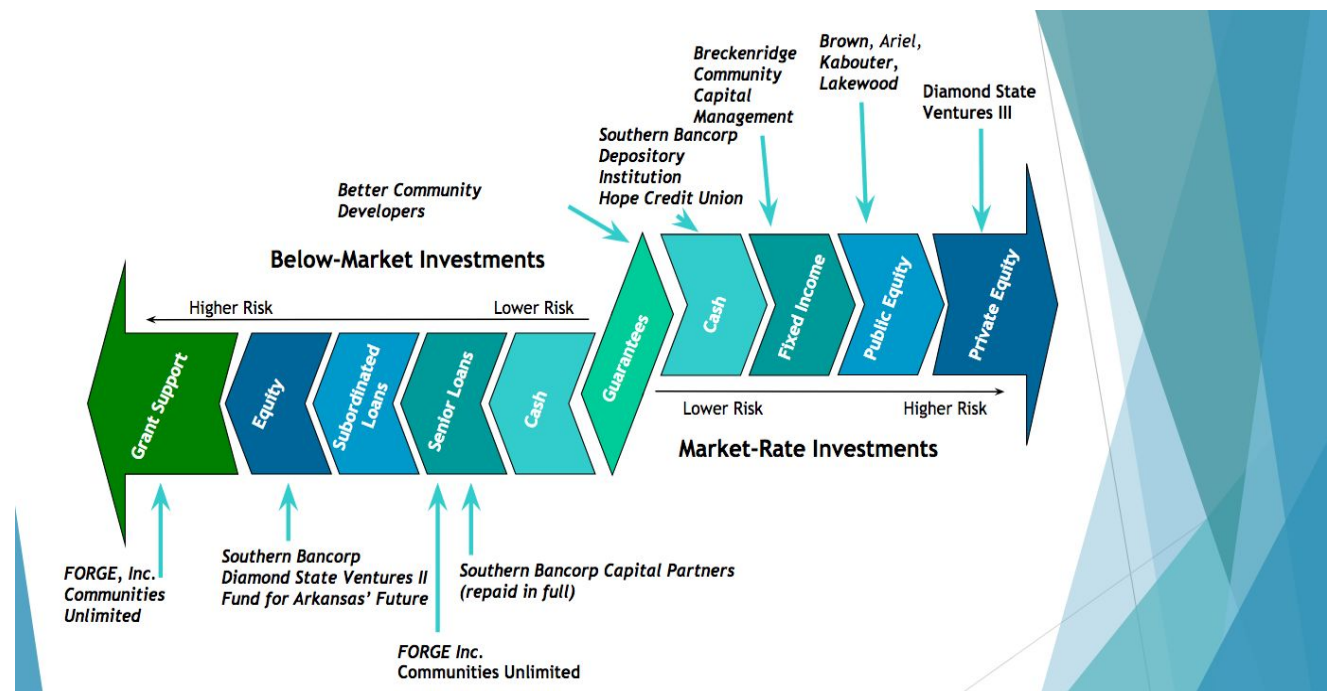
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WRF Leadership in Program-Related Investments

For close to 40 years, the Winthrop Rockefeller Foundation (WRF) has made **nearly \$13 million** in Program-Related Investments (PRIs) to **more than 15 organizations**. PRIs are below-market investments that generate both social and economic returns. The Foundation is nationally recognized for its approach to Program-Related Investing and represents a small but growing segment of philanthropy committed to using these investments to further its mission.

The Foundation also considers similar investments that may yield market-rate returns, often referred to as Mission-Related Investments (MRIs). Collectively, these investments—which may be loans, equity investments, or guarantees—serve as flexible tools for nonprofit and for-profit organizations to address the most pressing problems in communities, often on a much larger scale than grants alone. This paper will exclusively discuss Program-Related Investments (PRI).



Since its first PRI in 1980, the Foundation has made PRIs to:

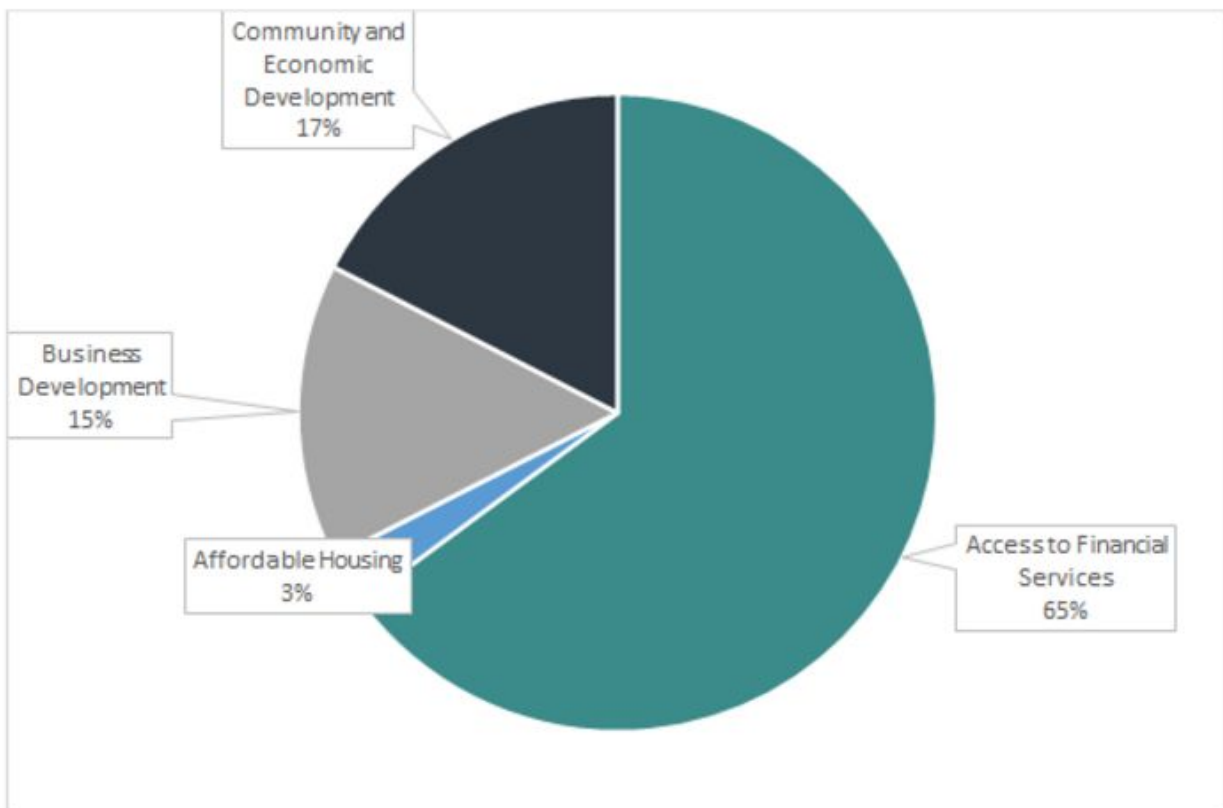
- Support technical assistance and outreach to the state's most distressed markets through partners such as **Communities Unlimited**, a regional nonprofit that provides technical assistance to **more than 4,000 small businesses in the Delta**.
- Finance business development through partners such as **Financing Ozark Rural Growth and Economy (FORGE)**, a certified development financial institution (CDFI) that lends to **more than 300 small businesses** in Arkansas.

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- Finance development lending through WRF's investment to establish **Southern Bancorp (Southern)** in 1986. Southern has grown into one of the nation's largest CDFI banks and is a **model for the industry**. It has served over 80,000 customers and provided **\$2.5 billion in financing in distressed rural communities** in the Mid-South since its founding.
- Support community and economic development, such as the **relocation of the fourth largest third-party health care administrator** in the country to Arkansas through WRF's investment in **Diamond State Ventures II**.
- Increase access to financial products and services through partners like Southern Bancorp and **HOPE Enterprise Corporation** that have **successfully advocated on behalf of low-income rural families** for improved policies relating to income and workforce development and asset development.

Historical Investments (1980 - present)



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WRF's Impact: Using PRIs to Catalyze Our Mission

WRF's PRI portfolio has a direct impact on communities and families in Arkansas. The Foundation invests in partners with tools to access affordable capital such as mortgage financing, commercial loans, flexible underwriting, risk capital, and retail banking. WRF partners provide our state's most underserved neighborhoods and communities the opportunity to envision a new future for their local economies. Select examples of WRF's **impact** through PRIs are listed below:

- **Communities Unlimited (formerly alt.Consulting).** In 2011, WRF invested \$75,000 in matching funds for a loan fund to support small business development in the Arkansas Delta. WRF's investment in Communities Unlimited has supported technical assistance to more than 4,000 small businesses in the Delta and \$700,000 in financing to more than 50 small businesses and state-sponsored matched-savings accounts.
- **FORGE.** In 2010, WRF invested \$200,000 in match funding for micro-loan funds in rural Arkansas communities. This investment helped provide technical assistance to small businesses, financial literacy classes in local schools, and more than 300 small-business and farm loans.



WRF's Influence: Partners for Comprehensive Change

WRF uses PRIs as a tool to influence systems change in Arkansas by supporting organizations that promote public policies to benefit vulnerable communities. Select examples of WRF's **influence** through PRIs are listed below:

- **Southern Bancorp.** In 1986, WRF invested \$2,000,000 for the capitalization and start-up of Southern Bancorp and has continued to support the organization since its initial investment. Currently, WRF holds approximately \$5.2 million in voting and non-voting stock in Southern Bancorp. Among other investments, WRF loaned \$1,000,000 to Southern Good Faith Fund in 2011 and \$1,000,000 to Southern Bancorp Community Partners in 2017 to increase the availability of capital in low-wealth Arkansas communities. Since its founding, Southern Bancorp has provided \$2.5 billion in financing to distressed rural communities and advocated for improved policies on behalf of



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low-income rural families. Removal of predatory payday lenders, development of the Career Pathways initiative, and the adoption of state-sponsored, matched-savings accounts are just a few examples of Southern's effective public policy advocacy.

- **HOPE Enterprise Corporation (HOPE).** In 2014, WRF invested \$1,000,000 in additional capital necessary to expand Hope Credit Union operations into Central Arkansas. Since its establishment in 1995, HOPE has provided \$2 billion in financing to distressed rural communities and 500,000 customers across the rural Mid-South. Through their Policy Institute, HOPE is a leader in advocating on behalf of low-income rural families for improved fiscal policies, stronger workforce development systems, increased support for asset development, medicaid expansion, and broader health coverage.



WRF's Leverage

WRF has also used PRIs as a tool to leverage additional dollars for the state. An example of WRF's **leverage** through its PRI is listed below:

- **Diamond State Ventures II.** In 2006, WRF invested \$500,000 in a venture capital fund that invests in Arkansas companies. Diamond State Ventures II combined its funds with outside capital from funds in other states to invest in Arkansas companies and retain and create jobs in the state. Diamond State Ventures II managed the buyout and relocation of the fourth largest third-party health care administrator in the country, HealthSCOPE benefits, from Ohio to Arkansas.



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Where Do We Go From Here?

As we near the end of Moving the Needle (MTN) 2.0, the WRF Board and staff will reflect on outcomes, analyze and interpret lessons learned, and plan for the future through a three-year **Reflection, Analysis, and Planning (RAP)** process. RAP will culminate in the adoption of the Foundation's next strategic plan.

During the RAP process, we will dig deep into the role that PRIs played in achieving the MTN vision and goals. As we evaluate the impact of our PRIs, we will answer the following questions:

- How have **PRIs** supported the change we seek through MTN, and where have they fallen short?
- What is the scope of our state, regional, and national network for policy change?
- Are we making progress as quickly as possible, and does quickly mean effectively?

Throughout our history, WRF has valued the importance of using all tools at our disposal to maximize our impact, influence, and leverage. These values coupled with our legacy guide us through each phase of RAP and influence our leadership in philanthropy and program-related investing.