

Horace Hugh Foundation:
Strategic Investment Practices

Current State, Decisions, Next Steps

March 2016

Agenda



1. 2016 Goals

2. Points of Departure

3. ARTS: Centers, Mentors, Collaborations

4. CIVIC: Leadership, Issues, Inclusion

5. NATURE: Trails, Water, Communities

6. LITERACY: Children, Adults, ESL Learners

2016 Goals



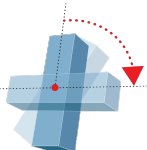
1. **Enhance, design and implement strategies** in four areas:
 - ✓ Arts
 - ✓ Civic
 - ✓ Nature
 - ✓ Literacy
2. **Identify common work** at the intersection of the four strategies
3. **Build infrastructure** in support of increased philanthropy and strategic investment
 - ✓ Board recruitment
 - ✓ Application and underwriting systems
 - ✓ Strategic investment, risk management and policies
4. **Meet annual allocation and budget targets** for 2016 as noted in business plan or as adjusted

Four Points of Departure



The Launch

Arts moves from individual grants to one-year prototype of centers, mentoring, and collaboration initiatives.



The Pivot

Civic moves to multi-year program including issues-focused leadership forum with neighborhood inclusion.



Strategy Build

Nature moves from individual grantmaking to potential leadership role in funding one or more programs.



Deep Dive

Literacy moves from toe-in-the-water through a few investments to a deeper strategy, diversification, and new partnerships.



ARTS

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Centers, Mentors, Collaborations

Accomplishments: 2015-2016



Developed data-driven framework for making choices



Did due diligence through one-on-one conversations



Chose ten grantees based on existing performance



Made \$50,000 grants to ten organizations for general operations



Held two of three planned cohort events



Disbursed 9 of 10 (working on final one) \$50,000 marketing & communications grants



Managed without incident regarding issues with grantees



Scheduling 10 final site visits to create memo on learning for third event



Developing format for the third event which will likely occur in May

Goal: The New Initiative



Our goal is to reposition artists as community-oriented teachers via centers for learning, building diverse mentorships, and promoting collaborative relationships.

- **Centers:** Build intentional learning spaces where grantees can teach and share information, ideas, and techniques.
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- **Mentors:** Elevate a small number of high-impact artists to mentor emerging, interested artists.
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- **Collaborations:** Facilitate relationships between diverse artists in order to foster innovation and growth.

Learning Network and Public Knowledge



Quarterly series held at one of the spaces supported by the program.



Embed a media professional into the program to ask questions, do field work, and present results.



Explore other media strategies including a documentary.



Create competency and evaluation tools for emerging learning strategies.

Grant and Expense Budget Over Three Years



Three-year project management	\$400,000
Start-up phase planning grants	\$750,000
Three-year implementation grants	\$15,000,000
Cohort meeting/event costs	\$50,000
Research and writing three years	\$500,000
Media	\$1,000,000
Other communications	\$300,000
Final program evaluation report	\$250,000
TOTAL	\$18,250,000

Risks and Risk Mitigation



Risks

- ✓ Lack of traction regarding some of the grantees in terms of their ability to demonstrate outcomes
- ✓ Organizational resilience and stability of grantees
- ✓ The complexity of measuring broader influence



Risk Mitigation

- ✓ Rigor of selection and planning process
- ✓ Clarity around milestones and expectations
- ✓ High-quality project and learning network management



CIVIC SECTOR

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Leadership, Issues, Inclusion

Four Years of In-Depth Work



Active grant relationships with multiple leadership organizations. Also strategic development in new relationships.



Active relationship with expert in the field as guide around the application of leadership-learning practice; some preliminary evaluation material although more to be done in this area.



Significant progress in organizational development of our current grantees along with prospective grantees.

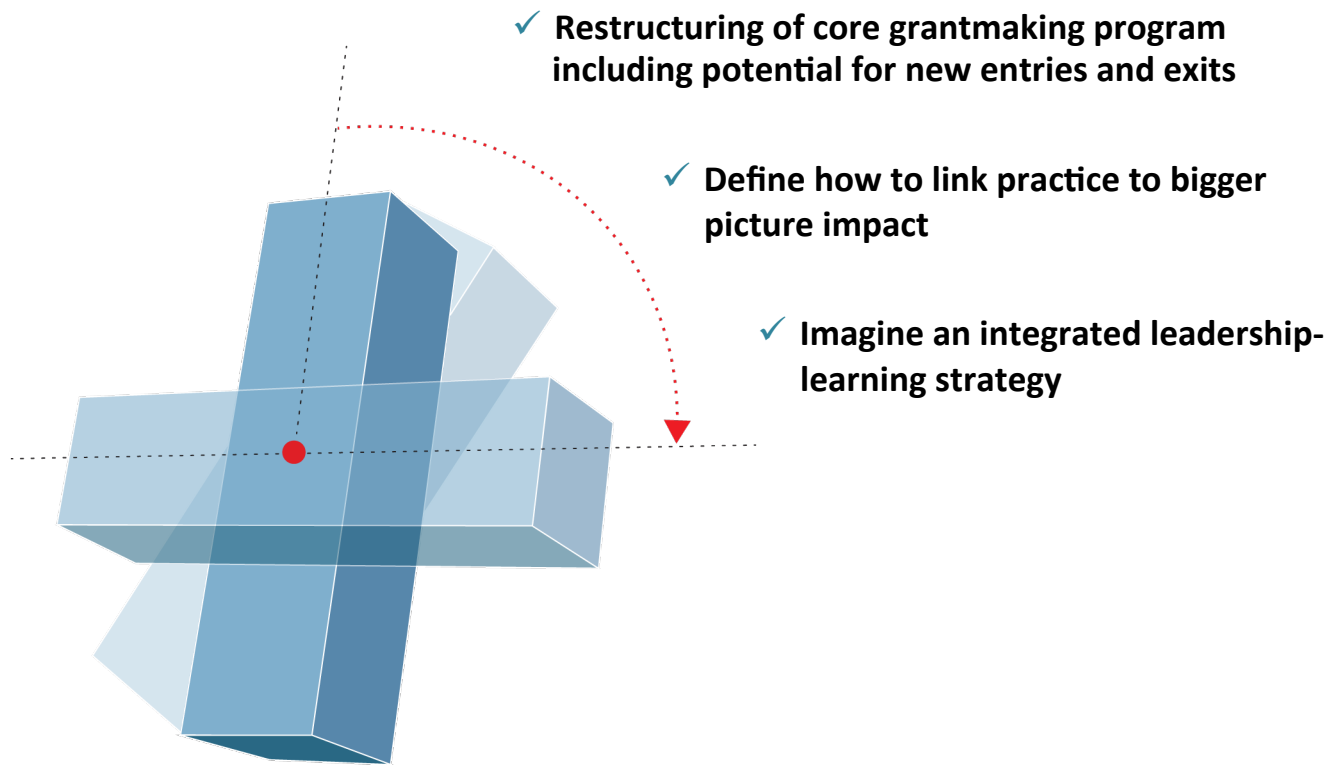


Strong learning network, common language and practice; conversations with national and local leaders and others regarding the next phase of development.



Thinking through how to best increase national presence for selected organizations while also developing messaging that changes the public narrative around leadership-learning.

The Pivot to Greater Influence



Budget: Five Years*



Grants to Participating Organizations	\$15,000,000
Leadership-learning workshop	4,000,000
Convening Workshops	1,000,000
Policy and Practice Reports	3,000,000
Program Management	
Consultancy	1,375,000
Manage/admin	3,750,000
Third Party eval/consultants	750,000
TOTAL	\$28,875,000
<i>* Excludes real estate, facilities, and back office costs</i>	

Risks and Risk Mitigation in The Pivot



Risks

- ✓ Early sense of community among the cohort changes
- ✓ Changing role of experts creates some tension
- ✓ Fear of judgment as the evaluation work is revisited and expanded
- ✓ Dilution of personal connections if number of grantees expands



Risk Mitigation

- ✓ Campaign and impact vision will drive excitement
- ✓ Clarity and quality of project management and role of experts
- ✓ Turn toward public-facing strategies will build new energy
- ✓ New leadership role



NATURE

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Trails, Water, Communities

Underwriting, Planning, and Strategy Development



Underwrote the **Nature and Community** grants for a fellow foundation; will now clarify update and reporting protocols with them.



Assisting **Rails to Trails** to build an organizational strategy: interviewed staff and board; developed and managed a planning event, and managing messaging and fundraising contracts.



Design Watershed strategy:

- Working with DNR
- Identifying other options based on current and prospective interventions
- Watershed funding strategy options for next meeting

Issues to Discuss

- ✓ Thus far local conservation leaders have been unable to articulate a strategy. They do a good job of listing their activity but not identifying a strategy.
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- ✓ We are doing some scanning of what others are doing. We have developed contacts in other areas (Missouri, Kansas, Arkansas, and Nebraska) and will continue to probe what is happening there and elsewhere.
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- ✓ PWRB is best at federal lobbying which is a big part of the problem (regulations are limited and have loop holes).
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- ✓ We need to confirm the extent to which we want to build a multi-organizational strategy and multi-pronged strategy (policy, local, media) and what kind of budget we ought to allocate towards this.
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Potential New Investments

Opportunities exist in:



Water purification, freshwater access



Alternative energy sources



Energy efficiency measures (infrastructure, systems)



Sustainable agriculture/food systems



Forestry and land management



LITERACY

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Children, Adults, ESL Learners

Decisions on Literacy Grantmaking

Is there a particular domain that takes precedence over others to begin? (e.g. ESL learners)

What are our long-term expectations and what should our benchmarks be?

Are we more interested in supporting startup literacy organizations or ones that have been around for a while?

Or what mixture of new versus previously-founded?

Do we want to invest through:

- one-off sourcing with internal staff and capacity to hire consultants
- a diverse group of investments managed by a large advisory/ investment firm that can place capital in stocks, bonds, and various funds (RFP)
- a fund that we help to set up with a few other investors

Suggested Course of Action: Investing in Literacy

YEARS 1-3

\$100 million

Hire investment advisor with significant experience through competitive request for proposals with intent to build diversified sustainability portfolio focused on literacy for children, adults, and ESL learners.

YEARS 3-5

\$20 million

Launch an early stage fund to co-invest with other local funds and local angel investors with emphasis on decoding and comprehension.

YEARS 4-5

\$150 million

Sponsor with one or two other investors a fund with literacy specialization with focus on emerging organizations.