

The Next 75



# 2022-2026 Strategic Plan

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Deepening our commitment to Colorado



# Gates Family Foundation

## 2022-2026 Strategic Plan: Impact Investments

Monday, Mar. 14  
12 to 1 p.m.

### AGENDA

## Welcome

- Webinar overview and objectives

## Presentation

- Gates Family Foundation Background
  - Mission, Vision, Values
- Strategic Plan Overview
  - Community feedback / development process
- Impact Investing Program
  - Tools, Strategies and Examples

## Discussion

- Questions from attendees

## Closing

- Next steps and future engagement

Building on 75  
years of  
addressing  
some of  
Colorado's  
toughest  
challenges



- Celebrating 75 years of impact
- More than \$456 million in grants since founding
- Continuously evolving while maintaining intense focus on people, communities, and natural resources of Colorado.





# Strategic Plan Process: *Throughout 2021*

## LOOKING AHEAD

Trends, Challenges  
& Forecasting

## REACHING OUT

Community Feedback

## LOOKING BACK

Internal Reflection  
& Assessment

# Gates Family Foundation

## Mission & Vision

### ▣ MISSION

We work with partners and communities to build a more equitable, resilient, and sustainable Colorado for all.

### ▣ VISION

A vibrant and verdant Colorado where all people and communities thrive.



# Gates Family Foundation Values

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RESPECT

CREATIVITY

ENGAGEMENT

PLACE

EQUITY



# Commitment to Equity

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We prioritize individuals and communities that have been historically marginalized by addressing systemic barriers and creating pathways to opportunity.



# Foundation Approach

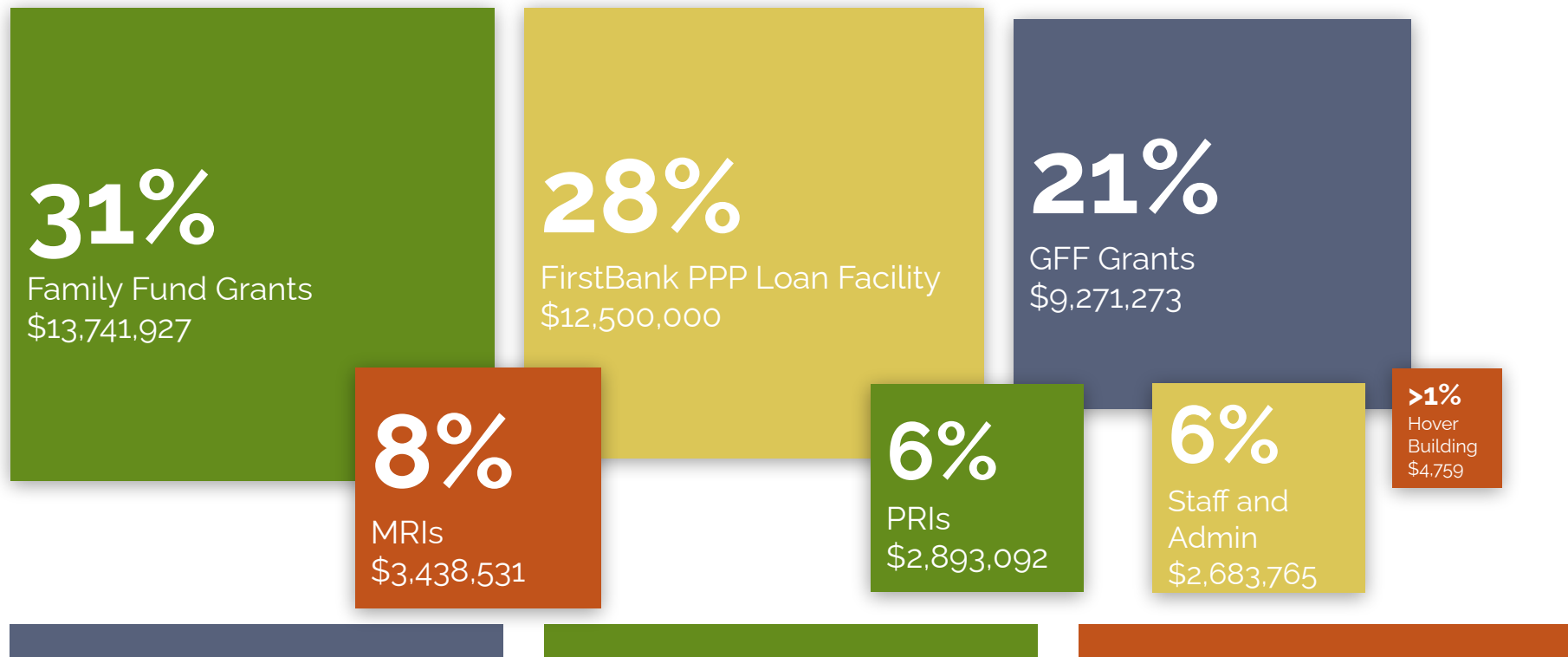
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- We use both financial and non-financial tools to serve partners and advance core strategies
- Our staff serve as connectors, resources and thought partners in the ecosystems where they work
- We intentionally convene and participate in multi-partner, systems-level work to drive innovative solutions
- We actively seek to collaborate with an even more diverse array of stakeholders and potential partners





# 2021 Total Philanthropic Activity: \$44.5M



# 2021 Strategic Grants Paid: \$5,699,000

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**39%**

Natural Resources  
\$2,232,000

**39%**

Education  
\$2,209,500

**15%**

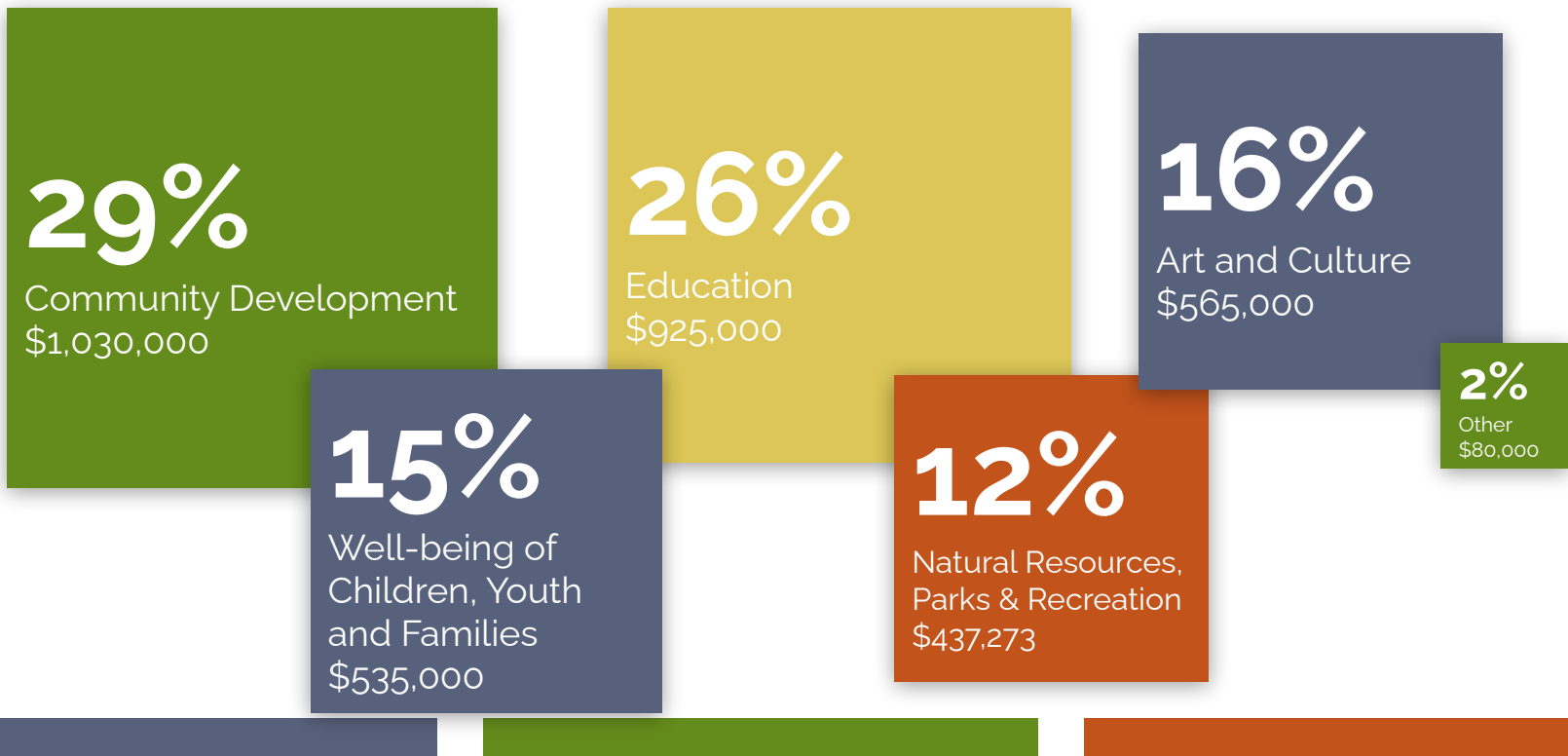
Community  
Development  
\$882,500

**7%**

Informed  
Communities  
\$375,000



# 2021 Responsive Grants Paid: \$3,572,273

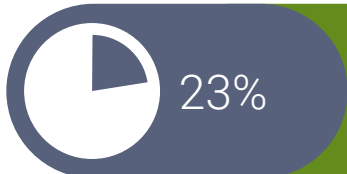


# What's New

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- Foundation-wide focus on addressing **climate change** and advancing **diversity, equity and inclusion** across all programs
- Education increases focus on **rural education** (developing teacher talent, climate change education) and **out-of-system learning innovations**
- Natural Resources expands focus on **forest health** and **watershed restoration**
- Community Development topics (mobility, food systems, placemaking, community planning) encompassed within new focus on **economic mobility** and **place-based community asset-building**, with a particular focus on **affordable housing**
- **Informed Communities** formally becomes a fourth program area
- Increased focus on **leadership development** and **capital project planning support** for leaders and communities of color, and others needing early-stage support
- Increased percentage of Foundation assets dedicated toward **impact investments**

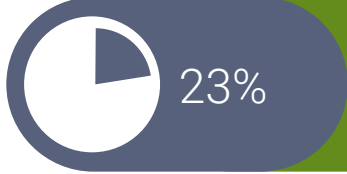




23%

## EQUITABLE EDUCATION

- Innovative Learning Environments
- Innovations in School Systems
- Conditions for Sustained Innovation



23%

## NATURAL RESOURCES

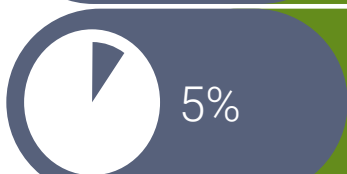
- Balanced Water Management
- Forest Health & Watershed Restoration
- Landscape Conservation & Land Trust Capacity



12%

## COMMUNITY DEVELOPMENT

- Economic Mobility for Individuals and Families
- Equitable Community Assets



5%

## INFORMED COMMUNITIES

- Stronger Civic News Ecosystem
- Coverage in Gates' Core Focus Areas
- Inclusive News Leadership, Voices & Models



37%

## CAPITAL GRANTS

- Amplify Needs and Goals for Capital Projects
- Leadership and Capital Planning Support for Diverse Leaders



# Impact Investing: Our Goals

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1. Increase our impact - the other 95%
2. Utilize all of the tools available to add value
3. Be responsible stewards of core assets, for perpetual benefit to Coloradans
4. Continue to increase the percentage of core assets committed to mission-relevant and/or socially beneficial uses – as much as the market allows



# Impact Investments: Four Tools

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The umbrella of impact investing leverages tools that integrate financial and social objectives:

1. Program-related investments (PRIs)
2. Mission-related investments (MRIs)
3. Sustainable and responsible investing (SRIs)
4. Sustainable and responsible operations (SROs)



Name	Type of Investment	Returns	Charitable Distribution	Program Alignment
Program-Related Investments (PRI)	Debt, Fixed Income, Guarantees, and Private Equity	Below-market rates of return	Yes, over and above the 5% required payout	Highly mission-aligned
Mission-Related Investments (MRI)	Largely private equity and other direct investments	Risk-adjusted market rates of return	No	Closely mission-aligned
Sustainable/ Responsible Investing (SRI)	Largely public equity investments with positive or negative screens, carbon exposure, or ESG factors considered	Risk-adjusted market rates of return	No	Mission and values-aligned
Sustainable/ Responsible Operations (SRO)	GFF policies, vendors and expenses	N/A	Yes, charitable admin expenses are part of the 5% required payout	Mission and values-aligned





# Strategy Development: Our Process

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- Five-year lookback analysis
- Diversity, equity and inclusion (DEI) metrics for impact investments
- Deep dive into PRIs – History, Impact Summary, Stakeholder Feedback, and Opportunity Costs Analysis
- Impact Investing Landscape Analysis and strategic questions
- MRI/SRI deep dive
- Strategic discussion on recommendations for next five years



# Our Approach to Program-Related Investments

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- **All Colorado-focused** investments, highly-aligned with strategic focus areas
- PRIs are intended to be **over and above 5% grant payout** meant to complement and not reduce grant program
- Deployed **PRI capital is capped** to limit impact on the returns of the endowment assets over time
- **Accepts below market-rate returns** between 0-3% on average
- **Patient capital** with terms between 2-10 years
- Uses a **range of financial tools** – debt, private equity, fixed income, guarantees
- **Scale of PRIs** range from \$250,000 up to \$5 million. Most are between \$500,000 and \$1 million
- Accepts risk but with a **capital preservation strategy**. Risk mitigation strategies include:
  - Limit direct investments
  - Partner with experts
  - Pooled funds that share risk
  - Release capital in installments contingent on performance



# Program-Related Investments: What's New?

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- **Increased the Program-Related Investment cap** on deployed capital from 5% to **6%** of main Foundation assets
- **Increase the annual charitable (grant) distribution** payout calculation from the required 5% to **5.125%**
- Increased capacity to commit to **non-cash guarantees** for loans made to program-aligned organizations and projects (*example: Colorado Community Media*)
- Openness to use the Foundation's **strong balance sheet to borrow money** when unique opportunities arise (*example: PPP loan program for small businesses, via CDFIs*)



# Program-Related Investments: Examples

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**EDUCATION:** Colorado Charter Facility Solutions

**NATURAL RESOURCES:** Clean Energy Credit Union, Palmer Land Trust

**COMMUNITY DEVELOPMENT:** Transit-Oriented Development Fund, First Southwest Community Fund

**INFORMED COMMUNITIES:** The Colorado Sun, National Trust for Local News/Colorado News Conservancy



# Our Approach to Mission-Related Investments

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- **Align with core Foundation interests** – K-12 education, natural resources, and vibrant communities
- **Colorado relevance is a plus**, but not required to be considered mission- aligned
- Mission-related investments are **not meant to be concessionary**
- **Prioritize private equity** funds and other kinds of direct investments, rather than ownership of one publicly traded stock over another
- **Smaller in size** (\$500,000-\$4,000,000) than other private equity investments
- Seeking out **more diverse fund managers**
- Willingness to invest in **less-proven investment theses** to reach for more mission-relevant options
- **Aligns with the investment policy statement** of the Foundation and enhances the diversification of the Foundation's investments
- **Source and diligence are conducted largely in-house** utilizing the expertise of both finance and program staff
- There are times when staff are not equipped to diligence an investment opportunity and **seek outside counsel to support**




# Mission-Related and Sustainable/Responsible Investments: What's New?

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## *Mission-Related Investments*

- Increasing the cap up to 30% of the private equity portfolio (currently we're at about 10%)

## *Sustainable/Responsible Investments and Operations*

- Exploring ways to move the Foundation's endowment toward net-zero carbon emissions
  - Tracking and improving DEI impact metrics, particularly in the MRI portfolio
  - Monitoring the portfolio's environmental, social and governance (ESG) metrics
  - Continuing to look for sustainable/responsible vendors and operational policies -- approximately \$3 million annually
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# Mission-Related Investments: Examples

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**EDUCATION:** Reach Capital, Owl Ventures (ed tech)

**NATURAL RESOURCES:** Lyme Timber (land), Encourage Capital (water), Blackhorn Ventures (low-carbon technology)

**COMMUNITY DEVELOPMENT:** Rose Affordable Housing Preservation Fund, Greater Colorado Venture Fund

**INFORMED COMMUNITIES:** None yet

**MULTI-SECTOR:** Avesta (BIPOC founders, investment in BIPOC-led businesses addressing climate change or economic mobility)



# Impact Investments: Process

## Outreach to Gates Staff

- Eager to hear about evolving opportunities & ways to collaborate
- Contact program staff (by Focus Area) for PRIs, Impact Investing Team for MRIs
- Send an email
- Submit an inquiry via online form
- Call to introduce your organization or talk through your idea

## Define the Opportunity & Gates Due Diligence

- Back and forth process; may take 2-6 months
- Define investment goals and risk, terms and milestones, impact indicators
- Rolling deadlines (Feb., April, July, Oct.); time-sensitive proposals may be fast-tracked

## Gates Board Decision & Investment Agreement

- Decisions at meetings in April, June, September, December
- Notification, agreements created/signed, funds released according to terms
- Ongoing communication w/Gates staff
- Interim and final reports



# Questions From The Community

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- Will changes in your program strategy influence what you're investing in via PRIs and MRIs?
- Additional questions?



# What's Next?

## Open Opportunities

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- Our next deadlines to **apply for a capital grant** are **March 15** (tomorrow!) and **September 15**.
- We're searching for a new **Program Officer for Natural Resources**; apply by **April 4**.
- We'll soon post an open position in our **Education** program.



# Contacts

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# Thank You

Let's keep the community conversation going.  
With your help we amplify our impact.