

PROGRAM GUIDELINES

I. MISSION

The F.B. Heron Foundation was created in 1992 with the **mission of helping people and communities to help themselves.**

The Foundation's approach is to **help low-income people create and preserve wealth as a means of taking control of their lives and making decisions for themselves, their families, and their communities.** The Foundation aims to improve and expand on effective wealth-creation strategies, support new and innovative approaches to wealth creation, and engage philanthropy and other institutions in mission-related investing, core support grantmaking, and strategies to improve and demonstrate impact. Further, the Foundation aims to achieve a high standard of customer services in all of its operations.

II. WHAT WE FUND: SUMMARY OF KEY STRATEGIES

The Foundation makes grants to and investments in entities that are engaged in one or more of the following wealth-creation strategies—including emerging opportunities to incorporate sustainable practices within the context of healthy environments—that benefit low- and moderate-income families and communities. The specific wealth-creation and preservation strategies are:

- ▶ Advancing **home ownership** including: financing and development or rehab of homes; self-help housing; mortgage counseling and provision; foreclosure prevention; energy-efficient structures and policies.

- ▶ Supporting **enterprise development** including: financing and technical assistance for small business development; entrepreneurial networks; worker-owned cooperatives; commercial real estate development.
- ▶ Increasing **access to capital** and preserving assets including: financial products, services and education; savings programs; preventing predatory or unfair lending practices.

The Foundation will also support research and policy efforts that advance these wealth-creation strategies.

For more detail on the rationales behind these strategies and specific funding interests, please see “Additional Information on the Strategies We Fund” section, below.

The Foundation also makes grants and investments, and commits other Foundation resources, to efforts that:

- ▶ **Encourage effective practices in philanthropy**, specifically to expand social impact through mission-related investing, as well as to promote core support funding, practical means of assessing impact, and high quality customer service to our partner grantees and investees.
- ▶ Develop systems and approaches for **reliable, credible data, research and technology systems** that inform and expand practice and policy in wealth creation.
- ▶ Provide **financial or technical assistance** to community-based development organizations or coordinate **practitioner networks** to exchange lessons learned.

III. WHERE WE FUND

Geographic Focus

The Foundation believes in the value of close connections to communities as a means of learning from experts who are working directly with individuals and families within neighborhoods. We hope that geographic focus can enable us to form closer bonds to nonprofit, government, and for-profit partners, and to better understand the challenges and opportunities for creating and preserving wealth in a range of economic conditions for low-income working families. We aim to use community-based experiences to inform and improve our grantmaking and mission-related investing, and to share these lessons with a wider audience of other practitioners, funders, policymakers, and advocates.

With limited resources, Heron concentrates its funding in specific locations because there are significant wealth-creation activities underway and the Foundation's resources and involvement have the potential to accelerate positive change in the low-income communities within these areas. The geographic areas where Heron currently funds are:

- ▶ Appalachia
- ▶ Michigan
- ▶ Mid-South Delta
- ▶ New York City
- ▶ Texas

South Africa

In 2007, the Foundation began an exploratory grantmaking program in South Africa for several reasons: to learn more about supporting wealth creation and

preservation for low-income people in an increasingly globalized economy; to exchange lessons learned in South Africa and the U.S.; and to build on the significant leverage potential of South Africa for sub-Saharan Africa. At this time, the Foundation is not accepting unsolicited grant proposals to support work in South Africa.

National and Regional Strategic Partners

Beyond the specific geographic areas noted above, the Foundation supports organizations that it considers to be key strategic partners. These organizations have a national or regional focus, and advance wealth-creation and preservation solutions that have broad application. The Foundation supports organizations led by well-recognized or emerging thought leaders in the wealth-creation field who are:

- ▶ Developing and testing innovative wealth-creation and preservation approaches
- ▶ Significantly expanding the use of effective strategies
- ▶ Improving policy at the local, state or national level to increase, support, or preserve wealth in low-income communities.

Note: The Foundation's mission-related investments are **not** restricted geographically.

IV. HOW WE FUND

The F.B. Heron Foundation seeks to allocate capital to effective change agents within our fields of interest, including deploying its endowment to advance the mission.

Mission-Related Investing

With the aim of expanding social impact, while achieving strong financial returns, the Foundation makes mission-related investments including:

- ▶ **Program-related investments**, typically low-interest senior or subordinated loans or equity-like investments to nonprofit or for-profit organizations whose work closely corresponds with the Foundation's programmatic interests.
- ▶ **Market-rate insured deposits** in low-income designated credit unions or community development banks.
- ▶ **Other mission-related investments** including, but not limited to, targeted fixed-income securities, positively

screened public equity, and private equity offering a risk-adjusted market rate of return with substantial social benefits to low-income families and communities.

Core Support Grantmaking

Organizations with whom the Foundation works consistently indicate that **core support** (i.e., general or operating support) is highly valuable in helping an organization to conduct its business, set and modify objectives and strategies, and plan and innovate. If a strong core of an organization's work is consistent with the Foundation's funding strategies and if the organization assesses its impact, is well-managed, and meets the other criteria specified below (See *Types of Organizations Supported*), the Foundation prefers to make core support grants. When circumstances warrant, the Foundation will also consider supporting specific programs or projects.

Assessing Impact

The Foundation considers an organization's ability to **improve and demonstrate its impact** on the lives of low-income people and communities to be of paramount importance. The Foundation also views impact assessment as a hallmark of an organization's sound management and accountability. To be considered for support, applicants must have a clear commitment to and track record of using data to improve programs and track results.

V. ADDITIONAL INFORMATION ON THE STRATEGIES WE FUND



Home Ownership

For many American families owning a home is a key aspiration.

A family's home provides a stable place to live, raise children, and participate in a community. Often a home is a family's primary asset and serves as a base upon which to build additional assets. Communities with a high percentage of owner-occupied homes are generally safer, economically stronger, and characterized by a more engaged citizenry. Unfortunately, the American dream of homeownership is in peril for many low- and moderate-income families, owing to the dramatic increase in housing costs and mortgage payments.

Conversely, the sub-prime mortgage crisis and rising foreclosure rate disproportionately affect low-income and minority homeowners, threatening the value of the homes and the quality of the neighborhoods.

To take advantage of the positive outcomes that accrue from home ownership and to mitigate the negative impact of foreclosures, the Foundation will consider support for organizations working to increase and preserve affordable home ownership in low-income urban and rural communities. The Foundation considers support for organizations that:

- ▶ Develop and/or finance new or rehabilitated owner-occupied homes, including self-help housing
- ▶ Provide people with affordable mortgages and/or provide pre- and post-mortgage counseling to first-time home buyers
- ▶ Preserve wealth by preventing foreclosures due to predatory mortgages and other predatory practices
- ▶ Demonstrate innovative approaches to home ownership that enhance and sustain wealth-building opportunities for low-income homeowners (e.g. energy efficient structures and policies).



Enterprise Development

Small business ownership can be an important means of building wealth and economic security within a family, as well as providing employment opportunities and other benefits for low- and moderate-income communities. The Foundation supports enterprise development efforts that benefit many community members, or that are part of a comprehensive community development strategy. The Foundation considers support for organizations that:

- ▶ Provide technical assistance and financing for small businesses
- ▶ Build networks and markets for entrepreneurs in distressed rural and urban communities
- ▶ Strengthen worker-owned enterprises and cooperatives
- ▶ Foster commercial real estate development.

Please note that the Foundation does **not** support microenterprise development as a stand-alone strategy.



Access to Capital

Sustained access to capital is critical for individuals, families, and communities to create and preserve wealth, build assets, and achieve prosperity. But many low-income people and communities have been flooded with opportunities to access credit in various forms with excessive terms. Consumer debt has tripled in the past decade.

The Foundation supports financial services and products that enable low-income people to improve their personal balance sheets, increase their economic stability, and avoid wealth-depleting transactions. The Foundation will consider support for organizations that:

- ▶ Provide financial services to low-income people, particularly in underserved or unbanked communities
- ▶ Offer effective financial literacy and education programs
- ▶ Help low-income people build savings
- ▶ Combat predatory lending through research, policy and advocacy efforts.

The Foundation also considers support for efforts to broaden the adaptation of private market financing mechanisms, or to promote community reinvestment to accelerate wealth creation for low-income families.

People With Disabilities

The Foundation recognizes that the particular challenges faced by people with disabilities can inhibit the pursuit of wealth creation. People with disabilities are much less likely, for example, to own a home or business. The Foundation will give priority to organizations that demonstrably incorporate people with disabilities as beneficiaries of the wealth-creation strategies on which the Foundation is focused.

Encouraging Effective Practices in Philanthropy

The Heron Foundation seeks to actively encourage other foundations, institutional investors, and other funders to join us in two areas of Heron Foundation practice: mission-related investing (MRI) and core support (general operating support). The Foundation will consider support for efforts that:

- ▶ Educate, catalyze and encourage others to undertake promising MRI and core support grantmaking strategies
- ▶ Develop products that promote MRI and facilitate specific MRI deals
- ▶ Disseminate lessons learned and case examples for both MRI and core support grantmaking.

The Foundation expects to work closely with our colleagues in the nonprofit and for-profit capital markets to direct more resources to these promising strategies.

Supporting Activities for Practice-Based Approaches

The Foundation recognizes that much can be accomplished at the community level. However, local experts often benefit from opportunities to learn from other practitioners and to take advantage of national expertise. Specific to wealth creation and preservation, the Foundation will also consider grants to organizations that:

- ▶ Provide financial or technical assistance, or organize practitioner networks or associations that assist community development organizations in building management and program capacity, particularly for assessing impact
- ▶ Encourage development and opportunities for emerging community leaders
- ▶ Work on wealth-creation policy and applied research that complement the direct-service efforts to accelerate wealth creation.

VI. TYPES OF ORGANIZATIONS WE SUPPORT

In our grantmaking and mission-related investing, we support well-managed, “best-in-class” entities that improve and demonstrate their social impact applying practice-based, meaningful methods of assessing impact. The Foundation gives priority to organizations that meet the following criteria:

- ▶ Advance the mission of helping people and communities to help themselves using the specific wealth-creation strategies supported by the Foundation
- ▶ Demonstrate a commitment to accountability, including improving and demonstrating the tangible and lasting impact of their efforts

- ▶ Regularly set objectives and demonstrate progress in achieving those objectives that advance their mission
- ▶ Have program and management resources in place to achieve objectives, and demonstrate consistent high performance in terms of actual outputs, outcomes and impact
- ▶ Demonstrate leadership in their field or market area
- ▶ Have staff and board leadership that reflect the communities served
- ▶ Regularly assess performance with the organization’s governance board and use this process to make improvements
- ▶ Demonstrate fiscal integrity, including the performance of annual independent audits
- ▶ Receive funding from other private funders or investors.

HERON AT-A-GLANCE

Mission: The F.B. Heron Foundation was created in 1992 with the mission of helping people and communities to help themselves.

Website: www.heronfdn.org

Total Assets as of 12/31/07: \$317 million

Mission-Related Investments as of 12/31/07:

Total PRIs: \$18.8 million
Other MRIs: \$64.9 million
Total MRIs: \$83.8 million

Grantmaking in 2007:

Number of grantees: 156
Total grants paid: \$10.8 million
Grants for General Support: 65%

First-time Grant Range: \$25,000–\$50,000

Annual Grant Range: \$25,000–\$125,000

PRI Range: \$250,000–\$1,000,000

Market-Rate Deposits:

\$100,000 per depository institution (may be higher if depository is a member of the Certificate of Deposit Account Registry Service™ network)

Market-Rate

Mission-Related Investments:

Up to \$2.5 million per investment