

# 2018 ANNUAL REPORT

## BUILDING MOMENTUM



SUSTAINABLE  
COMMUNITIES  
FUND

“

It is exciting to see the forward strides we are making now that we have developed a strong foundation on which to operate.

”

**Deborah J. La Franchi**  
SCF Chair and CEO

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TO ALLEVIATE POVERTY BY  
SUPPORTING FINANCIAL, ECONOMIC  
AND SOCIAL INCLUSION STRATEGIES  
THAT EMPOWER LOW-INCOME PEOPLE  
AND STRENGTHEN COMMUNITIES.



Dear Sustainable Communities Fund Supporters,

This year served as an inflection point for SCF. We started 2018 poised to leverage the transformational improvements to our operating platform achieved over the last few years. We have now entered a new phase of development, shifting from a more internally-focused operational phase to an external growth phase. This momentum is propelling us in a manner that allows SCF to better serve communities through our impact investments. SCF also made important progress in improving upon and finalizing critical projects that were started in prior years, including:



- Implementing a strategic board expansion by adding two new board members;
- Refining our mission statement, operating principles and strategic priorities;
- Updating our Investment Policy.

Of critical note is that we completed the requirements needed to apply to become a Certified Community Development Institution (CDFI). This culminated in our certification application being submitted prior to year-end, with approval ultimately received in 2019. Being a CDFI will open many doors for SCF, including enabling us to raise more capital and to develop more strategic partnerships.

SCF's greatest accomplishment this past year has been its increased investment level. SCF achieved its most significant portfolio size increase and largest total portfolio to date with almost \$2.5 million in impact investments. This is up from \$1.45 million invested in 2017— a 70% increase. Even more importantly, we are proud of the mission- and priority-alignment of our investments as they are truly benefitting the low-income and underserved communities we seek to support.

In the coming year, we will continue to build on our momentum as we implement our capital raising strategy and expand our partnership opportunities in order to achieve our goal of achieving significant organizational and investment growth over the next five to ten years.

On behalf of our board and staff, I would like to thank all of our past contributors and supporters who have helped us to get where we are today.

Onward and Upward...

Deborah J. La Franchi  
Chair and CEO



Muhummad Yunus, Founder and Nobel Peace Prize recipient opens Grameen America's 22nd branch

Throughout 2018, SCF has refined its investment parameters and significantly grown its investment activity. SCF honed and clarified its mission statement, program priorities and investment parameters to better align with the investments we have been pursuing with the support of our Board of Directors. Since inception, SCF has mostly focused on “financial inclusion” investments— wherein individuals and businesses have access to needed affordable financial products and services that are delivered in a responsible and sustainable way. To achieve this focus, SCF supports Community Development Financial Institutions (CDFIs) which have a federal mandate to serve low-income and underserved populations (i.e. women, minorities, etc.) with fair financing and services across the country. As SCF itself now pursues CDFI certification as an intermediary funder, it has further prioritized CDFI investments, which comprise 73% of its total investment portfolio capital.

Another major milestone for SCF was to formalize its goal to achieve 100% positive social impacts in its investment portfolio by undertaking only Program-Related and Mission-Related Investments. This is a feat that few foundations have committed to and a benchmark that SCF has already achieved as it set out from its inception with this goal in mind. SCF has also continued its trajectory of strong portfolio growth as it expanded its annual investment activity by deploying over \$1.3 million into one renewal and three new impact investments in 2018. This investment activity increased the overall portfolio size by 70.2% (in dollars) relative to 2017 levels and achieved an end-of-year total portfolio of 11 investments worth nearly \$2.5 million.

Year	Total # of New Investments*	Total New Investment \$	EOY Total # of Investments	EOY Investment Portfolio
2011	3	\$102,500	3	\$102,500
2012	1	\$66,000	3	\$133,209
2013	0	\$0	3	\$133,209
2014	1	\$75,000	4	\$210,278
2015	3	\$300,000	5	\$589,784
2016	2	\$420,000	4	\$646,524
2017	4	\$800,000	8	\$1,445,106
2018	3	\$1,054,534	11	\$2,459,649

\*Totals do not include investment renewals

**OUR INVESTMENTS**

From 2011-2018, SCF's investments have supported the following high-impact organizations across the country to better achieve their low-income serving missions and goals:

**Active**

- BCL of Texas (2018-2021)
- Blue Highway Growth Capital Fund (2018-2029)
- Grameen America Inc. (2017-2022)
- Hope Credit Union (2017-2019)
- LiftFund (2015-2019)
- Mercy Corps Northwest (2016-2020)
- Native American Bank (2018-2022)
- Northern Initiatives (2014-2019)
- Self Help Federal Credit Union (2017-2022)
- Self Help Federal Credit Union (2018-2020)

**Inactive**

- FINCA Haiti (2011-2012)
- Habitat for Humanity Michigan Fund (2012-2016)
- LiftFund/Accion Texas (2011-2015)
- Oikocredit USA (2015-2016)



Hope Credit Union

**PORTFOLIO**  
**\$2.5M**  
in 11 investments  
into 9 organizations

**IMPACT INVESTING**  
**100%**

All SCF investments  
achieve positive  
social benefits

**FOCAL IMPACT AREA**  
**100%**  
Financial Inclusion

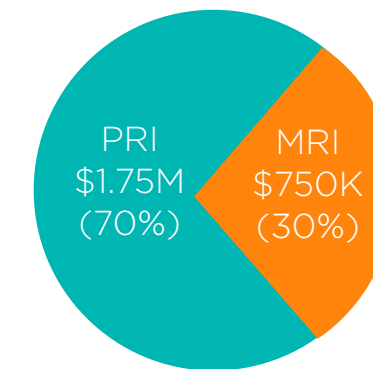
**INVESTMENT PURPOSE**  
**73%**  
For micro, small &  
medium-size business  
loans

**27%**  
For Multiple Loan  
Program Support

**ENTITY TYPE**



**IMPACT INVESTMENT TYPE**



**PROGRAM-RELATED INVESTMENTS (PRI)**  
8

**MISSION-RELATED INVESTMENTS (MRI)**  
3

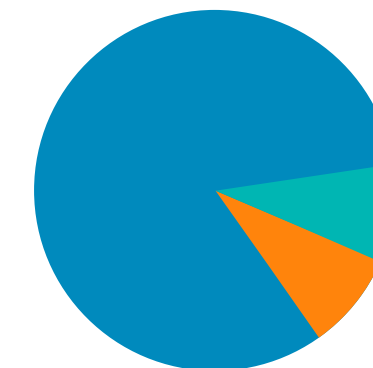
**ORGANIZATIONS AND PROGRAMS WE FUND SERVE**

**53%**  
WOMEN

**77%**  
MINORITIES

**RECIPIENT CDFI STATUS**

73% of investments dollars go to CDFIs



**CDFIs**  
9 (82%)

**CDFI-like**  
1 (9%)

**Other**  
1 (9%)

**FLEXIBLE UNDERWRITING**

**55%**  
Of programs funded  
use non-traditional  
underwriting to bring  
in undeserved clients



**Investment Term**  
8/9/2018 - 8/9/2021

**Loan Amount**  
\$350,000

**Area Served**  
Texas

## BCL OF TEXAS

**Mission:** BCL of Texas is a 501(c)(3) nonprofit economic development organization providing lending, homeownership, entrepreneurship, and community development programs.

**BCL Diversity Fund:** This program targets “growth businesses” in Texas operated by women and minorities by utilizing flexible underwriting criteria (i.e. lower credit scores, lower LTV, smaller businesses, lower net worth, etc.) and intensive technical assistance. The goal of this program is to address long-standing wealth gaps and financing disparities for the most underserved populations. SCF has targeted a portion of its funds to be lent to BCL’s “Tranche 1” businesses which typically are newer enterprises with less track record and that require the most flexible underwriting parameters to qualify for loans. BCL is headquartered in Dallas with an office in Austin and it serves all of Texas.

## BLUE HIGHWAY CAPITAL

**Mission:** To stimulate and reinforce the growth of small companies located in rural and other underserved areas of the United States where private equity capital is scarce yet necessary to capitalize on growth opportunities.

**Blue Highway Growth Capital Fund (BHGCFF):** This private equity fund was created to invest in (acquire or recapitalize) growth-stage, privately held companies located in rural and other underserved sectors of the US. These are the areas where growth equity capital is scarce yet necessary to compliment the debt capital that has sustained many of these companies. BHGCFF will focus its national investment scope in the Northeast & Mid-Atlantic regions. BHGCFF invests in small, middle-market companies – the growth engine that drives the rural economy and helps generate job growth. This is the first fund for Blue Highway Capital, a women-led partnership that also seeks to support women-led companies through its investments.

**Investment Term**  
12/21/2018 - 6 years+

**Investment Amount**  
\$400,000

**Area Served**  
National; Focus on Northeast region



**Investment Term**  
7/30/2018 - 7/30/2022

**Loan Amount**  
\$300,000

**Area Served**  
National; Focus on  
Native/Tribal Areas



## Native American Bank (NAB)

**Mission:** To assist Native American and Alaskan Native individuals, enterprises, and governments to reach their goals by providing affordable, flexible banking and financial services. To accomplish this we concentrate on pooling Indian economic resources to increase Indian economic independence by fostering a climate of self-determination in investment, job creation and sustainable economic growth.

**NAB General Loan Fund:** SCF invested in NAB's holding company (Native American Bancorp) because NAB is part of a small but important list of mission-oriented banks—it is one of only 18 Native banks and the only one with a national footprint. NAB is a Native CDFI and a Minority Depository Institution because of its cooperative ownership by over 30 tribal nations/entities. NAB's pursuit of diversifying native economies and creating sustainable communities in rural poor regions is of critical importance. SCF's loan to NAB provides them with growth capital to achieve their 5-year strategic growth goals. Importantly, SCF's \$300,000 investment into the holding company allows for these funds to be leveraged 1:11 which opens the opportunity for NAB to raise an additional \$3.3M, thus greatly increasing their overall lending capacity.

“

The project will create new permanent jobs, will keep more dollars in the community, and will allow residents to make healthier food choices.

The Red Lake Trading Post is an example of how tribal enterprises in remote or isolated locations can combat food insecurity while impacting the bottom line.

”

**Shannon Ward**  
Chief Lending Officer for  
Native American Bank



## RED LAKE TRADING POST

SCF's \$300,000 loan capital was used in a \$3.7M construction loan by NAB to a development enterprise of the Red Lake Band of Chippewa Indians to develop the Red Lake Trading Post. This facility will bring new and expanded community resources to the Red Lake Reservation and surrounding community of approximately 13,600 residents in northern Minnesota. The project expands an existing grocery store by 2.5x (to 27,000 sq. ft.), increasing access to healthy fresh foods (i.e. produce, dairy, meat) and other grocery options. Efficiency upgrades will also generate substantial long-term energy savings. The facility will house new resources including: an eat-in and take out deli, a bakery, a coffee shop, laundromat, and an automotive department.

This facility's retail eliminates a 60-mile+ round-trip drive to off-reservation competitor businesses.

This project creates 45 construction jobs, 20 new permanent jobs, and retains 30 permanent grocery jobs. Construction started in late spring 2018 and the facility will open in August 2019. The loan closing is the first Indian Country deal of its kind to comingle the federal New Markets Tax Credit (NMTC) program with a U.S. Department of Agriculture (USDA) Business & Industry guaranty, on a project located on tribal trust land where the ground lease will serve as collateral. The Native American Financial Officers Association (NAFOA) awarded Red Lake the 2019 Small Deal of the Year Award.



## SELF HELP FEDERAL CREDIT UNION

**Mission:** To create and protect ownership and economic opportunity for all. We do this by providing responsible financial services, lending to small businesses and nonprofits, developing real estate and promoting fair financial practices.

**Runway Project Oakland** is part of a national initiative solving the “Friends & Family” seed funding gap for African American entrepreneurs. This program strives to fix the broken infrastructure surrounding African American entrepreneurs. It provides early-stage funding using a flexible underwriting process and holistic high-touch business support. Runway Project builds and leverages a connected ecosystem of funders and business service providers as a wealth-building strategy for the entrepreneur. Core partners in the Oakland-based prototype program include: Self Help Federal Credit Union, Impact Hub Oakland, Uptima and other entrepreneur bootcamps. Between the launch of the program in October 2017 and December 31, 2017, three loans to African American female entrepreneurs totaling \$55,000 had been deployed from the initial \$200,000 loan capital raised; additional loan funds are also being raised to grow this fund in 2018.

**Investment Term**  
7/12/2017 - 7/12/2022

**Loan Amount**  
\$100,000

**Area Served**  
San Francisco -  
East Bay Area

“

We were impressed with how quickly SCF was able to provide us with the funds we needed for our pilot lending program. Our ability to provide these early-stage African-American entrepreneurs with access to capital is central to our mission of reducing the racial wealth gap and creating economic opportunity for all.

”

**Annie McShiras**  
SHFCU Investment Associate



### APRIL'S STORY: PIIKUP

April grew up in Richmond, CA. Her mother worked as a janitor and struggled to make ends meet for her family. April started Piikup to change the status quo for service industry workers. Her vision was to help them provide for their families without having to work multiple jobs. Piikup is a business-to-business delivery service targeting small- and medium-sized businesses in the food and retail sectors within the I-80 corridor in the San Francisco-East Bay area.

April enrolled in Uptima Bootcamp in May 2015, piloted her businesses while enrolled, and graduated in July 2016. In 2017, Uptima

helped April raise a \$10,000 Kiva loan to fund staffing to grow her business. Once she commenced operations, April needed delivery vehicles to enhance her business. She was very concerned about securing a loan from traditional banks given her credit history. Runway Project provided April a \$20,000 loan to purchase her first delivery vehicle. Runway also provided concurrent advisory and mentoring services which helped April to vet an acquisition opportunity of another local delivery services business. Piikup received the 2017 Social Changemaker award at the Oakland Indie Awards.





### Investment Term

Loan 1:

*7/31/2015–7/31/2019*

Loan 2:

*10/12/2017–7/31/2019*

### Loan Amount

Loan 1:

**\$200,000**

*Promise Loans &  
LiftUp Loans*

Loan 2:

**\$100,000**

*Texas Small Business  
Rebuild Initiative*

### Area Served

*AL, TN, MS,  
KY, TX, LA*



## LIFTFUND

**Mission:** To provide credit and services to small businesses and entrepreneurs who do not have access to loans from commercial sources and to provide leadership and innovation to the microlending industry.

**Promise Loan & Liftup Loan Programs:** In 2015, SCF loaned \$200,000 to support LiftFund's Promise Loan Program. This prototype micro-lending program incorporated a unique underwriting system designed to fund early-stage low-income business owners that LiftFund's existing programs were not previously able to serve. After 3-4 years of testing and revising the program to overcome high losses, LiftFund tightened its underwriting criteria to reduce Promise Loan defaults. Consequently, SCF's capital was not being adequately deployed to end-users due to the tightened lending standards and resulting lower deployments overall. SCF's loan to LiftFund was subsequently modified in October 2017 to allow its funds to support the newer LiftUp loan program. LiftUp loans were developed to serve clientele similar to the Promise Loan program but by utilizing LiftFund's standard underwriting parameters (these standards had been loosened on some important criteria based on learnings gained from the Promise Loan Program).

**Texas Small Business Rebuild Initiative:** At the same time the LiftUp modification was being negotiated, Hurricane Harvey hit Houston, Texas in August 2017. The business community in Houston and surrounding communities, a core marketplace for LiftFund, were devastated. SCF responded by becoming one of the first funders of LiftFund's new rapid-response Texas Small Business Rebuild Initiative. We provided an additional \$100,000 in loan capital specifically for this program. This program created a suite of post-emergency loan relief and loan programs with high flexibility and rapid deployment timelines to assist small businesses to quickly rebuild and recover after this catastrophic hurricane.

### The Fund's Impact

Two years after being launched, the Fund's collective impacts are:

- \$7 million in business relief funding
- 322 small business owners lifted
- Established a strong coalition of 50+ community partners
- 40 Take Action Now workshops and resource fairs
- 619 workshop attendees
- New partnership with U.S. EDA on future effort to develop disaster preparedness toolkits for small businesses in the Gulf Coast.

## YOLANDA'S STORY

Two years ago, Chef Yolanda Henry (pictured on the left) experienced the devastating force of Hurricane Harvey on her Houston-based business of 15 years—Nuksy's Fine Catering. Storm flooding destroyed her equipment, inventory and the building's structure and forced her to stop operations. With LiftFund's Harvey Relief Small Business Fund support, Chef Yolanda moved her business to a larger venue downtown and expanded it to offer additional services and flexible rental event space. Today, Chef Yolanda and her growing team are busier than ever, catering larger events and expanding to serve new corporate and government clients.



**Investment Term**  
12/15/2017 - 12/15/2022

**Investment Amount**  
\$350,000

**Area Served**  
13 states;  
19 branch offices



## GRAMEEN AMERICA INC.

**Mission:** Building a nation without poverty.

The **Grameen America Social Business Fund (GASBF)** is a new investment vehicle created to enhance and streamline large-scale capital raising for Grameen America Inc.'s (GAI) US-based small-business micro-loan program. Organizationally, GAI's targeted capital growth will enable it to achieve both corporate and branch-level financial sustainability by 2020. Programmatically, increased funding allows GAI to significantly increase its lending to low-income, female small-business owners characterized as having no source of affordable capital and no access to the banking system or financial education. Borrowers receive starting loans of \$1,500 with no collateral requirements. The loans are structured as a group loan with five other friend or family borrowers, each with an individual loan. GAI's program goals and outcomes include: increasing business income, growing personal savings, asset building, credit building, increasing employment, and building more educated entrepreneurs.

### HERLINDA'S STORY:



*Herlinda took out her first loan of \$1,000 in 2014 and used the funds to rent a storefront for her homemade ice cream and yogurt business. To date, Herlinda has taken out three loans from Grameen America totaling \$3,500. She used her most recent loan to purchase a new refrigerator and a juice maker to expand her inventory. With six employees, Herlinda's business is thriving and brings in around \$3,000 a week. With these microloans, Herlinda has not only built a successful ice cream shop, but she can now support her family and fund her three children's education.*

**SCF's capital has funded 370 loans totaling over \$970,000 (2.8x its investment)**



## HOPE CREDIT UNION

**Mission:** To strengthen communities, build assets and improve lives in economically distressed areas of the Mid South by providing access to high quality financial products and related services.

**General Loan Fund:** Hope Credit Union (HCU) is a CDFI designated as a low-income serving credit union by the National Credit Union Administration. HCU's core function is to provide affordable credit and to advance financial equity for low-income and underserved communities. HCU works in some of the highest poverty areas of the country—75% of their branches are located in high-poverty areas and 2/3 of all nationally-identified persistent poverty counties exist within their service area. HCU delivers on its mission: 47% of its business loans are made to minority- and women-led businesses; 67% of consumer loans were made in economically-distressed areas; 87% of home mortgages were made to first-time homeowners; and, their loans have resulted in food becoming available for purchase for 14,000 people living in food deserts. SCF's investment provides general support to the organization to grow its array of critical loan programs benefitting low-income and underserved populations.



**Investment Term**  
10/27/2017 - 10/27/2019

**Loan Amount**  
\$250,000

**Area Served**  
Mississippi  
Louisiana  
Alabama  
Tennessee



**Investment Term**  
5/1/2014 - 5/1/2019

**Loan Amount**  
\$75,000

**Area Served**  
12 counties in  
Upper Michigan

## NORTHERN INITIATIVES

**Mission:** To deliver loans and business services to small business owners and entrepreneurs who create jobs and enable the people and communities of Northern Michigan and Northeastern Wisconsin to thrive.

**Regional Revolving Loan Fund:** SCF provided Northern Initiatives (NI), a CDFI, with a loan to support its new Regional Revolving Loan Fund program (RRLF) in Michigan. The RRLF lends to low-to-moderate income small-business owners in upstate rural Michigan. Funds from this investment are coupled with approximately \$4.25 million in Community Development Block Grant Program (CDBG) funds from 12 rural Michigan counties. CDBG is a government sponsored program designed to assist low-to-moderate income people and businesses with funds that can be used for various economic and community development activities. The pairing of SCF funds with CDBG funds provides Northern Initiatives greater flexibility in loan deployment. SCF's funds are able to be used for loan activities that are needed by the borrowers to achieve success but excluded by CDBG loan parameters. NI's overall investment portfolio consists of 40% women-owned businesses, 60% microloans, and 20% start-up businesses.



**Investment Term**  
7/12/2016 - 1/12/2018

**Loan Amount**  
\$250,000

**Area Served**  
California  
Illinois  
Florida

## SELF HELP FEDERAL CREDIT UNION

**Mission:** To create and protect ownership and economic opportunity for all. We do this by providing responsible financial services, lending to small businesses and nonprofits, developing real estate and promoting fair financial practices.

**General Loan Fund:** SCF made a \$250,000 Certificate of Deposit investment into the Self Help Federal Credit Union (SHFCU) general loan fund. The loans include auto, unsecured, and mortgage loans as well as affordable consumer loans like Dreamer, Citizenship and Just Right loans. SCF's CD investment will assist SHFCU's goal of achieving poverty alleviation through lending to low-income persons. Traditionally, loans from SHFCU have been distributed to 86% low-income borrowers, 93% to people of color, 33% to women; 63% of all loans have been made into distressed areas. The geographic scope of SHFCU's lending has greatly expanded and loans are now being deployed within California, Illinois and Florida. Utilizing SCF's investment, SHFCU is positioning itself to be a national leader in providing financial services to low-income populations.



**Investment Term**  
*3/1/2016 - 3/1/2020*

**Loan Amount**  
*\$120,000*

**Area Served**  
*Seattle, WA  
Portland, OR*

## MERCY CORPS NORTHWEST

**Mission:** To alleviate suffering, poverty and oppression by helping people build secure, productive and just communities.

**Small Business Microloan Fund:** Mercy Corps Northwest (MCNW) programs work to increase economic self-sufficiency and community integration through microenterprise development and self-employment. MCNW assists low-income, current and aspiring small-business owners throughout Oregon and Washington in order to reduce unemployment, grow personal incomes and assets, and increase economic growth. MCNW provides high-touch technical assistance to prepare prospect borrowers to launch and grow their businesses before and after their loans of under \$50,000 are disbursed. SCF invested in MCNW by targeting to grow its loan fund to serve more low-income clients and to support its efforts to expand its service area, especially within its newer Seattle region.

“

As a small loan fund operator, MCNW views SCF as an excellent partner. SCF has provided us with the flexible capital we needed. They have also been patient as we made needed adjustments to our loan products in order to better address the needs of the most underserved.

”

**Andrew Volkman**  
Director, Small Business  
Development Services  
Mercy Corps Northwest



## HABITAT FOR HUMANITY MICHIGAN FUND

**Mission:** To provide mortgage services to Habitat Affiliates and to increase their financial liquidity to provide more affordable homes to more families and individuals in Michigan.

**Affordable Community Mortgage Program (ACMP):** SCF provided \$66,000 in seed capital for its \$100,000 prototype mortgage fund. The Habitat Michigan Fund provides mortgages to people earning 60%-80% below AMI and the ACMP used a securitization structure to vastly reduce capital raising needs and to expedite the payback mortgage funds to Habitat Michigan Fund to 30-90 days, as opposed to the standard 20 to 30-year mortgage payback structure—this facilitates rapid re-use of funds for further home building and purchase activity. ACMP partners included Cinnaire and Michigan State Housing Development Authority and SCF required a matching investment of \$34,000 from Habitat for Humanity Michigan.



**Term:** 2012-2016

**Loan Amount:** \$66,000

**Area Served:** Michigan



## FINCA INTERNATIONAL/ FINCA HAITI

**Mission:** To provide financial services to the world's lowest-income entrepreneurs so they can create jobs, build assets and improve their standard of living.

**FINCA Haiti:** SCF invested in FINCA International (FI) to provide loan capital for micro-businesses in Haiti. Haiti is one of the poorest and least developed countries in the world—more than half its population lives on less than \$2 a day. Haiti was one of FINCA's highest risk and most underfunded Affiliate micro-loan program given its long-standing political instability, faltering economy, and the destruction and destabilization caused by the earthquake in 2010.



**Term:** 2011- 2012

**Loan Amount:** \$37,500

**Area Served:** Haiti

## LIFTFUND

**Mission:** To provide credit and service to small businesses that do not have access to loans from commercial sources, and to provide leadership and service to the micro-lending field on a national level.

**LiftFund Loan Fund:** SCF selected LiftFund (previously Accion Texas, Inc.) given its status as a U.S. small business microloan industry leader. Our capital was targeted to grow LiftFund's lending within its historic and new geographic markets, as well as to continue serving low-income, minority, and underserved populations. LiftFund's borrowers are typically low-income small-business owners, of which over 80% are minorities and 35% are women.

**Texas Investment:** SCF's \$27,318 loan supported low-income business owners in San Antonio, Texas, allowing LiftFund to expand its existing loan portfolio.

**Louisiana Investment:** SCF's \$43,709 loan increased small-business loans to low-income owners in New Orleans, Shreveport, and Alexandria, Louisiana. These were new expansion regions for LiftFund.



**Term:** 2011-2015

**Loan Amount:**  
1) \$27,318 - Texas  
2) \$43,709 - Louisiana

**Area Served:**  
Texas & Louisiana

## OIKOCREDIT INTERNATIONAL

**Mission:** To provide financial services and supports to organizations to improve the quality of life of low-income people or communities in a sustainable way.

**Oikocredit USA:** SCF's investment in this US-based capital-raising arm of Oikocredit International provided general funding for Oikocredit to grow its investment portfolio and technical assistance to its +800 partner organizations (microfinance, fair trade co-ops, etc.) and small business enterprises in over 60 developing countries world-wide.



**Term:** 2015-2016

**Loan Amount:** \$150,000

**Area:** International / Developing Countries

**Core Updates**

In 2018, SCF hired its first full-time internal staff person: a Chief Operations Officer. The benefits realized through the new internal capacity brought by a full-time staffer allowed for the completion of critical operational projects and to deploy significant capital into more high-impact investments. Along with the benefits, this new position increased staffing expenses from prior years.

Throughout the year, SCF received and expended the remaining balance of its CDFI Technical Assistance Grant (\$73,561). These funds were leveraged to complete all grant goals by year end, culminating with the submission of SCF’s CDFI Certification application (approval received in May of 2019). This is a critical achievement that should open up new partnership and fundraising opportunities. SCF is ending 2018 by finalizing its capital raising plans and beginning to implement priority activities.

**Booking Activities that Decreased Assets**

This year, SCF had three atypical booking entries that resulted in a decrease in its total assets. On the advisement of its accountants, SCF elected to recognize a \$50,000 Allowance for Loan Losses on its books related to possible future losses within its investment portfolio. In prior years, SCF held a cash loan loss reserve and with this procedural transition, SCF incurred a \$50,000 increase to program expenses and loss to net assets. SCF also created an Allowance for Uncollectible Pledges booking account to allocate for possible future uncollectible charitable contributions (see Capitalization Model Section); this action lowered SCF’s assets by \$149,744. Lastly, prior to the creation of this account, SCF incurred a \$142,857 loss of a prior receivable pledge due to the sale of the company that made this commitment. In total, these three booking entries reduced SCF’s assets by \$342,601, however no “real cash” losses were incurred.



**STATEMENT OF FINANCIAL POSITION**

December 31, 2018

**ASSETS**

<b>Total Current Assets</b>	\$871,080
<hr/>	
<b>Other Assets:</b>	
Mission-Related Investments	\$356,978
Program-Related Investments	\$1,570,548
Pledge Receivable	\$2,503,793
<b>Total Other Assets</b>	\$4,431,319
<b>TOTAL ASSETS</b>	<b>\$5,302,399</b>

**LIABILITIES**

Accounts Payable	\$27,598
<b>TOTAL LIABILITIES</b>	<b>\$27,598</b>

**NET ASSETS**

Without Donor Restrictions	
Operating Reserves	\$109,000
Investment Commitments	\$550,000
Other Assets	\$2,112,008
Donor Restricted Assets	\$2,503,793
<b>TOTAL NET ASSETS</b>	<b>\$5,274,801</b>

<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>\$5,302,399</b>
-------------------------------------------	--------------------

**STATEMENT OF ACTIVITIES**

**REVENUE & SUPPORT**

Total Contributions	\$389,865
Total Grants	\$73,561
Total Investment & Interest Income	\$37,551
<b>TOTAL REVENUE &amp; SUPPORT</b>	<b>\$500,977</b>

**EXPENSES**

Support: Mgmt/ General & Fundraising	\$95,477
Program Services	\$176,615
<b>TOTAL ORDINARY EXPENSES</b>	<b>\$272,065</b>

**CHANGE IN ASSETS**

Change in Net Assets from Operations	\$228,915
Loss on Uncollectible Pledges*	\$292,601
Change in Net Assets	-\$63,686
Net Assets, Beginning of Year	\$5,338,487
<b>NET ASSETS, END OF YEAR</b>	<b>\$5,274,801</b>

\* This line-item represents non-typical booked losses that include the loss of a pledge receivable for \$142,857 due to the sale of the donor company; it also includes the creation of an Allocation for Uncollectible Receivables account on our books to allot for potential future uncollectible pledges (\$149,744).

The vision for SCF at inception was to create an evergreen investment fund initially capitalized by donations secured by the founders—Ms. La Franchi and Mr. Daniels—resulting from fees or payments made through New Market Tax Credit investments made by National New Markets Fund (a joint venture between the founders’ two firms). These resulting contributions, which started in 2007, is expected to grow SCF up to \$5 million investible in assets by 2024. Importantly, this capitalization model has minimized the need for capital raising during SCF’s start-up years, allowing SCF to focus on building its investment platform and placing our capital with top quality programs.

CONTRIBUTION FUNDS  
RECEIVED & PROJECTED

2018	\$702,856
2019	\$1,561,505
2020	\$423,570
2021	\$489,999
2022	\$128,750
2023	\$85,000
2024	\$85,000
<b>TOTAL</b>	<b>\$3,476,680</b>

SCF’s long-term capitalization plan was further developed during 2018 in order to expand the fundraising sources from which it can grow its investment capital. This includes SCF’s ongoing effort to become a Certified CDFI, having already submitted its Certification Application before the end of the year. Once this widely recognized certification is in hand, SCF will be strategically positioned to approach banks and impact lenders—especially foundations—to pursue grant and loan support to further grow SCF’s investment portfolio and capacity. In 2019, SCF anticipates launching a capital raising campaign to significantly increase SCF’s assets by 2024.



BOARD OF DIRECTORS

**Deborah J. La Franchi**

Board Chair; Co-Founder  
President & CEO of  
Strategic Development Solutions

**Belden Hull Daniels**

Secretary; Co-Founder  
President & CEO of  
Economic Innovation International, Inc

**Kenneth Mayne**

Treasurer  
Chief Investment Officer of  
Strategic Development Solutions

**Wil Jacobs**

Board Member  
Loan Manager  
Hope Enterprise Corporation

**Ashlee Barker**

Board Member  
Vice President, New Ventures  
Cinnaire

**Steve Weems**

Board Member  
Managing Director of  
Polaris Associates  
(August resignation)

STAFFING

SCF continues to be operated with minimum staff and low overhead expenses. From 2011-2014, Strategic Development Solutions (SDS) provided pro bono staffing, space and overhead costs for SCF. Now that the organization has matured, SCF is covering its own operational expenses. SDS continues to provide back office support and asset management services on a cost basis to SCF for the majority of all core staffing positions. At the end of 2017, SCF’s Board of Directors approved to hire SCF’s first full-time employee—the Chief Operations Officer—starting January 1, 2018. The SCF Board envisions that SCF will evolve to have its own in-house underwriter and asset manager as its assets and investment portfolio grow to a scale that supports full-time internal staff. The staff at SCF and SDS consultants that undertake core roles on behalf of SCF are listed below:

- Deborah J. La Franchi** - Chief Executive Officer
- Kim A. La Franchi** - Chief Operations Officer
- Kenneth Mayne** - Chief Investment Officer
- Laura Baron** - Chief Financial Officer
- Asteria Lumanau Steinberger** - Senior Asset Manager
- Alexander McDonald** - Compliance Manager
- Israel Tekle** - Financial Analyst/Asset Manager
- Chhay Ung** - Financial Analyst



“

As Sustainable Communities Fund continues to grow, it is increasingly becoming the catalyst for social and economic change that we founders always intended it to be.

”

**Belden Hull Daniels**

SCF Co-founder,  
Board Secretary





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