

HERON EIGHT-YEAR STRATEGIC PLAN (2024)

HERON		COMMUNITY RESEARCH	COMMUNITY CAPITALS INITIATIVE	OUTREACH	HIGH CONVICTION PORTFOLIO	INSTITUTIONAL INTEGRITY
DESCRIPTION/PURPOSE	<p>Heron is a nonprofit community advancement organization. It operates nationally to establish, support and enable collaboration among dozens of Community Capitals Partners (CCPs). CCPs are independent, local organizations that work broadly in distressed communities (those facing persistent poverty and/or severe exogenous threats) to grow the foundational capital (human, civic, financial, and natural) of their communities. As it builds this collaborative network over the coming eight years, Heron is moving the great bulk of its own financial capital to the control and agency of the CCPs and their communities. In addition to its financial capital, Heron offers research capacity and pertinent community health data, support for local community engagement and priority setting, and opportunities for establishing peer connection and mutual learning across the network. In the latter respect, the network will bring the CCPs together to share and record experiences, identify other sustaining resources for its members, and serve as a powerful nexus to accelerate a national movement of redistributed philanthropy and local agency.</p> <p>In the past, as a private foundation, Heron has long been a leader in aligning its assets with its mission of helping communities help themselves, in elevating nonprofit leaders in those communities, and in trusting those leaders by making large general support and enterprise capital grants. The strategy described here is the endgame for Heron as a grantmaking foundation, the logical next step in its evolution and a culmination of thirty years of learning, innovating, and leading. Over the coming eight years, Heron will pursue a set of innovative strategies to (1) empower dozens of distressed rural communities across the country, (2) help rewrite the playbook for national funders working in rural community advancement, and (3) position Heron, not as a grantmaking private foundation, but as a resourceful, experienced, and well-regarded rural community advancement agency, poised to perform this important work effectively well into the future.</p> <p>At the heart of this strategy, Heron will transfer the bulk of its financial capital (75%) to a cohort of CCPs that are (1) active in communities that have faced generations of persistent poverty, (2) committed to building the "collective agency" of increasingly knowledgeable, trusting, and engaged citizens in their communities, and (3) keen to learn and use data and research to help guide their decisions and track their progress. To these ends, Heron will provide CCPs with extensive data and research, technical assistance, communications support, and networking opportunities. Heron will share its growing knowledge broadly and help foment a significant movement of capital from other national sources to the direct control of rural communities. Meanwhile, Heron will strive to invest all its retained financial capital directly into enterprises and projects that benefit these communities. Heron's strategic plan is depicted in six adjacent principal categories: Community Research, Healthy Communities, Outreach, High Conviction Portfolio, Institutional Integrity, and Co-Investor Program. With these internal capabilities and experiences, Heron will be poised to continue indefinitely as a highly effective builder of healthy communities.</p> <p>Heron's work is based upon ten principles: (1) the welfare of people and society depends upon the health and resilience of communities; (2) we must do a better job of moving financial and other capital into disadvantaged communities; (3) the power to control and deploy funds for community welfare must reside in communities themselves; (4) power must be held collectively by an engaged citizenry; (5) an understanding of the community's history, current health and external trends and threats is necessary to guide decision-making; (6) "Mother Trees," well-connected, highly resourceful anchor institutions, play a critical role in helping to nourish, inform and lead community activity; (7) a robust population of local enterprise together with other essential social, civic, physical, and enabling systems, is essential in a healthy community; (8) the community must invest in those enterprises and projects that build the stores of human, natural, civic and economic capital the community requires; (9) all serious philanthropic institutions must consciously and aggressively seek to devote all of their assets to the pursuit of their missions; and (10) the field of philanthropy needs new models and methods to deploy its capital more effectively.</p>	<p>Heron is building an enduring capability to capture, curate, and generate pertinent research to support efforts to build healthy and resilient rural communities. It pursues this agenda across six discrete program areas, described in the adjacent columns. In sum, we develop and/or maintain extensive community health data, future trends analyses, reports of successful communities and initiatives, and a cadre of pertinent expert resources to support each Heron CCP community. In addition to serving the field of community advancement generally, these initiatives help Heron identify candidate communities experiencing persistent poverty and our own CCPs. Heron research staff does a "deep research dive" in profiling each Heron community helping it to assess its current conditions, identify opportunities, set objectives for community advancement, anticipate future challenges (internal and external) to its health and resiliency, inform CCP investment policies, and track its health and progress over time.</p>	<p>Heron seeks to help struggling communities become healthy and resilient in the face of their fraught histories, current challenges, and future conditions. Heron believes that to be truly healthy, communities must have agency and control of the resources they need to advance. To that end, Heron intends to transfer the great bulk of its financial capital to local Community Capital Partners (CCPs), for them to disburse consistent with the priorities and sentiments of community members. CCPs are leading local agencies that are committed to (1) general community health, (2) the success of other community agencies, (3) collective agency of all community members, (4) integration of pertinent data to drive decisions, and (5) faithful reporting. In practice, Heron CCPs are Mother Tree organizations, akin to the dominant trees that help sustain a healthy forest. Heron (1) identifies existing and potential Mother Trees in communities facing persistent poverty, (2) helps build their capacity, (3) grants substantial funds to launch them as significant investors in critical projects and enterprises in their communities, (4) provides extensive data and research support, and (5) helps ensure that the priorities of the community are captured faithfully and help drive investment decisions.</p>	<p>Heron seeks to foment a movement in national policy and among national funders to port the control of their financial capital directly to disadvantaged communities and provide additional support to help those communities advance and meet the substantial challenges ahead. It also seeks to support actors engaged in this hard work with all the knowledge Heron has acquired in its own efforts. To these ends, in conjunction with its research and direct community advancement activities, Heron pursues a comprehensive program of outreach to (1) communicate its own aims, methodologies and institutional progress, experiences and lessons it has learned, (2) support its CCPs in communicating their own progress, experiences and lessons, (3) promote and curate the reflections of thoughtful practitioners, researchers and other observers, (4) enlist the participation in this work by other national and regional funders and policymakers, and (5) otherwise further the movement of empowerment, confidence, cohesion and agency in rural communities throughout the country. Heron will pursue this work through four principal programs: corporate and partner communications, publishing, annual reports, and funding partner development.</p>	<p>Over the coming 8 years, Heron will shift the lion's share of its investable portfolio to CCPs in the form of major grants. During this transition, it must manage what is still a substantial but declining investable asset base (currently \$330 million) and identify the assets to populate a smaller (roughly \$80 million) core investable portfolio to sustain its continuing operations. Initially, Heron will seek marketable investments that promise community benefit and feature liquidity while it seeks simultaneously to begin shifting its investable portfolio to direct community investments, prioritizing communities where our CCPs are active. In particular, Heron will seek out equity and debt investments that enable local development entities to expand their capacity to steward regenerative capital for their communities. Throughout this transition and beyond, Heron will continue to align all of its investments with its mission and will use Net Contribution expectations to guide decision-making. Heron will manage the transition of its portfolio from more traditional to high conviction with grace and fiduciary rigor. Heron's transition must be an example for institutions with significant financial capital that have expressed commitment to mission investing.</p>	<p>Heron will build systems and practices to ensure that its assets are well-managed and that financial reports are accurate and readily accessible. Since attracting co-investors will be an important goal of Heron's CCP strategy, Heron's systems will be built to account for and report on funds deployed by our partners. Heron will ensure that all institutional risks associated with our new strategy are minimized through compliance and insurance. Heron will re-establish an office and technology systems capable of hosting staff in a dynamic, collaborative physical and virtual spaces, generally supporting staff working in a hybrid/remote configuration; the same spaces will host productive meetings with partners, advisors, and our board. Heron's staff will support our board and board committees to evolve as it directs the dynamic Heron enterprise.</p>
VISION OF HERON 2032	<p>During the past eight years, the Heron Foundation has evolved into Heron, a resourceful nonprofit enterprise dedicated to supporting a thriving and growing network of Community Capitals Partners (CCPs), associated funders, researchers and policy-makers all in pursuit of its mission to advance the health and resilience of communities facing persistent poverty. The great bulk of Heron's financial capital (\$250 million) as well as the capital Heron has attracted to its program from other national public and private funders (\$500 million) has been invested in (granted to) a total of 75 CCPs (25 by Heron capital, 50 by the capital of others). All 75 CCPs are active members of Heron's CCP Support Network. Although it has exhausted its own store of CCP investment capital, Heron continues to attract additional external capital allowing it to help support the launch of ten new CCPs each year as well as increase the capital available for disbursement at existing CCPs.</p> <p>Heron's research program has become one of the principal "go to" sources for general information and hard data to support rural community development strategies and a true partner in support of ongoing development efforts for each CCP. Heron's Net Contribution rubric has been deployed throughout the CCP network and is used regularly to help community and other investors reconcile the impact of their investments with community need and priorities. Heron continues to enrich its CCP Network and individual CCPs with extensive technical assistance, especially in the areas of communications, community engagement, investment due diligence, and fund-raising. Heron's outreach program, now well-established and a fixture at graduate management and policy schools, ensures that the lessons learned from this program are widely communicated throughout community development, government, and academic circles.</p> <p>Heron's High Conviction Portfolio model faithfully depicts the impact of all of Heron's deployments of capital and has set a new standard for both impact investing in high conviction assets and the integration of non-returning (grants) and returning (marketable securities and direct investments) in portfolio reporting of social investments. Heron's Institutional Integrity systems ensure that Heron operates transparently with the highest ethical, legal, financial integrity. With its financial capital (now \$80 million), Heron retains resources sufficient to assure its provision of research, CCP support, outreach, and capital-raising initiatives indefinitely. No longer a private foundation, Heron has again secured IRS determination as a tax-exempt operating enterprise. It is legally domiciled and maintains a principal office in the Southeast. Heron's board broadly represents its constituent community, i.e., the CCPs and others whose expertise and voices contribute critical institutional and mission-advancing ballast to the Heron enterprise and mission.</p>	<p>Together Heron's research programs comprise a core component of Heron's success to date and ongoing strategy. Heron Research is a sought-after partner for communities, foundations and nonprofits looking to better understand their local conditions, invest resources for maximum impact, and build stronger, more resilient futures where all residents thrive and share in greater prosperity. It enjoys a national reputation for credible research, actionable frameworks, useful guides, and subject matter expertise.</p>	<p>Over the past eight years, Heron has established and funded directly a network of 25 high performing CCPs and is now doing awarded 75% of its own financial capital (\$250 million) to the control and agencies of 25 communities that have faced persistent generational poverty. The CCPs serve as role models for existing and aspiring mother tree organizations across the nation and as ambassadors for the proliferation of this paradigm shift in how deployment decisions are made. More specifically, the program's success has helped catalyze a policy change in how rural communities are served and persistent poverty is addressed. The communities served by each CCP are thriving and prosperity is equitably shared by all. And critically, through the exercise of deep and meaningful community engagement, the civic fabric and collective agency in each of the communities is stronger and more resilient than it has ever been.</p>	<p>Through its outreach efforts and driving public narrative, Heron has helped to generate a substantial interest from private and government funders to cede capital allocation decisions to CCPs and CCP-equivalents. Heron has helped establish principles of broad community engagement and collective agency and the principles of community capitals and net contribution of enterprises throughout community development practice. Heron has become a go-to and trusted source for reporters and researchers. Through its rigorous research, engaging and transparent annual reports, and reputation, Heron has built a reputation as a credible and knowledgeable source on supporting community agency and advancement. More importantly, Heron has helped to support the individual CCPs reclaim their narratives of place and self and become leading spokespeople in their communities across the nation for increasing prosperity for all and building stronger communities.</p>	<p>Heron has invested all of its financial capital for mission and uses the Net Contribution frame to direct its capital decision-making. Increasingly, Heron directs its investable assets towards priority communities where our CCPs are active. Heron finds marketable investments with community benefit and financial return and also deploys capital through equity and debt investments that will enable local development entities to expand their capacity and steward regenerative capital for their communities. Heron has managed the transition of its portfolio from more traditional to high conviction with grace and fiduciary rigor. Heron's transition has been an example for institutions with significant retained capital and an expressed commitment to mission investing. Heron depicts its entire portfolio - grants, loans, equity investments - in one cohesive impact-focused portfolio, which has proven a compelling model for all social investors.</p>	<p>Heron is a high-functioning nonprofit enterprise with strong financial controls, data management and analysis systems, exemplary office and people management systems, and strong governance. Heron's strong systems have helped build its reputation and perceived value as a sought-after partner to high-performing Mother Trees, CCPs, and the other providers of capitals that support their work in communities. Heron is fully compliant with all relevant Federal, State, and Local regulations. Heron communicates its finances transparently to stakeholders, including an assessment of its Net Contribution.</p>