



2
Executive letter

A word from our new
CEO Jasper van Brakel

3
Filling a Funding Gap

Collaboratives pave way
for funding cutting-edge
projects and programs

4
Activism in the Realm
of Money & Power

Integrated Capital
Institute faculty talk
about financial activism

8
A Hub for Bakers,
Farmers & Researchers

Cairnspring Mills reinvents
local flour making in the
Pacific Northwest

**EXECUTIVE LETTER**

Serving with Purpose, Energy & Imagination

Dear clients and friends,

What an honor to be writing these words as the newest member of RSF's team! Since mid-March, when I began as CEO, I have been delighted to interact with my new colleagues and to meet so many of you in the RSF community. I would like to acknowledge Don Shaffer for his stewardship over the last ten years, and I am grateful to be learning from him as part of my transition. It is clear that I'm stepping into a vibrant organization that has deep roots, is committed to innovation, and most important, listens, learns, and co-creates with its clients.

A few personal notes: I was born and raised in the Netherlands, am a Waldorf graduate, and a lifelong student of regenerative economics. I am married with four children and in the process of relocating from New York to the San Francisco Bay Area. Professionally, I have spent a large portion of my career in senior leadership roles with Weleda in several European countries and in the United States, including more than seven years as president and CEO of Weleda, North America. In addition to this, I bring experience in social finance through my background as a partner in a small private equity firm and as an advisor and board member of a family office that approaches investment based on regenerative principles.

The work of Rudolf Steiner has been a source of inspiration for me for a long time, and I continue to be inspired by his and others' insights while working to change the paradigm of the financial system and helping to address the challenges we face as a society in the 21st century.

The complexity of challenges that will become increasingly present in our lives is daunting. The unpredictability of climate change demands close attention as we grow in the field of social finance. New technologies—artificial intelligence, block-chain technology, cryptocurrencies—will affect the economy and finance in ways yet unforeseen. The health care debate has been hijacked by politicians while decisions are profit-driven and made by insurance companies, big pharma and conglomerates of hospitals—rather than by practitioners and patients. And an issue near and dear to my heart is the need to support education in ways grounded in what is deeply human in each of us.

Amidst these massive challenges, RSF remains committed to finding solutions. So many of today's developments run counter to direct, transparent, and personal relationships—although these qualities are exactly what the world needs. Working toward more just and sustainable solutions with innovative financial tools is one reason I'm so excited about joining RSF. The world needs communities such as the RSF client-staff-stakeholder community that puts its imagination, energy, and capital to work in service to the world we're building.

I look forward to connecting with you and serving this vibrant community.

Jasper J. van Brakel,
Chief Executive Officer



INSIGHTS



RSF Collaboratives: Filling a Funding Gap

by Deb Nelson | Vice President, Client and Community Engagement

Before joining RSF Social Finance’s leadership team two years ago, I spent fifteen years leading Social Venture Network, a community of mission-driven entrepreneurs and impact investors. During that time, I got to know hundreds of social entrepreneurs who had launched companies and nonprofits that were tackling some of our most pressing social and environmental challenges.



Equal Exchange provides fair trade organic coffee, chocolate, cocoa, and other products, benefiting more than 40 small farmer co-operatives in 25 countries. Through the Fair Trade Capital Collaborative, RSF provided loans and technical assistance grants to three of Equal Exchange’s coffee cooperatives in Mexico, providing them the capital needed to combat leaf rust, a devastating coffee plant disease.

The problem was that the most groundbreaking solutions often weren’t acknowledged, supported, or funded. Social enterprise models are less familiar than conventional ones to funders of all types. A lot of early-stage investors—even in the impact sector—are taught to seek hockey-stick growth, typically seen in tech pitches. But social entrepreneurs think about growth as a way to serve their mission, not as an end in itself. They may intend to remain rooted in a community

and serve to inspire others rather than pursue rapid expansion. Or they may need a longer runway to build a sustainable supply chain, or they may face unconscious bias as a woman or a person of color. As a result, the most innovative enterprises that challenge the status quo are usually considered “unbankable” and can’t raise capital from conventional funders.

These are the challenges a growing number of funders—investors, philanthropists, foundations, and lenders—are working to address. While the dominant investment model remains a compartmentalized world where investors are expected to make as much money as possible over a short time, and philanthropists are expected to solve the problems

(CONTINUES ON PG 7)



COMMUNITY IN CONVERSATION

Activism in the Realm of Money & Power

Interview by Enrique Perez | Marketing Manager

RSF's Integrated Capital Institute faculty—Akaya Windwood, Joel Solomon, and Marian Moore—reflect on what it means to be a financial activist and the opportunity the fellows have to drive positive social and environmental change.



Akaya Windwood

President, Rockwood
Leadership Institute



Joel Solomon

Chairman,
Renewal Funds



Marian Moore

Co-Founder & Facilitator,
Play BIG

Enrique: What is the Integrated Capital Institute, and who is it for?

Akaya: It's for financial activists who want to leverage capital as a tool for positive social and ecological change. Over the nine-month program, the fellows learn alongside a group of experts in the field who are leveraging different kinds of capital through an integrated and strategic approach.

Marian: We're weaving three strands together. One is the self-awareness and leadership piece in the realm of power and money. Another is understanding the current financial system and where and how we might strategically intervene. Lastly, it's the more technical aspect—how does one structure the financing? All of these are important ingredients to supporting the empowerment of financial activists.

Enrique: I understand a financial activist to be a person who uses the power inherent in managing and applying money to bring about social change. Is that correct?

Joel: I would clarify what we mean by social change. Social change can be both good and bad.

Akaya: True. I'd say there have always been people very active in how they use their wealth to move a specific agenda, but they haven't necessarily been working toward the common good. What's new is that those of us who have been relegated to the margins of financial power are realizing that we can use the tools of finance to bring positive change. We're now seeing more financial activism working toward community building and circulating wealth as opposed to consolidating it.





Integrated Capital fellows and faculty at a program intensive in Paicines, CA.

Enrique: For lasting, positive social change to happen, you need systems change, which requires more than finance. Do financial activists need to be broader activists as well?

Akaya: There are those who will be very fine financial activists, and there will be those who will do other things. And we need it all. If I had to take everything into consideration in order to move, I couldn't move. What's important here is that we build the interconnections among people so that those of us who are working on economic justice are connected to folks who are doing work in other areas.

Marian: Yes, that's an important part of this emerging role of financial activism; intentional interconnection. Coming into the Integrated Capital Institute with many years of experience in working with people who have wealth, I am relishing the opportunity to support people with common goals but different histories, capacities, and expertise.

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So many people who call themselves social change activists are often terrified of thinking about money.”

Joel: The most important essence of all of this for me is that people have been disconnected from the source of their wealth. The systems that have created wealth are inherently linked to the systems that have also created social and environmental problems. This is part of why the Integrated Capital Institute was created. We need to find ways to direct money to the common good, not for the expansion of individual wealth.

Akaya: One of the things I've learned in this program is how money isn't very real. It's a set of agreements around what gets valued. So there are opportunities to intervene. We can begin to re-value based on the change we want to see.

Joel: Part of that is empowering a more diverse pool of people. The financial system that we have is an outgrowth of colonialism that was designed to be highly extractive and to concentrate wealth in fewer and fewer people's hands. The changes we seek are going to disrupt this system and turn it on its head. Social change activists have tended to look at wealth as a big evil. However, with financial activism, we're starting to look at money differently. You can build businesses that treat people fairly, take responsibility for their externalities, and care about their communities. There are so many ways that the use of money can be reformed and directed for the better. That's what we're doing with the Institute—supporting people to be empowered to use the tools of finance to direct wealth in different ways.

Marian: I would add that we're also working to give people agency. We're trying to foster agency through education and demystification. I'm one of the people here who's not a financial professional, but because I've been working in the field for a dozen years, I've come to realize through education that it's not that complicated. Proximity and education enable the demystification of finance.

Akaya: So many people who call themselves social change activists are often terrified of thinking about money. The financial system is opaque and, therefore, complicated by design. We're saying no, it's actually not that hard. Our intention is to make these ideas readily available to anyone who has the interest and passion for it.

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Activism in the Realm of Money & Power

(CONTINUES FROM PG 5)



Fellows engaged in conversation at Paicines Ranch.

Enrique: This cohort of fellows is a mix of financial professionals, movement builders and people in the philanthropic field who can direct capital in significant ways. Do they fully realize the power that they have in these roles?

Joel: We're trying to help people see their alternatives. These professionals are making choices with financial products all the time. It's about bringing consciousness and an intention that says "I am only going to invest in things that produce better outcomes rather than more damage and extraction."

Marian: And there's another conceptual cultural intervention that we're making as well. There's the default setting of wealth managers regarding fiduciary duty. The widely accepted definition of fiduciary translates to earning money on money. But when you dig down into that fiduciary responsibility, it also requires other duties including a duty of care and duty of obedience. We're trying to intervene in the notion that duty is only about making more money. Duty should also look at deeper responsibilities around who and what are being impacted. To what are we being obedient? We want to empower people to choose what their fiduciary responsibility is.

Akaya: To do that we're really interested in empowering people to be brave, courageous people who will break out of the frame and create some new frames. It's been interesting to watch this cohort go from not knowing one another and feeling a little guarded. What does this mean? What are we doing here? Slowly we're moving toward an "aha" moment and recognizing that we need each other. We're listening to one another; we're sharing our wisdom and sharing our resources.

Enrique: Any final thoughts?

Joel: Urgency is upon us more than we want to realize. We all need to focus ourselves on whatever resources we can influence and whatever people with resources we can influence. There is plenty of money to solve the world's most pressing problems, but our mindset and systemic barriers are holding us back. We can demand better and we have to do so.

Marian: I would add that we're wanting to stimulate creativity with money. You don't always think of those two things together, but it's a relationship that can actually be quite powerful.

Akaya: And let's have a good time while we're doing it! Social change can be joyous and full of laughter and learning. Let's approach this in a different way so that finance is not something dreary and dull. It should be available to all of us and the truth is it needs to be—we need each other. 🗨️

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There is plenty of money to solve the world's most pressing problems, but our mindset and systemic barriers are holding us back.”

Filling a Funding Gap

(CONTINUES FROM PG 3)

that government and businesses don't address, a growing number of funders are taking an approach that crosses old boundaries.

At RSF, in partnership with our community of donors, we've launched five Collaboratives to address this funding challenge by providing diverse forms of capital to social enterprises when they need it most: after they've proven their model works, but before they're large enough to attract capital from conventional funders.

The focus for each Collaborative is based on the needs our community identified and how capital can be most catalytic in sparking positive change. The Biodynamics Capital Collaborative and the Soil Health Capital Collaborative grew out of regenerative agriculture advocates' search for effective ecological solutions that go beyond organic. The Local Food Capital Collaborative supports social entrepreneurs who are building a local, just, and sustainable food movement and offering viable alternatives to the current global food system.



The Fair Trade Capital Collaborative supports the development of fair trade and organic, high-integrity supply chains. The Women's Capital Collaborative supports diverse, women-led social enterprises that serve and empower women and girls.

The Collaboratives are philanthropic initiatives. Because the money is gifted to RSF, the Collaboratives can fund earlier stage, higher risk social enterprises. We assess the mission alignment and financial sustainability of the enterprise and then provide loans, loan guarantees, investments, or grants, depending on the needs of the enterprises. We can also provide human and social capital in the form of advice, connections to co-funders, and access to networks and trainings. We recycle about two-thirds of the capital back into the Collaboratives, so we can support more social enterprises.

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Project Equity helps communities retain quality jobs and local investment through its support for employee ownership. The nonprofit does so by promoting a worker-owned cooperative approach to retiring business owners and helping those who are interested assess whether it's a fit for their needs. If so, Project Equity will work with a core group of employees to structure and successfully operationalize the transition. RSF provided Project Equity with a grant via the Local Food Capital Collaborative to support the professional development of Coke Farms in transitioning to a worker cooperative model.

Singing Prairie Farms has a mission to become the national brand for pasture-raised pork that builds soil health, sequesters carbon, builds rural economic resiliency, and provides consumers with a transparent and nutritious product. The social enterprise works with a growing network of farmers committed to these principles and provides trainings and consultation on agricultural practices. RSF provided a line-of-credit from the Soil Health Capital Collaborative to support its growth.





A Hub for Bakers, Farmers & Researchers



Breads made using flour produced by Cairnspring Mills.



By Kate Danaher,
Senior Director,
Integrated Capital

Over a hundred years ago, grain mills were a common sight in the American landscape. Farmers brought their wheat, oats, rye and other grains to them after harvest. Millers turned the farmers' grain into flours and ground meal that sustained their community throughout the year.

Now most of those roughly 23,000 mills have gone the way of the Model T: only 183 remain, according to the U.S. Department of Agriculture. Four conglomerates mill 80 percent of U.S.-grown flour, and farmers ship their grain long distances to be traded as a commodity. Grains are also processed to the hilt, which removes most nutritional value. And they're often contaminated with everything from glyphosate (Roundup) to neonicotinoid insecticides, which have been linked to honeybee colony collapse.

In this environment, Cairnspring Mills is a welcome throwback. The startup in Washington's Skagit Valley is a reinvention of the local flour mill. It grinds "identity-preserved" wheat, meaning that each varietal is chosen for a particular use and stewarded from the farm to flour to preserve its integrity and purity. And Cairnspring, which has created a hub where farmers, bakers, and researchers converge, is helping to revitalize the local farm economy.

"Cairnspring is building a much-needed piece of infrastructure for the food system in the Pacific Northwest," says Meredith Storton, senior associate, RSF social enterprise lending. "And by returning more value to farmers, they're making grain a much more viable crop."



From midlife crisis to rebuilding the local food system

The mill grew out of a modern tradition: the midlife crisis. Kevin Morse, now Cairnspring Mills' CEO, had just turned 50 and, after a long career as a Nature Conservancy program director and economic development executive, he felt unsettled. He wanted to create a larger impact.

"It dawned on me that so many of the things I cared about and was trying to fix—from community to sustainable farming to taking care of the planet—were affected by the centralized industrial food system," says Morse. "I decided to try to help rebuild local food systems."

He decided to concentrate on wheat because of its prominence in the American diet and economy. And, as director of the Nature Conservancy's Puget Sound Working Lands Program, he'd seen what wheat could do for preventing erosion and restoring the soil. He left the Conservancy in April 2015, co-founding Cairnspring Mills with Tom Hunton, owner of Oregon's Camas Country Mill, one of the few regional mills in the country.

Morse and Hunton decided Camas would specialize in stone-ground wheat, and Cairnspring—which would be able to handle larger volumes—would specialize in European-style bread flours. They could not find American equipment that worked for small-scale milling, so a Danish company sourced the equipment and helped assemble it on-site. Cairnspring Mills opened its doors in June 2017.



Reneé Bourgault and Scott Mangold, owners of Breadfarm and clients of Cairnspring Mills.

Serving farmers, bakers, and researchers, too

In the agriculturally rich Skagit Valley, farmers have grown wheat for years as a rotation crop to restore the soil. They rarely made money, because they are stuck in a commodity system that usually offers prices that do not allow a profit, plus they had to pay to ship to commodity outlets in Portland.

Cairnspring changed that. Farmers no longer have to ship their wheat to a distant processor, and Morse pays them an average of \$2 a bushel above market rates. Cairnspring also works with The Bread Lab at nearby Washington State University to develop grains well suited to the valley's growing conditions.

"It's been like an old-fashioned barn-raising," says Morse. "Everyone, from the local farmers, the Port of Skagit, the Bread Lab and local bakers, have helped build it along with us."

**“
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The mill, which is certified organic, now has five employees; they work with 12 local farms that collectively grow 1,400 acres of wheat, with strains prized for their baking attributes, including Edison hard white spring wheat and Yecora Rojo. Morse holds farmers to high





(L to R) Andy Green, Kevin Morse, Josh Rivers, and Dave Binczewski of Cairnspring Mills. Photo by Matt Mornick.

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A new model melds the past with the present

Reinventing the flour mill has had its challenges. “We had to create a whole new business model because there wasn’t a lot we could replicate,” says Morse. This included the logistics of buying, handling, and storing grain on a much smaller scale than industrial flour companies. It also required dealing with a regulatory environment unfamiliar with small-scale milling. For example, simply securing a certificate of occupancy so they could move into the building took nine months.

Having the cash needed to pay farmers top dollar for their wheat

was a serious issue. Cairnspring pays farmers for their harvest every November or December. “Then I just sit on the inventory as I mill it and sell it,” says Morse. “We make our profit over the next year.”

Morse needed a line-of-credit, but traditional agricultural lenders weren’t an option because the mill didn’t have a positive cash flow yet. So last summer, he turned to RSF, which many people had recommended because the values of the two organizations were aligned.

The perfect match: RSF Food System Transformation Fund

Cairnspring was an excellent match for RSF’s Food System Transformation Fund. “The capital for the fund comes from foundations and individual investors who are interested in rebuilding regional food systems, and they understand the inherent risks,” says Storton. “The fund’s structure and capital source allows us to support earlier-stage businesses with important missions

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standards: those that are not organic must practice “responsible conventional” growing, which includes avoiding glyphosates and neonicotinoids.

Cairnspring mills grain in just four steps, compared with nearly 60 in corporate processes. The result is flours so flavorful that demand from West Coast bakers—including those at San Francisco’s Tartine, The Breadfarm in Edison, Oregon and Grand Central Bakery in Seattle and Portland—keeps business brisk.

FOOD SYSTEM TRANSFORMATION FUND



Foundations seeking to leverage philanthropic capital through program-related investments may want to consider the RSF Food System Transformation Fund. This fund provides loan capital to enterprises that are rebuilding regional food system infrastructure to secure economic, social, and environmental benefits for farmers and their communities. We pool investments as a hassle-free option for foundations and donor advisors who lack the capacity or expertise to underwrite, service, and monitor multi-year loans.

For details, visit rsfsocialfinance.org/food-system-transformation

Cairnspring Mills

(CONTINUES FROM PG 10)

and challenging business models. We wanted to support Cairnspring because we see them as a very necessary component of the food system.”

To meet Cairnspring’s need, RSF used the mill’s purchased grain as the primary collateral. When that value came up short, RSF added \$50,000 guarantee from its Local Food Capital Collaborative, a philanthropic fund created to provide flexible capital. With the guarantee in place, RSF provided Cairnspring with a \$300,000 line-of-credit.

Stability provides freedom to widen impact

Thanks to RSF’s support, Cairnspring Mills was able to pay its farmers in a timely fashion, and Morse has not had to sell more equity in the company (as he has done in the past) in order to stay in business. The stability RSF has provided also means that Morse can pursue his vision of opening more regional mills. He’s developing a business strategy, and looking at communities in California, Arizona, and Colorado for locations to build two more mills by 2020.

For Morse and the team behind Cairnspring, adding new mills is a way to create broad-scale impact. “We think there is a tremendous opportunity to grow and expand to other regions,” he says, “and continue to revitalize and sustain our local farm economies.” 🌱

Filling a Funding Gap

(CONTINUES FROM PG 7)



Kreyòl Essence makes hair and skin care products from 100 percent Haitian black castor and moringa oil. The social enterprise hires women in Haiti for its farming and production, creating valued jobs, and promotes multicultural wellness in the U.S. The company has planted 100,000 castor trees to help in regenerating Haiti’s degraded lands. From the Women’s Capital Collaborative, RSF provided Kreyòl Essence with working capital to help with setting up a new production facility and fulfill product orders. It also received a technical assistance grant to support business growth.

Our most recently launched initiative, the Women’s Capital Collaborative, is funded by gifts from women donors. One donor kicked off the fund with a \$1 million matching commitment, a mother-daughter pair each donated \$500,000, and a new donor contributed another \$500,000. Over the past six months, we’ve deployed over \$1 million to support 17 groundbreaking women-led social enterprises that provide opportunities for women and girls around the world. We’re working with other funders and partners to raise awareness about unconscious bias and the crucial need to flow more capital to diverse women leaders and entrepreneurs.



A new spinoff from the Hawthorne Valley Association in collaboration with a group of regional impact investors, Hawthorne Valley Ferments produces and distributes fermented foods made with ingredients from organic and Biodynamic northeast farms. In addition to mortgage and equipment loans from other RSF funds, the company received a loan from the Biodynamics Capital Collaborative for improvements to the new facility.

Our goal is to leverage different forms of financial and human capital from philanthropic funds to create a multiplier effect and flow more resources to innovative enterprises that can’t attract capital from conventional funders. As more funders use their money courageously, whether gift or investment, and work in partnership with other change-makers, we can work with them to begin to fill the funding gap for social entrepreneurs who are creating a regenerative and inclusive economy. 🌱



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UPCOMING EVENTS

Heaven and Earth Workshop

April 7-8
Ghent, NY
[adminstitute.net/
heaven-earth](http://adminstitute.net/heaven-earth)

Lead with Land

April 8-11
Paicines, CA
[globetrotterfoundation.org/
leadwithland](http://globetrotterfoundation.org/leadwithland)

The Just Economy Conference

April 9-11
Washington, DC
[bealocalist.org/
just-economy-conference](http://bealocalist.org/just-economy-conference)

Common Unsummit

May 23-25
Boulder, CO
[socialenterprise.us/
common-unsummit](http://socialenterprise.us/common-unsummit)

Arts for Social Change Jam

June 18-June 23
Santa Cruz, CA
yesworld.org/artsjam2018



WHAT'S AHEAD

We like hearing from you! Send any comments on this issue or ideas for the next to enrique.perez@rsfsocialfinance.org.

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medium.com/reimagine-money

For the latest on RSF's participation in conferences and events, check out our events page: rsfsocialfinance.org/events.

NEW LEAF PAPER®
ENVIRONMENTAL BENEFITS STATEMENT
of using post-consumer waste fiber vs. virgin fiber

RSF Social Finance saved the following resources by using 438 pounds of Recarnation, made with 100% recycled fiber and 100% post-consumer waste and manufactured with electricity that is offset with Green-e® certified renewable energy certificates.

trees	water	energy	solid waste	greenhouse gases
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Calculations based on research by Environmental Defense Fund and other members of the Paper Task Force.
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