



Equitable
Facilities
Fund



2022 Annual Report

Innovating for Equity



A Year of Innovation



Anand Kesavan, Founder & Chief Executive Officer

One of the things that drew my attention to the charter school world many years ago was the sheer amount of innovation taking place. Never content with the status quo, public charter schools prioritized flexibility and accountability to make the impossible

—possible. Education is hard, and public charter schools deserve to be celebrated for innovating around adversity in all its forms. They have taken every metric, every expectation, and blown through them on behalf of students and communities. They have placed family priorities for their children at the center of their mission. They have worked tirelessly within existing structures, and created their own when necessary, to produce the very best results for the most deserving among us. Today, public charter schools are innovating for equity on behalf of every student in America.

Taking a lesson from the schools EFF serves, we, too, must keep innovating. Following five successful years of proving that our model can and does work efficiently on a national scale, we launched our first state-based fund in Texas. The Texas Facilities Fund (TFF) was born from an understanding that local relationships are key to education. In Texas, state partners now have the opportunity to leverage our national fund structure to provide much-needed low-cost capital to local high-quality or high-potential schools. TFF launched in November at an emotional celebration at the DeLuxe Theater in Houston's Third Ward. Before the end of the year, we closed on our first three loans through TFF. We can only imagine where this innovative “state fund” model takes us next.

Recognizing that every school has a unique set of needs, 2022 also helped us expand our thinking on what type of financing we could offer. While we continue to offer long-term loans that we fund with long-term municipal bonds, we issued \$50 million in 5-year bonds this past year at very low yields, providing an affordable capital source for our first two short-term loans to early-stage schools that demonstrate tremendous potential. The market asked us to innovate, and we followed its lead.

We completed the first year of our five-year commitment to make \$500 million in loans to schools led by people of color. One year in, \$100 million is out the door to six schools that are led by exceptional educators who can genuinely empathize with the experiences of many of the students they serve.

We also launched the second cohort of our Education Finance Analyst training program and, along with Civic Builders, added Afton Partners as a sponsor organization. We have successfully recruited five new young finance professionals, many of whom come from communities similar to those that our schools serve.

After five years of proving that EFF's innovative funding model can and does work, we are now nearing \$1 billion of investments in educational equity. While it's difficult to convey what it means to meet such a significant milestone, it begins with deep gratitude for a team that has grown so nimbly and with such purpose to help serve more than 75,000 students.

Now, it's on to Year Six. In 2023, we anticipate more innovation—with a new category of investors and an expansion of our state fund model. Wherever innovation leads us next, we are sure it will be inspired by the work of the schools, teachers and students we serve. We hope you will join us on this mission.

Anand

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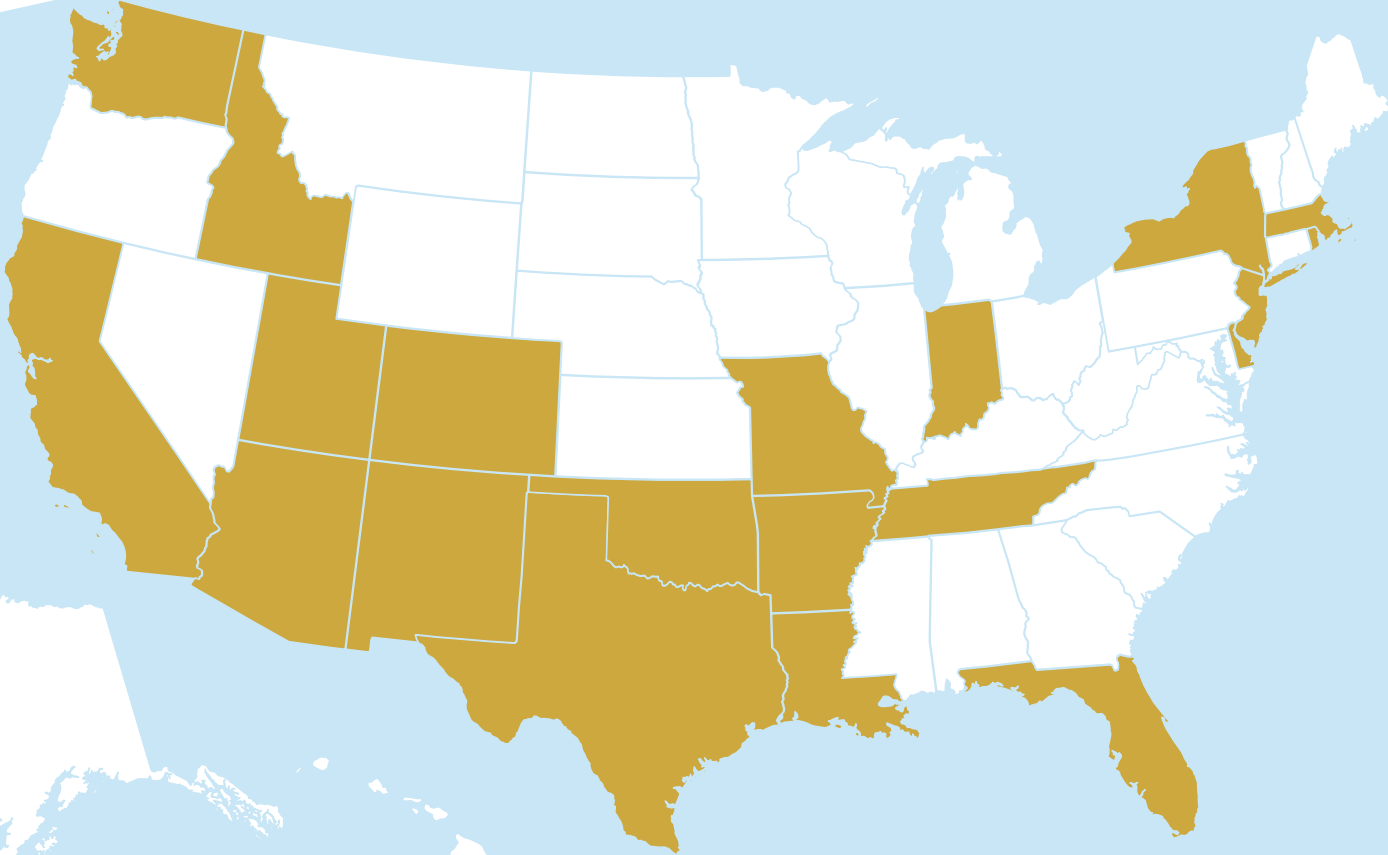
Our Impact

Since our inception 5 years ago, we have been committed to supporting a more equitable future for all children, especially those living in historically marginalized communities. This is why our name starts with Equitable.

 **74,000**
students

 **125**
schools

 **19**
states




\$230M
in savings

Our impact is measured by the students we serve and their achievement. Most of the students in our schools are from low-income neighborhoods and are students of color. The schools are helping them perform better than their peers.

Our Students

 **70%+**
qualify for federal aid

 **80%+**
students of color

The Majority of Students are Outperforming their Local School District

Our Newest Partner Schools in 2022

- MAS Charter School, NM
- Tulsa Honors Academy, OK
- Vista College Prep, AZ
- Freedom Prep, TN
- Environmental Charter Schools, CA
- Achievement First Rhode Island, RI
- KIPP Jacksonville, FL
- KIPP Northern California, CA
- Freire Charter School Wilmington, DE
- Compass Rose Public Schools, TX
- PUC Schools, CA
- Valor Collegiate Academies, TN
- Memphis School of Excellence, TN
- eStem Public Charter Schools, AR
- Beatrice Mayes Institute, TX
- Blackstone Valley Prep, RI
- Elevate Academy Charter School, ID

Sample Graduation and College Matriculation Rates

MAS Charter School, NM
100%
high school graduation rate and admitted to college or military

Environmental Charter Schools, CA
97%
accepted to four-year university


Memphis School of Excellence, TN
100%
graduation rate

Financial Innovation

Five years ago, EFF created a new way to finance charter schools. We learned from a proven model in another social sector and applied it to education. Through partnerships with philanthropic funds, government funds, and the capital markets, we have been able to raise \$1 billion of the lowest-cost capital to lend to schools.

Over 60 institutional funds have invested in a proven model with an 'A' rating and a positive outlook from Standard & Poor's. We have issued four bonds in the tax-exempt bond market and each one has

been verified as a Social Bond. These provide both a market-based financial return AND a social return of improved educational outcomes for students in some of America's underinvested neighborhoods.



\$111,725,000

Equitable School Revolving Fund, LLC
Revenue Bonds

RBC
2019



170,825,000

Equitable School Revolving Fund, LLC
Revenue Bonds

RBC
2020



217,815,000

Equitable School Revolving Fund, LLC
Revenue Bonds

RBC
2021



219,410,000

Equitable School Revolving Fund, LLC
Revenue Bonds

RBC
Goldman Sachs, Morgan Stanley,
Siebert, Stephens
2022

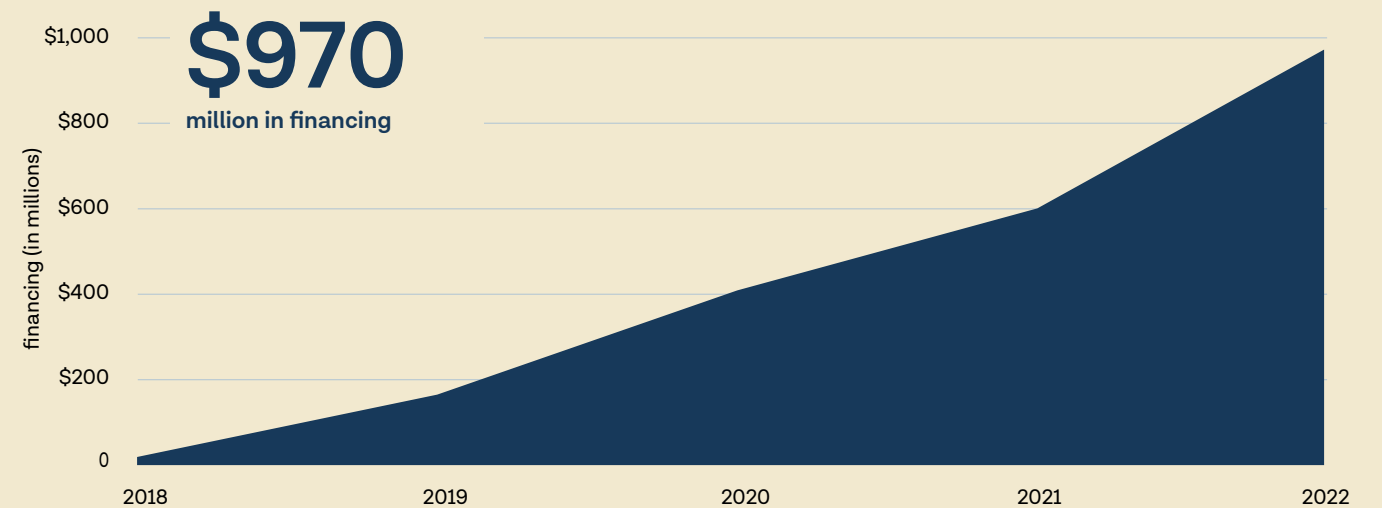
The nearly \$1 billion we've invested in schools to date has had a game-changing impact. Schools are able to reduce their interest payments and redirect those dollars back into the educational program. Schools in our portfolio have saved \$230 million dollars and that allows them to hire and develop great teachers and add programs like arts, music, and technology in well-equipped buildings.

Typical Savings from an EFF Loan

\$150K annually
x 30 years

\$4.5M

Amount of Loans Closed



Leaders of Color Initiative

One year ago, we made a commitment to invest \$500 million over the next five years in schools led by people of color. For too long, discrimination and biases have deprived communities of color of equitable access to financial services and public education opportunities. We are determined to change that.



One Year In

In Houston's historic third ward, the Beatrice Mayes Institute (BMI) is about to get a facilities upgrade half a century in the making.

Founded by Beatrice and Thomas Mayes in 1966 to provide African American youth with greater opportunity, the school now serves 500 K-8 students with their son Chris at the helm.

A rocket scientist by trade, Superintendent Mayes says that joining the family business was a foregone conclusion. "My father was born right down the street in 1933. He was homeless, and his vision was to provide a home for children. He wanted kids to have a place of love, safety, and to be educated."

A true community school, BMI has produced excellent academic results through its deep relationships with students and their families. But as the student population has grown over the decades, their school facilities have not, with students traversing a portable village of temporary classrooms that have long since outgrown their useful life.

A \$17 million loan from the Equitable Facilities Fund, part of the Leaders of Color Initiative, is helping Chris expand his parent's mission of service. In the fall of 2023, the doors will open to a new permanent facility, doubling the number of community seats and setting BMI up for further expansion in the coming years.

Of the new space, Chris says his students are excited "to have their own gym, to have a cafeteria and classrooms that don't shake when a truck passes by."

“
My father was born right down the street in 1933. He was homeless, and his vision was to provide a home for children. He wanted kids to have a place of love, safety, and to be educated.
”

Chris Mayes, CEO and Alumni,
Beatrice Mayes Institute

Launch of TFF

Innovating

EFF was designed as a national platform to bring investments from across the country to serve local communities. We are now leveraging this national platform to help local foundations that have a deep passion for their own communities invest in charter schools in their own communities.

The first venture was the Texas Facilities Fund, a \$250 million fund supported by Texas donors and leveraging the full power of the EFF national model. Donations of \$25 million will bring 10 times that amount in private investments and allow local money to go much further than it could on its own.

Investing

The three investments are worth over \$54 million to support new facilities for Compass Rose in San Antonio's Brooks City Base, Beatrice Mayes Institute in Houston's Third Ward, and Etoile Academy in Houston's Gulfton neighborhood.

- » Compass Rose will be replacing a temporary elementary school campus. This was their first location and has helped them add five more campuses in Texas. EFF provided a short term loan to help them bridge to the state's Permanent School Fund.
- » Beatrice Mayes Institute was created over 40 years ago as an early childhood center by the namesake, Beatrice Mayes. As the center matured into a charter school, her son, Chris Mayes, took over about a decade ago. The school has long thrived in modular facilities and it is now time to upgrade to a brand new facility and show the students that the community wants to invest in them at the same level of other more prominent areas.
- » Similarly, Etoile Academy started out in a former low-rise office complex surrounded by parking lots. As the students have demonstrated

success, the school leadership was able to find a permanent home and is ready to start construction on a school building with outdoor space for education and extracurricular activity.

Celebrating

To kick off the launch of the Texas Facility Fund, we gathered with over 100 friends at the historic DeLuxe Theater in Houston's old Third Ward. The theater had been a center of black entertainment during the 1950s and 1960s. The gathering of school leaders, donors, and community leaders watched as students celebrated with both historical and forward-looking performances. The announcement of the \$250 million fund was only surpassed by the recognition of the fund's first two investments in BMI and Etoile.



With Thanks to

THE BROWN FOUNDATION, INC.

THE EWING-HALSELL FOUNDATION

SPENCER FOUNDATION

KLE FOUNDATION

Houston Endowment

Emerging Talent

At the Equitable Facilities Fund, we view our mission through a long lens. The transformative work we undertake to create a more equitable education system won't happen overnight, but rather, over a generation. We must recruit and develop the talented individuals to carry out our mission over the long run.

We already know that students thrive when they are taught by educators and school leaders who look like them, and who understand their culture, their community and their values. Through our own work, the same is true—school leaders deserve facilities partners who understand their challenges and are 100% prepared to help them succeed.

In our hiring, we seek out diverse emerging talent who are also passionate about education reform. Our goal? Break down barriers for students from marginalized communities who want to join the finance sector, and provide portfolio schools with finance partners who identify with their lived experiences. Former students like James Dennis, our newest EFF analyst and first-ever public charter school alum.



2022 was also the year we launched Round 2 of the Education Finance Analyst program, a two-year paid fellowship that recruits and trains diverse early-stage professionals to succeed in mission-driven financial services roles. This year, analysts can now be matched with three sector leaders, including Equitable Facilities Fund, Civic Builders, and Afton Partners. As the program continues to grow, we expect to place five analysts in roles in 2023.

Building a pipeline of young diverse finance talent benefits more than EFF's portfolio schools—it benefits education equity everywhere, cultivating the next generation of social investors to move the mission forward.

Interested in helping emerging talent enter the education finance sector? Please share this opportunity, or join us as a partner as we continue to expand.



In Partnership

We are often called asset managers—we prefer to think of ourselves as asset stewards. All the work we do is made possible by those who have entrusted us with their investments.

This past year, we were pleased to be entrusted with investments from five new organizations. They allow the EFF loan fund model to leverage their investments with tax-exempt bonds. This past year, we issued our fourth bond offering that now totals over \$750 million in bond proceeds.



Our operational partners work closely with us to accomplish our mission.



We are pleased to add 8 new bond investors to our list of over 60 of the country's most renowned institutional investors such as:





Partner with Us

Join our cohort of school partners and apply for a loan to start saving money today.

info@eqfund.org

Work with Us

We are always looking for mission-oriented talent to improve our organization to deliver the best results for students. Share the Analyst program with emerging talent interested in social investments.

Donate/Invest with Us

Join our socially motivated donors and investors to provide the lowest cost of funds to schools and help them save money to be spent in the classroom.

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