

Including Donor Advised Funds in Impact Investing



COUNCIL *on* FOUNDATIONS

A Toolkit for Community Foundations

THE
ROCKEFELLER
FOUNDATION



THE GREATER
CINCINNATI
FOUNDATION



ImprintCapital



COUNCIL *on* FOUNDATIONS

WELCOME



Shanee Helfer

Manager

Community Foundation Services

Council on Foundations



COUNCIL *on* FOUNDATIONS

PRESENTERS



Kathryn E. Merchant
President/CEO
The Greater Cincinnati
Foundation



Taylor Jordan
Co-Founder and Managing
Director
Imprint Capital

Outline of Today's Webinar

- Background on Rockefeller Foundation Project
- Lessons Learned
 - Program Design & Structure
 - Donor Engagement
- Tool Kit
 - Materials & Access
 - Looking Ahead



Background

- **Objective:** Develop a toolkit for community foundations to include their Donor Advised Funds in Impact Investments
 - Grounded in practice and oriented around tools and experiences
 - Rooted in diverse context of multiple institutions
- **Process:** Worked with four community foundations to develop program and engage donors
 - Provided 3 webinars to share lessons, get feedback, and leverage capacity and partnerships
 - Developed comprehensive tool kit grounded in collective experience



Program Participants



MARIN COMMUNITY FOUNDATION

HOW CHANGE HAPPENS

THE SAN FRANCISCO FOUNDATION



Participant Profile

	Marin	Cincinnati	San Francisco	Arizona
Asset Size	\$1 billion	\$450 million	\$1 billion	\$300 million
Program Inception	1989	2008	2009	New
Program Structure	Pool	Deal by Deal	Pool	Pool
Execution	Internal	Hybrid	Internal	Hybrid





COUNCIL *on* FOUNDATIONS

LESSONS LEARNED: PROGRAM DESIGN & STRUCTURE

Getting Started

- Start with discretionary funds
- Utilize existing intermediaries where possible
- Build a portfolio of “early wins”
- Intentionally build a diverse pipeline of investment opportunities
- Develop donor engagement strategy around initial experience, concrete deal examples



Governance

- Create separate impact investment committee
- Ensure committee has requisite finance experience *and* impact orientation
- Ensure there is clear delegated decision making authority
- Develop investment policy that clearly outlines program's objectives and constraints



Program Structures: Options

1. Dedicated impact investment pool
2. Opt-in on a deal by deal basis
3. Integrated into existing investment pool



Structural Considerations

- Foundation interests, risk thresholds and capital for impact investing
- Donor interests, needs, and risk thresholds
- Investment minimums per fund
- Back office, administrative requirements



Structural Considerations

- Maximum DAF allocations per fund, deal
- Program costs and fees (diligence, closing)
- Internal capabilities: pipeline development, due diligence, donor marketing



Pipeline Development

- Identify initial “investable universe” and build a pipeline of “early win” deals
- Proactively source opportunities through existing networks and partners
- Ensure investment parameters are clear: these are not grants!
- Be creative: look outside traditional community development opportunities



Staff Requirements

- CEO support and commitment
- Dedicated internal resource for program management and pipeline development
- Administration and finance buy-in and capacity
- Integration with marketing/communications
- Integration with development
- In house or outsourced due diligence and portfolio management?





COUNCIL *on* FOUNDATIONS

DONOR ENGAGEMENT

Donor Engagement Strategies

- *Market existing program*: develop and market program to donors
 - Invite high level feedback from key donors
 - Broadly market
- *Co-design with donors*: focus groups, demand tests
 - Test options for participation
 - Narrow structuring options, design program, based on donor feedback
 - Test messaging in marketing materials



Donor Marketing

- Brand CF innovation around DAF *impact investing*
- DAF differentiator: additional tool for community impact that recycles
- One-on-one vs. group marketing to donors?
- Lead with compelling examples
- Provide a small amount of simple materials
- Focus donor outreach on site visits to connect donors to investee stories
- Customize “experience” by geography and issue area



Donor Segmentation

- Donor is explicitly interested in impact investing
 - Sell general benefits, ability to do more with philanthropy, recycle capital
- Donor has specific mission interests and is less aware of impact investing
 - Research grant making activity, see if there is overlap
 - Sell ability to target specific areas of interest, provide sector tear sheets and deal write ups



Donor Success Stories

- The Marin Community Foundation: new donor engagement
 - “We didn’t want assets just sitting in our fund without doing anything. Doing this fills a need. It’s hard for small nonprofits to pay for buildings and get mortgages. And we like doubling the bang for our buck.”
- The Greater Cincinnati Foundation: early adopters
 - Most over age 70 (contrary to expectations)
 - “You pick the investment”: trust in GCF
 - Illiquid investment made sense to inactive grantmakers
 - Report card: \$300,000 since active marketing began September 2011
 - Looking ahead: pitching impact investments to prospects





COUNCIL *on* FOUNDATIONS

TOOL KIT

Materials

- DAF Impact Investing Program Overview
- Impact Investment Policy Statement
- FAQs
- Donor Engagement Kit
 - Team Qualifications
 - Sector Tear Sheet
 - Deal Descriptions
 - Deal Tear Sheet
- Webinar Presentations: April & September 2011, May 2012
- Other resources



Access to Toolkit & Webinars

- Council on Foundations www.cof.org
- Imprint Capital www.imprintcap.com
- The Greater Cincinnati Foundation www.gcfdn.org



Looking Ahead

- Growing interest in impact investing to unleash more capital into American low-income communities
- Community foundations will need support to develop impact investing programs for endowments & DAFs
 - White House Office of Social Innovation & Civic Participation
 - Living Cities
 - Nonprofit Finance Fund
 - National private foundations
 - Impact investing advisors
- Corporations, national foundations and CDFIs are looking for smart local partners





CONTACTS



Kathy Merchant
The Greater Cincinnati
Foundation
merchantk@gcfdn.org



Taylor Jordan
Imprint Capital
taylor@imprintcap.com



Shanee Helfer
Council on
Foundations
helfs@cof.org