Including Donor Advised Funds in Impact Investing

A Toolkit for Community Foundations

COUNCIL on FOUNDATIONS

THE ROCKEFELLER FOUNDATION

THE GREATER CINCINNATI FOUNDATION

ImprintCapital
WELCOME

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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

The Greater Cincinnati Foundation

Arizona Community Foundation

Marin Community Foundation

How Change Happens

The San Francisco Foundation
# Participant Profile

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<th>Marin</th>
<th>Cincinnati</th>
<th>San Francisco</th>
<th>Arizona</th>
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<tbody>
<tr>
<td><strong>Asset Size</strong></td>
<td>$1 billion</td>
<td>$450 million</td>
<td>$1 billion</td>
<td>$300 million</td>
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<td><strong>Program Inception</strong></td>
<td>1989</td>
<td>2008</td>
<td>2009</td>
<td>New</td>
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<td><strong>Program Structure</strong></td>
<td>Pool</td>
<td>Deal by Deal</td>
<td>Pool</td>
<td>Pool</td>
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<td><strong>Execution</strong></td>
<td>Internal</td>
<td>Hybrid</td>
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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?
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
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](http://www.cof.org)
• Imprint Capital [www.imprintcap.com](http://www.imprintcap.com)
• The Greater Cincinnati Foundation [www.gcfdn.org](http://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
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