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Introduction to the Landscape

- Increasing focus on the power of investment as a vehicle for impact and mission
- A recognition of utility from all sides
 - Mission/impact as a force in the commercial sector
 - Charities see the ability to leverage mission outcomes through market structures
- Effective and complementary to other charitable/mission-related interventions
- Increased (better) opportunities
- More organizations willing/eager to jump in
 - Broader market and community of interest
 - More sharing
- Responsibility to doing it right
 - Not to throw your money away
 - Where is the impact
 - How to approach
 - How to measure

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The Social Context

- Impact Investments: profit and social impact
 - Attention to social values & externalities (e.g., environmental and social impact, fair labor standards, governance issues)
- An impact investment may or may not
 - Advance charitable purposes
 - “Charitable” is (often) a higher threshold than “mission-related” or “impactful”
 - Offer a market-rate expected return
 - Certain impact investments may be considered “prudent” investments
 - Implicate federal tax issues (PRIs generally do)
 - Expenditure responsibility
 - Required pay out
 - Jeopardizing investment rules
 - Self-dealing & excess benefit rules

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These are the People in Your Neighborhood

- Different impact actors have different (and similar) impact investing tools
 - Private foundations
 - Public charities
 - DAFs
 - Individuals
 - Corporations
 - Governmental entities
 - Other
- AND different (and similar) goals and imperatives (sometimes even in the same investment)

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Impact Investment Vehicles

- Typical impact investments
 - Loans
 - Equity Investments
 - Direct investments
 - Fund vehicles (LLCs, Limited Partnerships)
 - Guarantees/Letter of Credit
 - Linked Deposits
- Complex investment structures
 - Tax-credit transactions
 - Social impact bonds/pay for success

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The Private Foundation Context: PRIs & MRIs

- PRIs are a subset of the larger impact investment universe
 - Primary purpose of a PRI = furthering charitable activities/mission
 - Financial returns **may not be** a significant purpose of the investment
- MRIs are prudent investments with an impact component
 - Sliding scale
 - Jeopardizing investment (Section 4944) concerns
 - Notice 2015-62
 - Harmonizing state and federal approach in this area
- Align portfolio to mission
- Although public charities are not subject to the PRI rules, many now seek to make investments that are PRI-like
 - Look to the private foundation experience as a model
 - Note “program-related asset” concept under UPMIFA

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Title search: Impact Investing 101 (and Beyond)

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"The Future of Philanthropy and the Nonprofit Sector: Where Do We Go From Here?"