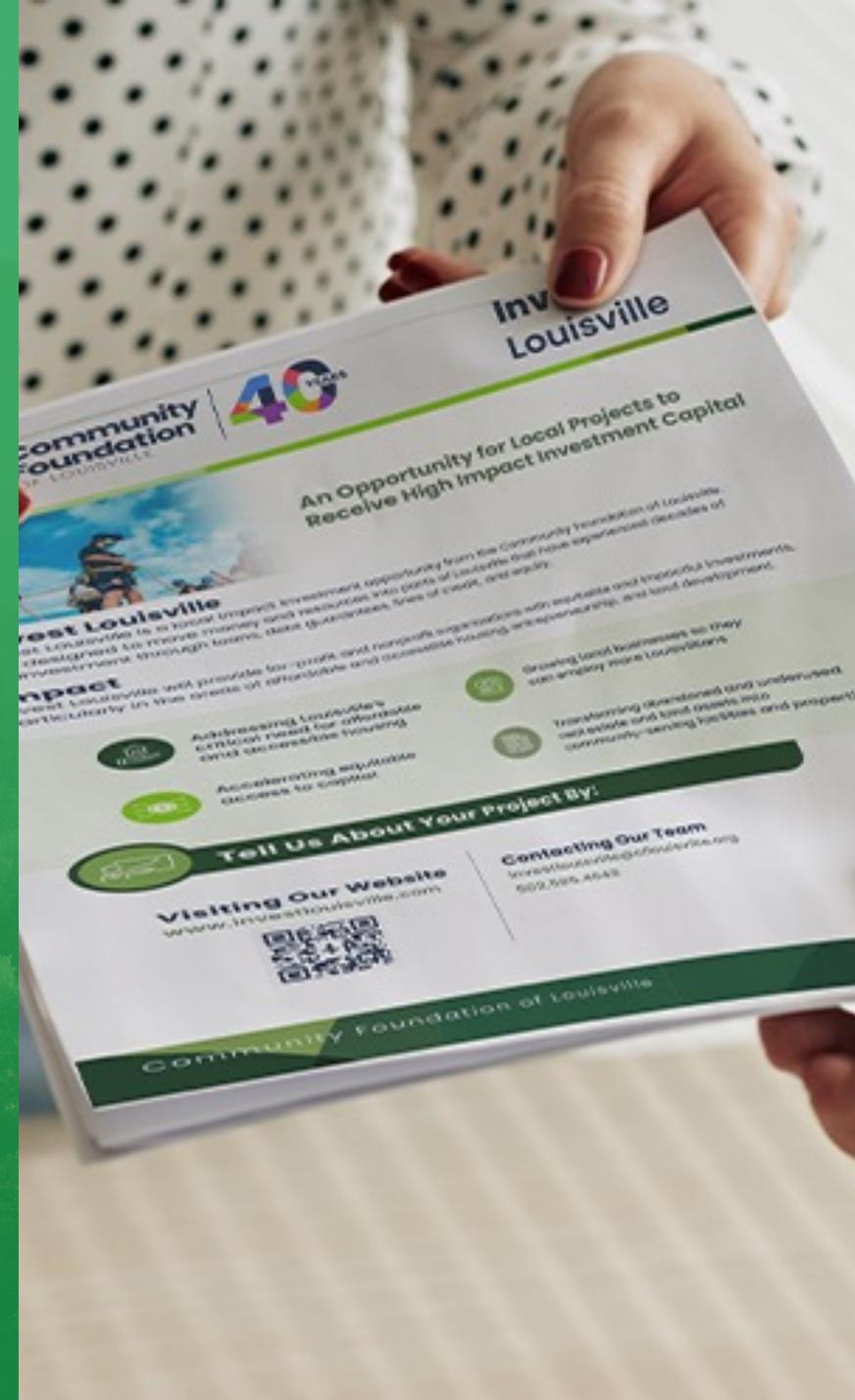


Establishing the Basics: The “Ins and Outs” of “Why and How” Philanthropies Embrace Impact Investing

Foundation Learning Series | February 2026



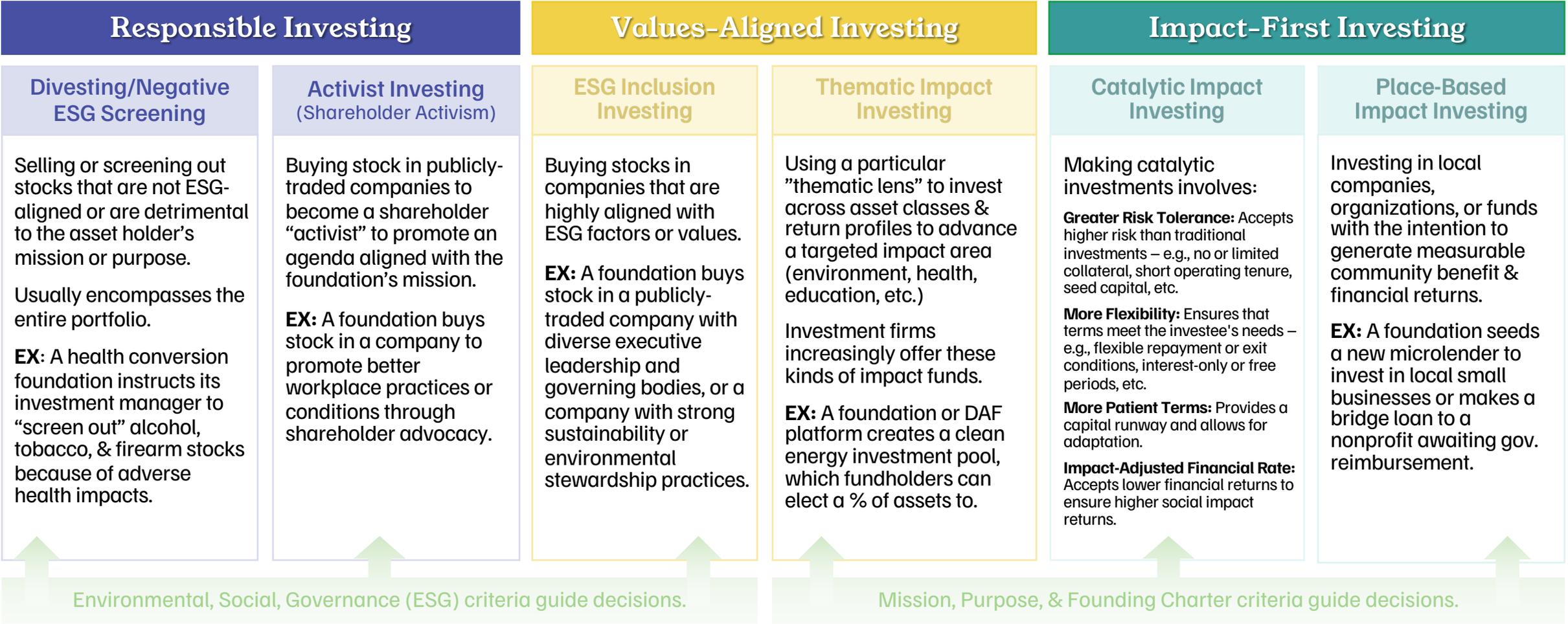
Welcome. We're so glad to have you with us today! Here's what to expect.

Key Questions to be Addressed

- Q1. Are there distinct impact investing approaches? How do the strategies differ?
- Q2. Why is impact investing becoming more common with foundations across the country? What are the nagging fears holding others back?
- Q3. How do foundations determine the source of funds for impact investing? Is it different for private vs. community foundations?
- Q4. What advice do your peers have on the steps to get started and the lessons they've learned so far?



GIIN estimates that the global impact investing market has a total AUM of \$1.5 trillion, but not all impact investing looks the same.



This vocabulary matters. When foundation leaders, boards, and investment committees lack shared language, they end up talking past each other entirely or choosing an impact investing path that doesn't align with their intentions or impact goals.

RESPONSIBLE INVESTING

Screening is a tool, not a strategy

A board chair moves the board to divest from private prisons. The investment manager complies — but because the board never articulated the values behind the decision, **adjacent holdings go untouched.**

- ✓ Private prison stocks screened out
- ✗ Detention facility REITs and surveillance tech still in the portfolio

A single screen without a values statement will always leave gaps.

VALUES-ALIGNED VS. IMPACT-FIRST

Same words, different quadrants

NextGen board members want to reinvest locally — credit unions, housing funds, community bonds. Longer-tenured members hear "impact investing" and picture **a full portfolio overhaul.** The conversation stalls before it starts.

- NextGen: place-based, impact-first deployment
- Legacy board: ESG repositioning, new investment manager

They weren't in conflict. A shared vocabulary would have made that clear.

VALUES-ALIGNED VS. IMPACT-FIRST

When the label and product don't match

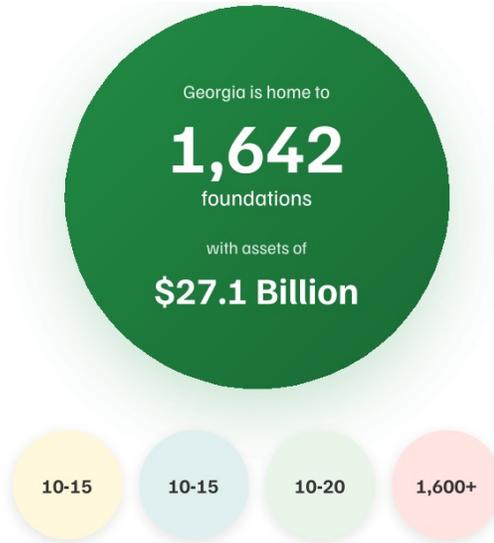
A conservation foundation buys a "clean energy" thematic fund, assuming it's impact-first work. Program staff looks closer and finds **no outcome tracking, and biomass facilities counted as clean.**

- ✓ What they thought: mission-aligned, measurable outcomes
- ✗ What they got: sector exposure, values-aligned at best

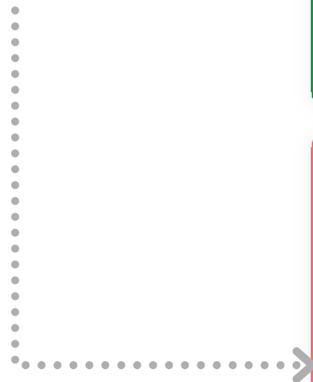
Thematic funds are values-aligned, not impact-first. Knowing the difference changes the ask.

An **estimated 5%** of U.S. foundations have integrated impact investing into their investment strategies.

Relative to this figure, Georgia foundations' adoption of impact investing lags that of their peers. If we were to catch up, **more than 80 foundations in our state** would be actively deploying their investable capital for mission — channeling millions more in support of the communities and causes they serve. Now is the time for us to accelerate into action!



Georgia is home to a robust philanthropic field but relatively few impact investors. Here's how we estimate the current distribution.



10-15
foundations

Institutional Impact Investing Commitments

Board-approved impact investing policy; dedicated allocation (typically 1-10%); multiple investments made; internal systems established; active portfolio management.

SUPPORT NEEDED

Portfolio optimization strategies; co-investment opportunities; advanced structures and vehicles; policy improvement; peer learning and best practices.

10-15
foundations

Making One-Off Impact Investments

1-3 impact investments made; testing the waters approach; no formal policy yet; learning by doing; building internal buy-in; possible risk aversion driving incrementalism.

SUPPORT NEEDED

Policy framework development; investment process design; deal flow access; risk management tools; board education and engagement.

10-20
foundations

Early Stages of Exploring Impact Investing

Actively researching impact investing; attending workshops and events; board discussions initiated; seeking peer examples; evaluating fit with mission.

SUPPORT NEEDED

Foundational education; peer foundation connections; board presentation support; case studies; first steps roadmap.

1,600+
foundations

Everyone Else

Not yet engaged with impact investing; may be unaware of the practice; focused on traditional grantmaking and investment approaches.

SUPPORT NEEDED

Broad awareness building; introductory resources; understanding of why this matters; accessible entry points.

Globally, nationally, & here in Georgia, the traditional philanthropic model is changing...and for good reasons.

- > **Community Need:** Our communities face needs and opportunities that far outpace what annual grantmaking can address. In 2025, **87% of foundations reported increased funding requests**, and with federal and state program budgets under pressure, the gap between community need and available resources is only widening.
- > **New Tool, New Solutions, New Partners:** Some of the most persistent community challenges, like housing, food security, and small business growth, are better suited for investing than grantmaking. Local investing opens the door to new partners, including businesses, CDFIs, & social ventures that grantmaking cannot reach.
- > **Donor and Next-Gen. Interest:** Both donors and the next generation of foundation board members are increasingly calling for greater impact & more innovation. A 2024 Foundation Source survey found that **62% of private foundations** are actively involving NextGen leaders, the majority of whom arrive with a strong interest in impact investing. DAF holders are similarly pushing for mission alignment. A **2020 survey found DAF holders would allocate 18.5% of their investments for mission purposes** if given the option.
- > **High Leverage Capital:** Federal and state budgets are uncertain, and what does get appropriated cannot be left on the table. Philanthropic capital is uniquely positioned to activate and multiply public dollars, whether that means anchoring a CDFI loan fund, unlocking New Markets Tax Credits, or making a state housing finance deal pencil out. Every dollar of foundation investment in a community project can draw in multiples of public/private capital that might otherwise bypass the community.

TRADITIONAL MODEL

Two Buckets, No Overlap

Grants pursue mission. Investments pursue returns. These two activities operate independently with no shared criteria.



IMPACT-CENTERED MODEL

Aligning Assets with Purpose

A portion of the investment portfolio is redirected toward mission-aligned vehicles, creating a third channel of capital.



However motivating these factors are, it's important to acknowledge & dispel common misconceptions that hold foundations back.

The Misconception

Foundations aren't permitted to consider mission & impact when making investment decisions...

We couldn't deploy capital. There aren't local impact investing opportunities here...

This will confuse our partners. Nonprofits will think we're moving away from grantmaking.

The Reality

Multiple legal statutes uphold the principle that fiduciaries may consider "non-financial factors," such as mission & impact goals, in investment decision-making!

Every place has investment opportunities. Foundations can invest in nonprofits, CDFIs, real estate projects, & more!

Proactive, transparent communication helps nonprofits understand that impact investing taps different assets. Some might even be well-positioned to seek an investment!



There's also the misconception that impact investing, especially impact-first or local investing, jeopardizes a foundation's long-term financial health. The illustrative scenario below **disproves that myth.**

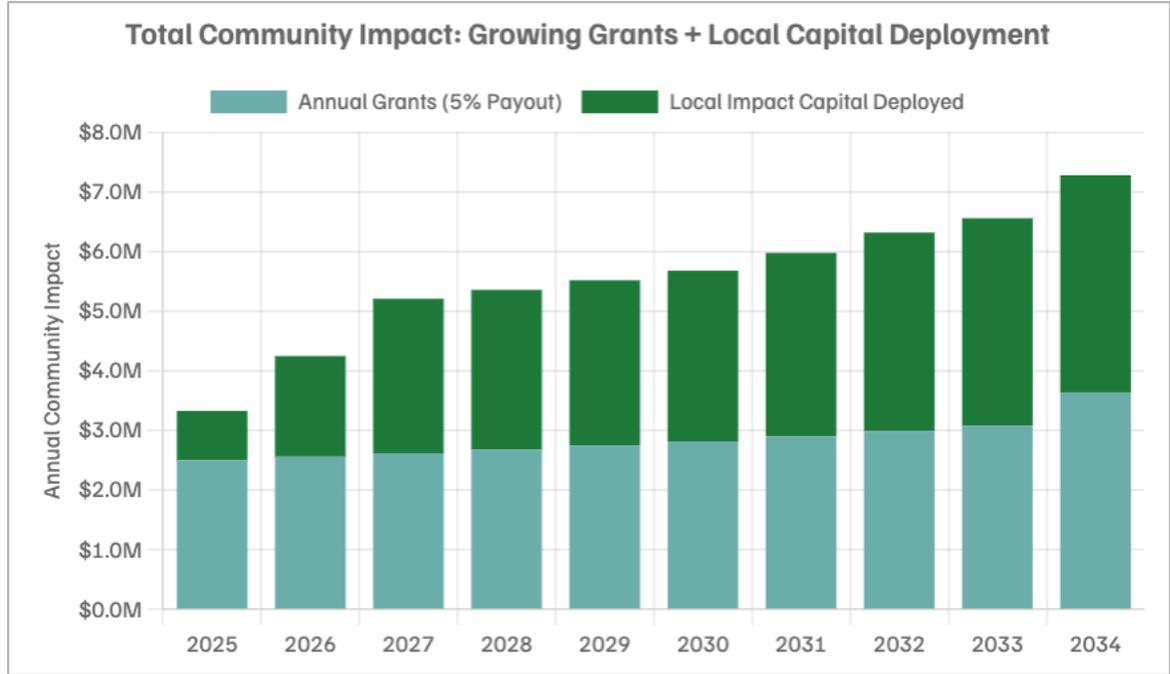
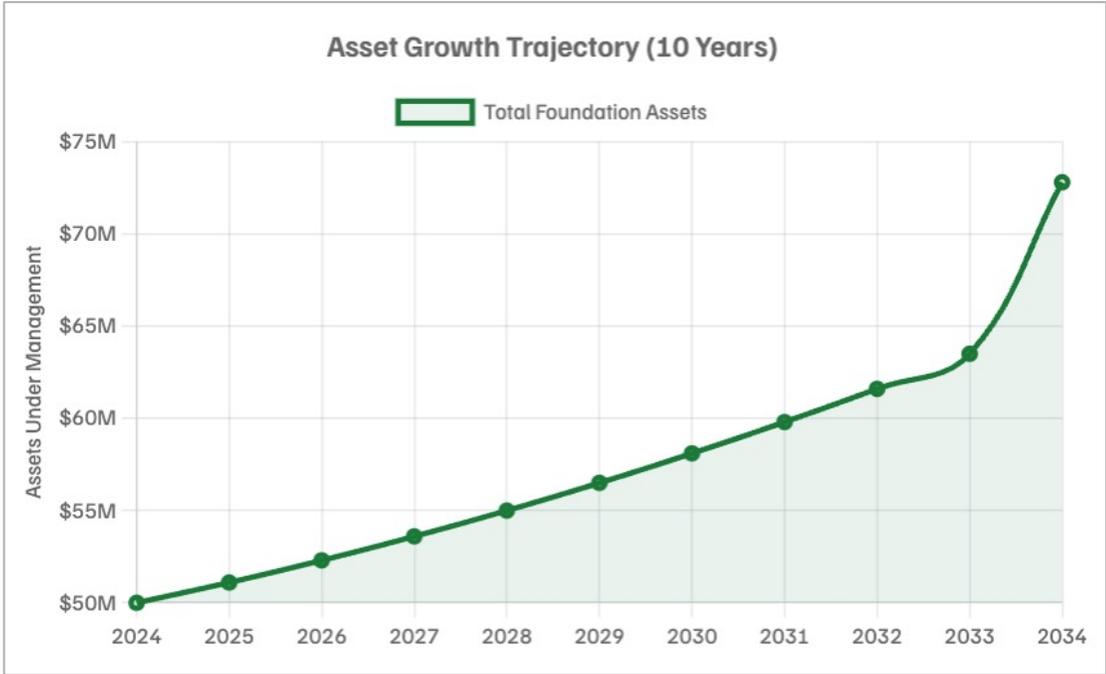
Weighted Portfolio Return
8.69%

Annual Asset Growth
3.8%

10-Yr Ending AUM
\$72.8M

Local Investment Deployed
\$3.64M

Total Grants Funded
\$29.1M





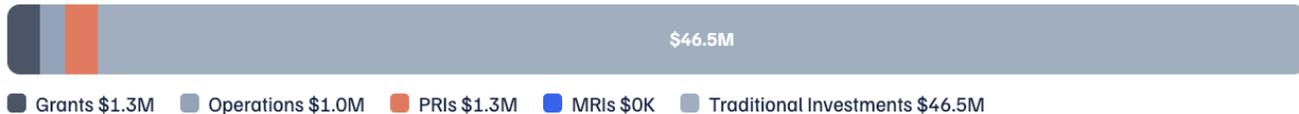
Let's Pause.
Are there any questions so far? Is anyone interested in sharing their thoughts or insights with the group?

The dollars for impact investing can come from **one of two sources:** the programmatic side or the investment portfolio.

Program-Related Investments (PRIs) can count towards a private foundation's MDR. As such, the IRS requires that PRIs prioritize impact over financial return.

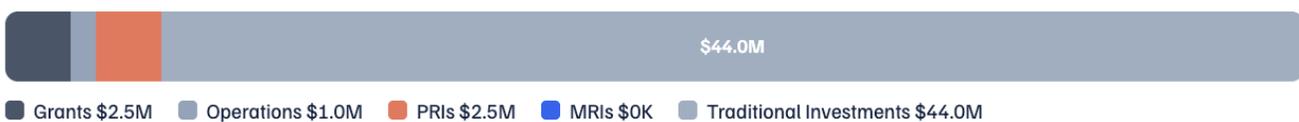
Mission Related Investments (MRIs) don't count as a charitable distribution. They are a part of a foundation's diversified investment portfolio.

PRIs Within Existing Spending Policy:



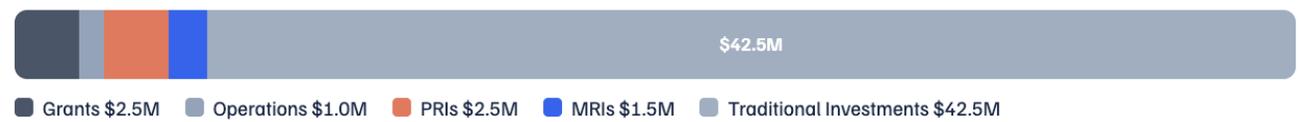
Because the spending policy must cover both grants and operations, and operations are relatively fixed, PRIs made within the existing spending policy come at the expense of grant dollars. No policy changes are needed, but the tradeoff is that every dollar allocated to PRIs is a dollar not going to traditional grants.

PRIs With Increased Spending Policy:



The foundation increases its total spending policy to create room for PRIs without displacing existing grant dollars. The PRI allocation is carved out from the endowment. Because the PRI principal is recoverable, the effective long-term cost to the corpus is substantially lower than the payout increase implies.

MRI Allocation Within the Portfolio:



The foundation creates a new asset class within its investment portfolio dedicated to MRIs. This sits on the investment side, meaning the primary obligation is still a financial return, but investments are screened or selected for mission alignment. MRIs reduce the traditional investment percentage of the corpus.

The IRS' PRI/MRI guidelines do not apply to community foundations. Instead of MDR, CFs think about discretionary vs. non-discretionary assets when determining Source of Funds.

	Local Impact Investing Asset Class	Local Impact Investing Pools	Local Impact Investing Funds
<i>What is it?</i>	Like “fixed income” or “alternatives,” a new component of the total investment portfolio	A pool with defined investment parameters & impact goals that aggregates investable assets from various internal funds	A dedicated fund
<i>Which funds participate?</i>	All funds	Select funds (opt-in)	
<i>How does \$ get there?</i>	The Board updates the Investment Policy to reallocate a portion of the investment portfolio to accommodate a new asset class	The Board commits a % of discretionary funds to seed the pool, & donor(s) elect % from investable portions of DAFs	The Foundation receives non-recoverable gifts or grants from donors to make local impact investments
<i>What are the benefits?</i>	<ul style="list-style-type: none"> + Unlocks a large, dedicated, & growing \$ source + Shares risk of loss & financial upside across funds + Limits operational headaches 	<ul style="list-style-type: none"> + Provides some immediate capital + May help address donor alienation concerns + Offers donors a “value-added” service 	<ul style="list-style-type: none"> + Structurally, most like grantmaking + May help address concerns of traditional investment committees or avoid investment committees altogether
<i>What are the drawbacks?</i>	<ul style="list-style-type: none"> - Requires board and investment committee education and buy-in building - Requires thoughtful, proactive donor messaging & education 	<ul style="list-style-type: none"> - Limits the leverage of investable assets - Requires thoughtful donor education & engagement to raise \$ - Difficult to manage fund-by-fund “opt-in” 	<ul style="list-style-type: none"> - Limits the leverage of investable assets - Diverts grant from other needs - Can compete with other strategic grantmaking “asks”



Let's hear from practitioners.
What's been your
foundation's impact
investing journey so far?
Any advice, lessons
learned, or go-to resources
you'd offer?