

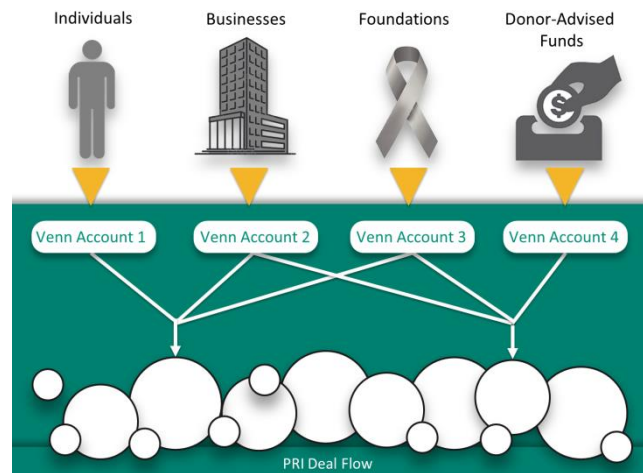


Donor FAQ

What is Venn Foundation?

Venn Foundation (Venn) is a nonprofit, 501(c)(3) public charity on a mission to unleash the full power of Program-Related Investments (PRIs) to advance charitable impact. PRIs are investments made primarily to advance a charitable purpose and include “below-market” financial terms.

By opening a specialized Donor-Advised Fund (DAF) with Venn Foundation called a “Venn Account,” any individual or entity can recommend that their charitable dollars be used by Venn to make PRIs. Any financial returns from these PRIs go back to participating Venn Accounts for donors to recommend redeployment into new PRIs or as grants to nonprofits. Charitable entities also have options for returning Venn Account dollars back to their organizational accounts.



What counts as a PRI?

PRIs are an incredibly versatile tool in the philanthropic toolkit. As long as each PRI is made to advance an IRS charitable purpose and with below-market financial terms, basically anything is possible. PRIs can be structured in any financial form (loans, equity, convertible debt, etc...) and made to any type of entity (nonprofits, government, businesses, etc...). These entities can be in any stage of development, in any geographic location, and in any industry. The possibilities of PRIs are limited only by our creativity and generosity.

Are PRIs new?

PRIs have existed since the Tax Reform Act of 1969, and they have long been used by leading national private foundations like Ford, Heron, MacArthur, and Gates, among many others. PRIs have been used effectively to launch the microfinance movement, advance research for orphan drugs, and provide affordable housing.

Nonetheless, PRIs remain broadly under-utilized. Individuals and businesses cannot directly make PRIs, regardless of the purpose and terms of the investment. And while public charities, DAFs, and private foundations legally can make PRIs, they face many practical challenges. The Lilly School of Philanthropy reports that in 2004, the peak year for PRI activity from 2000-2010, only 137 out of ~66,000 US private foundations made a PRI and less than 1% of all US charitable distributions were structured as PRIs. Most DAF sponsors do not allow their DAFs to recommend PRI distributions, even though they legally could do so.

How do Venn Accounts work?

Venn Accounts operate in most ways like traditional donor-advised funds. Any individual or entity can establish a Venn Account with Venn Foundation, make tax-deductible donations into it, and then recommend how that money should be directed for charitable impact over time.

What makes Venn Accounts unique, however, is that donors are not just able to recommend grants; they can also recommend that their donations be used to make PRIs. And while traditional DAFs invest most of their assets in conventional, market-rate investment portfolios, usually without regard to the impact of those investments, Venn encourages Venn Account assets to be put directly to charitable use through PRIs.

Are there different types of Venn Accounts?

Yes. There are two types of Venn Accounts, which differ primarily on how they are funded. Most donors choose a "Contribution-Funded Account," which is funded through traditional donations or grants. Donors make recommendations to Venn Foundation about which PRIs to join, and any PRI returns go back into participating Venn Accounts for donors to redeploy in new PRIs or grant out. Unless the donor is a nonprofit tax-exempt public charity, donors can never withdraw money from a Contribution Account.

Private foundations that want to participate in Venn PRIs and then later receive money back into their own bank accounts have the option of creating a "PRI-Funded Account," which they fund through a special PRI loan to Venn.

	Contribution-Funded Account	PRI-Funded Account
Eligible Donors	Adult Individuals, All Organizations	Private Foundations
Funding Type	Charitable Grant	PRI Loan
Minimum Initial Funding	\$2,500	\$25,000
Permitted Distributions	Grants and PRIs	Grants and PRIs
Minimum Distributions	Grants - \$100; PRIs - \$250	Grants - \$100; PRIs - \$250
Required Annual Distribution	None	None
Minimum Balance	\$1,000	\$5,000
Current Corpus Investment Options	Online Savings Account	Online Savings Account
Maximum Account Duration	Life of Advisors (individual accounts) Life of Donor Organization (org. accounts)	The "Charitable Investment Period"
Number of Advisors	1 Representative Advisor 5 Successor Advisors (individual accounts)	1 Representative Advisor
Set-up Fee	None	Up to \$500
PRI Success Fee	0.5-1% annually for debt, 20% for equity paid only on PRI success	0.5-1% annually for debt, 20% for equity paid only on PRI success

How does Venn Foundation cover its operating costs?

Venn covers its operations in two ways. The first is through a 3-5% one-time closing fee paid by PRI recipients. The second is through a PRI success fee charged to a donor's account but only if/when the particular PRI actually returns cash to the donor's Venn Account. This success fee changes depending on the type of PRI. For debt PRIs, it is usually 0.5-1% of deployed PRI principal annually. For equity PRIs, it is usually 10-20% of the return.

How can I access my Venn Account?

Venn Foundation has licensed the same software system that many leading national foundations use today to manage their DAFs. It includes a web-based donor portal through which donors can access their account statements, make distribution recommendations, and get updates on their PRIs. This system is complete and live.

What is a Representative Advisor?

Every Venn Account must have one individual that is responsible for advising Venn Foundation on how funds in the account should be managed and distributed. Usually one of the original donors to the account accepts the role of Representative Advisor for the account. Individual donors can name up to five other successor advisors.

How am I recognized for PRIs or grants when using a Venn Account?

When making a PRI or grant distribution recommendation, we ask the account's Representative Advisor to let us know how Venn should recognize the support with the PRI or grant recipient. This can range from complete anonymity to sharing donor names and contact information.

Who can I contact at Venn Foundation to learn more?

Please contact Jeff Ochs, CEO, at jeff.ochs@vennfoundation.org or 612-834-6332.