

Due Diligence and Documentation Toolkits for MRI and PRI

The **MRI Evaluator** is designed to work in conjunction with a formal investment due diligence process. It allows a foundation to assess, document and define roles for evaluating any given investment opportunity in the areas of:

- Investment structure, portfolio implications and financial performance reporting;
- Alignment with Mission or Purpose; and
- Establishing Mission “Impact” criteria

Users may be as detailed as they like in documenting the responses to the various questions. Additional comments are included with each set of questions to provide guidance in capturing the most relevant observations.

A scoring system is included for each question, allowing the user to establish a more objective framework for evaluating MRI investments. It is important to document a pass or fail scale for scoring results.

For effective use of the tools, it is important to have a defined mission, documented investment policy and portfolio objectives, established investment due diligence process and a commitment to mission-related investments.

Mission-Related Investment (MRI) Evaluator

Investment Name: _____

Investment Amount Considered: \$ _____

Investment Due Diligence by: _____

Signature: _____

Date: _____

Mission Due Diligence by: _____

Signature: _____

Date: _____

Summary Description of Investment:

Main Contacts:

Supporting Documents:

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continued

Mission-Related Investment (MRI) Evaluator		
Focus Area & Questions	Other Considerations	Score -1/0/+1
Investment Due Diligence (Investment Advisor)		
Investment Structure & Portfolio Implications		
Question 1: What investment due diligence process will be required to assess the financial viability of this opportunity?	Foundation's Investment Advisor responsible for performing financial due diligence process.	
Response 1:		
Question 2: What is the structure of the investment under consideration? a. Is the investment structure ideally suited to achieve both the appropriate risk adjusted rate of return and Mission Impact?	Direct public or private, Fund or Fund of Funds. Consider structure's ability to offer sufficient or appropriate diversification to mitigate risk. Consider investment cost structure's implication on Mission Impact.	
Response 2:		
Question 3: What is the asset class? a. Does the investment fall outside the currently established asset allocation targets of the Foundation? b. If so, has the appropriate analysis been completed to evaluate a change in targets? c. Has this change been accepted and adopted under the investment policy guidelines of the Foundation?	While it is the intent of the Foundation to pursue MRIs, there is also a firm commitment to remain within the established investment policy guidelines and risk budget.	
Response 3:		
Question 4: Will members of the Foundation play an active role in the investment? a. If so, will questions of self-dealing arise? b. Should the investment be considered in conjunction with a Foundation grant? c. Outside the Foundation?	Consider additional Mission Impact, regulatory concerns or sizing constraints.	
Response 4:		
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Mission-Related Investment (MRI) Evaluator		
Focus Area & Questions	Other Considerations	Score -1/0/+1
Investment Due Diligence (Investment Advisor) <i>continued</i>		
Investment Monitoring & Reporting		
Question 5: What is the financial benchmark that will be used to evaluate this investment? a. Over what period(s) of time will we measure the investment performance?	Investment benchmarks are established by the investment due diligence process. Similar to investments made without regard to Mission Impact, investment performance is reported when available and as appropriate for the investment structures and/or asset class.	
Response 5:		
Mission Due Diligence (Foundation Directors & Philanthropic Advisors)		
Mission Alignment		
Question 6: How does this investment align with the Mission of the Foundation? a. In what area(s) does the Foundation believe this investment will contribute the greatest degree of Mission impact?	Identify specifically how this investment will impact the Foundation's Mission.	
Response 6:		
Question 7: Are there any elements of this investment which are contrary to any value(s) of the Foundation? a. If so, how is this being addressed?	Evaluate potential tradeoffs.	
Response 7:		
Relationship & Reputation		
Question 8: How well does the Foundation know the investment and/or strategy? a. What is the nature and duration of this relationship? b. Have members of the Foundation made site visit(s)?	Document personal and direct understanding of the investment strategy by the Foundation.	
Response 8:		
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Mission-Related Investment (MRI) Evaluator		
Focus Area & Questions	Other Considerations	Score -1/0/+1
Mission Due Diligence (Foundation Directors & Philanthropic Advisors) cont.		
Relationship & Reputation <i>continued</i>		
Question 9: Have other foundations or investors recognized this as an MRI or social investment? a. Do other respected partners of the Foundation have a relationship with or experience with this investment?	Capture any peer or trusted partner knowledge on the investment.	
Response 9:		
Question 10: How integral to the success of the investment is the Mission Impact? a. How much personal financial capital have the investment principals and/or founders committed to the investment?	Identify alignment of interest by investment principals and/or founders.	
Response 10:		
Mission Impact Monitoring & Reporting		
Question 11: What approach will be used to evaluate the Mission Impact of the investment? a. What is the proposed nature and scale of the Mission Impact, e.g. in 1 year, 3 years, long term?	Pre-established metrics and evaluation intervals for Social or Mission Impact should be requested or developed.	
Response 11:		
Question 12: Will the Investment Manager provide Mission related reporting?	Once Mission criteria are established it is important to communicate with the Investment Manager and determine if the criteria can be met.	
Response 12:		
Question 13: Does the investment scale, accelerate, support or re-enforce other SMSIs in the investment or grant portfolios?	Identify those that will be impacted and evaluate excess or leveraged Mission Impact.	
Response 13:		
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Mission-Related Investment (MRI) Evaluator
Additional Comments or Observations
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The **PRI Evaluator** is designed to work in conjunction with a formal investment due diligence process. It allows a foundation to assess, document and define roles for evaluating any given investment opportunity in the areas of:

- Documentation of PRI status for IRS compliance;
- Alignment with Program and/or Mission;
- Investment structure, portfolio implications and financial performance reporting; and
- Establishing Program “Impact” criteria

Users may be as detailed as they like in documenting the responses to the various questions. Additional comments are included with each set of questions to provide guidance in capturing the most relevant observations.

A scoring system is included for each question, allowing the user to establish a more objective framework for evaluating PRI investments. It is important to document a pass or fail scale for scoring results.

For effective use of the tools, it is important to have a defined Program/Mission, documented investment policy and portfolio objectives, established investment due diligence process and a commitment to Program-Related Investments.

Program-Related Investment (PRI) Evaluator

Investment Name: _____

Investment Amount Considered: \$ _____

Investment Due Diligence by: _____

Signature: _____

Date: _____

Program Due Diligence by: _____

Signature: _____

Date: _____

Summary Description of Investment:

Main Contacts:

Supporting Documents:

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Program-Related Investment (PRI) Evaluator

Focus Area & Questions	Other Considerations	Score -1/0/+1
Program Due Diligence (Foundation Directors & Philanthropic Advisors)		
IRS Compliance		
<p>Question 1: Is this investment compliant with the definition of PRI in the Tax Reform Act of 1969 section 4944?</p> <p>a. Is its primary purpose to advance the Foundation's charitable objectives?</p> <p>b. Is the primary purpose income production or property appreciation?</p> <p>c. Will funds be used either directly or indirectly to lobby or for political purposes?</p>	If not compliant, then not eligible to be a PRI. Foundation can consider a grant, MRI or other investment as appropriate.	
Response 1:		
Program Alignment		
<p>Question 2: How does this investment align with Programs of the Foundation?</p> <p>a. In what area(s) does the Foundation believe this investment will contribute the greatest degree of Program Impact?</p>	Identify specifically how this investment will impact the Foundation's Programs.	
Response 2:		
<p>Question 3: Are there any elements of this investment which are contrary to any value(s) of the Foundation?</p> <p>a. If so, how is this addressed?</p>	Evaluate potential tradeoffs.	
Response 3:		
<p>Question 4: What conditions exist that suggest this PRI is a more effective or appropriate vehicle for achieving the Foundation's programmatic objectives versus a grant?</p>	Evaluate the capital market environment or lack thereof for such an investment.	
Response 4:		
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Program-Related Investment (PRI) Evaluator		
Focus Area & Questions	Other Considerations	Score -1/0/+1
Program Due Diligence (Foundation Directors & Philanthropic Advisors) <i>cont.</i>		
Relationship and Reputation		
Question 5: How well does the Foundation know the investment and/or strategy? a. What is the nature and duration of this relationship? b. Have members of the Foundation made site visit(s)?	Document personal and direct understanding of the investment strategy by the Foundation.	
Response 5:		
Question 6: Have other Foundations recognized this as a PRI or social investment? a. Do other respected partners of the foundation have a relationship with or experience with this investment?	Capture any peer or trusted partner knowledge on the investment.	
Response 6:		
Question 7: What is the form and level of personal commitment by the investment principals and/or founders to the Programmatic Impact of the investment?	Identify alignment of interest by investment principals and/or founders.	
Response 7:		
Program Impact Monitoring & Reporting		
Question 8: What approach will be used to evaluate the Program Impact of the investment? a. What is the proposed nature and scale of the Program Impact, e.g. in 1 year, 3 years, long term?	Pre-established metrics and evaluation intervals for Program Impact should be requested or developed.	
Response 8:		
Question 9: Will the Investment Manager provide Program related reporting?	Once Program criteria are established it is important to communicate with the Investment Manager and determine if criteria can be met.	
Response 9:		
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Program-Related Investment (PRI) Evaluator		
Focus Area & Questions	Other Considerations	Score -1/0/+1
Program Due Diligence (Foundation Directors & Philanthropic Advisors) <i>cont.</i>		
Program Impact Monitoring & Reporting <i>continued</i>		
Question 10: Does the investment scale, accelerate, support or re-enforce other SMSIs in the investment or grant portfolios?	Identify those that will be impacted and evaluate excess or leveraged Program Impact.	
Response 10:		
Investment Due Diligence (Investment Advisor)		
Investment Structure & Portfolio Implications		
Question 11: What investment due diligence process will be required to assess the financial viability of this opportunity?	Foundation Investment Advisor responsible for performing financial due diligence process upon completion of PRI evaluator.	
Response 11:		
Question 12: What is the structure of the investment under consideration? a. Is the investment structure ideally suited to achieve both the appropriate risk adjusted rate of return (within 500 basis points of similar investments made without regard to program considerations) and Program Impact?	Direct public or private, Fund or Fund of Funds. Consider structure's ability to offer sufficient or appropriate diversification to mitigate risk. Consider investment cost structure's implication on Program Impact.	
Response 12:		
Question 13: What is the asset class? a. Does the investment fall outside of the currently established asset allocation targets of the Foundation? b. If so, has the appropriate analysis been completed to evaluate a change in targets? c. Has this change been accepted and adopted under the investment policy guidelines of the Foundation?	While it is the intent of the Foundation to pursue PRIs, there is also a firm commitment to remain within the established investment policy guidelines and risk budget.	
Response 13:		
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Program-Related Investment (PRI) Evaluator		
Focus Area & Questions	Other Considerations	Score -1/0/+1
Investment Due Diligence (Investment Advisor) <i>cont.</i>		
Investment Structure & Portfolio Implications <i>continued</i>		
<p>Question 14: Will members of the Foundation play an active role in the investment? a. If so, will questions of self-dealing arise? b. Should the investment be considered in conjunction with a Foundation grant? c. Outside the Foundation?</p>	<p>Consider additional Program Impact, regulatory concerns or sizing constraints.</p>	
Response 14:		
Investment Monitoring & Reporting		
<p>Question 15: What is the investment benchmark that will be used to evaluate this investment? Over what period(s) of time will we measure the investment performance?</p>	<p>Investment benchmarks are established by the investment due diligence process based on similar investments made without regard to Program Impact. Investment performance is reported when available and as appropriate for the investment structures and/or asset class.</p>	
Response 15:		
Additional Comments or Observations		
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Appendix 4:

Mission-Related Investment Scoring Questionnaire

Program Impact	Financial Risk/Return
<i>How relevant is this investment to current program priorities?</i>	<i>How will the project benefit specifically from an investment rather than another type of financial support?</i>
<i>To what extent does this investment further and help inform existing program work?</i>	<i>Is the project financially sustainable?</i>
<i>To what degree does this investment leverage existing relationships and knowledge within the sponsoring program area?</i>	<i>What is the likelihood of getting capital back?</i>
<i>To what degree can this investment help connect the program area to value-added relationships?</i>	<i>What level of financial return can we realistically expect?</i>
<i>Does this investment have the potential to create a model that would contribute toward program goals?</i>	<i>Is the expected level of financial return adequate given the degree of risk involved?</i>
<i>To what extent will this investment generate learning that will be useful for other program areas?</i>	<i>Will the field benefit from application of this financial structure?</i>