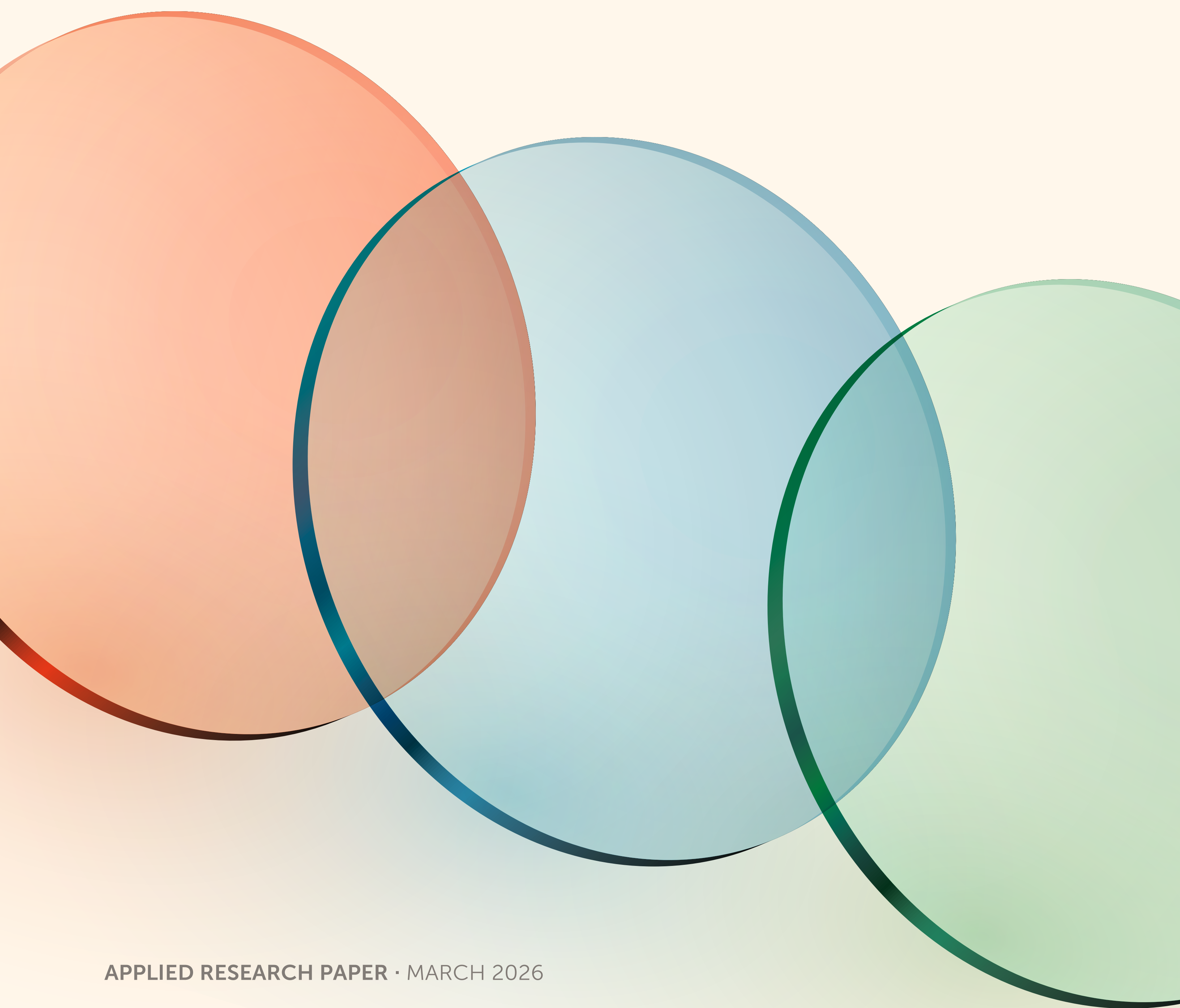

APPLIED RESEARCH PAPER · MARCH 2026

Demystifying Program-Related Investing

Lessons from Recent Adopters

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ABOUT THE ORGANIZATIONS

The Impact, Value, and Sustainable Business Initiative at the Wharton School (Wharton Impact) conducts evidence-based research on the gap between corporate and investors' impacts on natural, social, and human capitals and their financial valuations. Informed by this research, we offer 30+ courses that MBA and undergraduate students can assemble into a major and concentration, over a dozen co-curricular experiences, four Executive certificate programs, as well as speaker series, workshops, and events, and an expanding array of industry and policy convenings. We advance Wharton's best-in-class education of current and future leaders, equipping them with the tools, skills, and perspectives needed to navigate a more complex and interconnected world.

The Social Finance Institute, launched in 2023 by the national nonprofit Social Finance, advances the understanding and use of outcomes-driven financing and impact-first investing to measurably drive economic mobility. We develop and share actionable research and tools that show how capital can be put to work toward lasting social change.

The Center for High Impact Philanthropy (CHIP) is the premier source of knowledge and education on how philanthropy can do more good. Founded collaboratively by the School of Social Policy & Practice and alumni of the Wharton School, it is the only university-based center with a singular focus on philanthropy for social impact.

Executive Summary

Program-related investments (PRIs) enable foundations to provide loans, equity capital, and other financing that advances social mission while also offering opportunities for financial return, with mission taking priority over return expectations. These tools promise significant benefits: recycling and growing philanthropic capital, enhancing investee performance and commercial sustainability, attracting additional funders, and driving innovation. Yet despite decades of advocacy, PRIs remain underutilized.

Existing research has thoroughly documented barriers to PRI adoption, including resource constraints and cultural resistance. But this focus on obstacles obscures an important reality: Some foundations — many of them recently — have successfully integrated PRIs into their philanthropic practice. What distinguishes these adopters? How did they navigate the challenges that deter so many of their peers?

This paper distills lessons from interviews with professionals at 36 U.S. foundations that began making PRIs between 2016 and 2023. Despite the conventional wisdom that PRIs are complicated and burdensome, interviewees were split roughly halfway between those reporting that PRIs are difficult and those reporting that they are not, with considerable variation within each camp. This divergence points to our central finding: PRIs are not inherently difficult.

Instead, PRI experiences vary dramatically based on three factors that organizations can deliberately manage:

Complexity refers to the inherent characteristics of PRIs: deal structures, regulatory requirements, operating contexts, and partnership dynamics. Some PRIs involve straightforward loans to established nonprofits; others require sophisticated arrangements with staged funding, multiple co-investors, or challenging operating environments.

Capacity encompasses the expertise and resources needed to execute PRIs, which can reside in multiple locations: peer networks, intermediaries, external advisers, internal staff, investee organizations, and co-investors. Foundations need not build all capabilities internally; the question is what combination best serves their strategy and context.

Congruity addresses how well a foundation's culture, processes, and structures align to enable clear goals and effective action. High congruity manifests as shared understanding of purpose, consensus on risk appetite, rightsized processes, integrated collaboration, and committed leadership. Low congruity creates friction through conflicting goals, disagreements on risk tolerance, burdensome bureaucracy, siloed team members, and leadership indifference or resistance to PRIs.

Our analysis of these three factors points to three actionable insights:

Start with congruity. Before considering technical execution, foundations should clarify why they are pursuing PRIs and ensure alignment across purpose, risk appetite, administrative style, organizational cohesion, and leadership commitment. Proceeding without adequate congruity invites self-imposed barriers more significant than any inherent difficulty of PRIs.

Lean toward external capacity initially. Foundations new to PRIs generally benefit from tapping peer networks first, then working through intermediaries or engaging external advisers — allowing them to learn what PRIs entail before making internal commitments. That said, foundations with program staff experienced in nonprofit financial matters, or investment teams incentivized for mission-aligned investing, may build internal capacity from the outset.

Rightsize complexity. Foundations making direct investments should start with straightforward structures and then scale thoughtfully. While some opportunities require greater complexity to achieve transformational impact, foundations should match complexity to organizational capacity and congruity.

The persistent gap between PRI promise and practice need not continue indefinitely. Success depends less on organizational size or sophistication than on deliberately managing complexity, capacity, and congruity. By demystifying PRI adoption while respecting its genuine challenges, this paper aims to help more foundations find their path toward successful implementation.

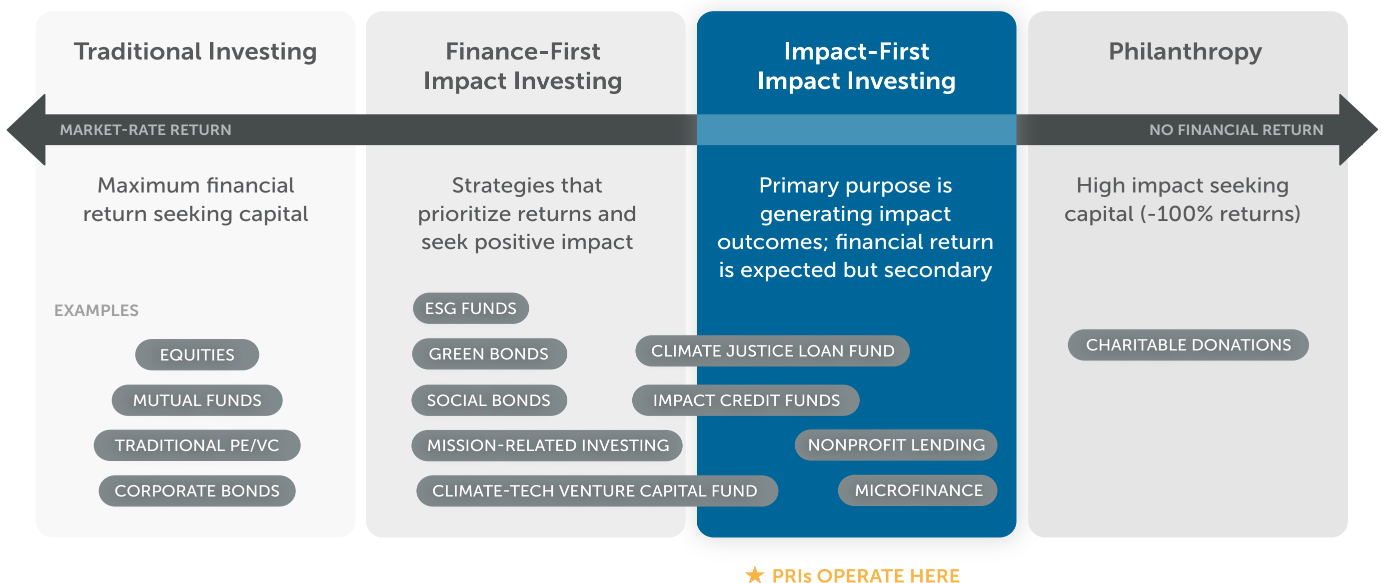
Background on PRIs: Much Discussion, Minimal Deployment

Program-related investments (PRIs) enable private foundations to provide loans, equity capital, and other financing that advances social mission while also offering opportunities for financial return, with mission taking priority over return expectations.[i] PRIs share important characteristics with grants: Both are deployed primarily to achieve charitable purposes, and both count toward the minimum 5% annual endowment drawdown that U.S. tax law requires of private foundations. The key distinction is repayment; unlike grants, PRIs are structured to return capital to the foundation, often with modest financial returns. Compared to conventional investments, PRIs may involve lower interest rates, longer repayment schedules, reduced collateral requirements, or willingness to accept higher risk, thus making capital accessible where traditional financing often falls short.

PRIs are a form of impact investing — that is, deploying capital with the intention to generate positive, measurable social or environmental impact alongside a financial return.[ii] More specifically, as shown in Figure 1, PRIs typify "impact-first" investing, where social or environmental impact is the primary objective.[iii] For PRIs specifically, the primacy of impact is a legal requirement. To qualify under U.S. tax law as a PRI, an investment must be clearly driven by a charitable purpose; the expectation of financial return cannot be a primary motivation for making the investment.[1]

Public charities, donor-advised funds, and other charitable vehicles often make impact-first investments similar to PRIs, though these transactions fall outside the regulatory framework that governs private foundations. While foundations report PRIs on their annual tax filings, other similar investments are not subject to reporting requirements and thus are more difficult to measure reliably. This paper focuses on PRIs as defined under U.S. tax law and reported on foundations' annual 990-PF tax returns, reflecting both the legal precision of that designation and the distinctive considerations that private foundations face. That said, many of the benefits and implementation lessons discussed here apply more broadly to impact-first investing.

Figure 1 · Where PRIs Fit on the Impact Investing Continuum



[1] This criterion is assessed by considering whether an ordinary investor would make the same investment on the same terms for the financial return alone. If so, the investment likely does not qualify as a PRI. This standard effectively requires that PRIs offer terms more favorable to the investee than conventional financing would provide. However, this standard does not mean PRIs must lose money or accept negligible returns; it means the investment's structure must reflect charitable motivation rather than purely commercial logic

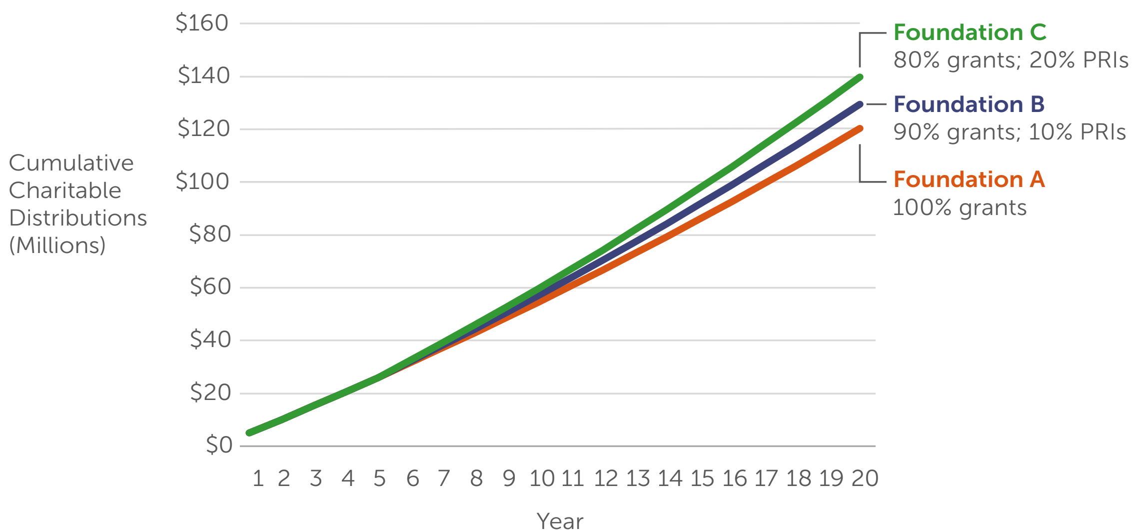
BENEFITS OF PRIS

Existing literature discusses four main benefits of PRIs: recycling and growing philanthropic capital, enhancing investee performance and commercial sustainability, attracting other funders, and driving innovation.

Recycling and growing philanthropic capital. PRIs count as qualifying distributions (expenditures that satisfy a private foundation's annual payout requirement) when disbursed, and the repaid principal flows back into the foundation's distributable amount (the pool of funds available for future charitable deployment), ensuring these dollars are recycled for charitable purposes. In other words, unlike one-time grants, PRIs can stretch a foundation's program dollars by returning principal that can be redeployed for future charitable activity. To be clear, recycling philanthropic capital is not the same as achieving impact. The case for PRIs depends on whether they lead to meaningful outcomes and advance the foundation's mission, with capital recycling as a means to that end.

To illustrate this benefit, Figure 2 compares cumulative charitable deployment over 20 years for three hypothetical foundations with identical starting endowments ($100 million), annual endowment drawdowns (5%), and endowment investment returns (7%). Foundation A distributes its entire payout as grants. The others allocate a portion of their payout as PRIs structured as five-year loans bearing 2% annual interest, with principal repaid in full at maturity.

Figure 2 · Effect of PRIs on Charitable Distributions at 5% Payout



Note: Capital recycling is a financial benefit that creates charitable value only when PRIs lead to meaningful impact.

For the first five years, all foundations deploy nearly identical amounts. After that, the PRIs begin maturing, and the returned principal increases the foundations' distributable amounts. This recycling effect compounds over time so that the PRI-making foundations have distributed significantly more than Foundation A by year 20. In this model, principal recycling accounts for most of the surplus in

cumulative charitable deployment. The remaining share comes from PRI interest, which is retained in the endowment and then earns the market-rate investment return, increasing the endowment base and therefore increasing future 5% payouts. In short, principal recycling adds dollars to deploy immediately; interest increases the size of the base payout over time.[2]

The key distinction is repayment; unlike grants, PRIs are structured to return capital to the foundation, often with modest financial returns.

Enhancing investee performance and commercial sustainability. PRIs can build the capacity and sustainability of recipient organizations. By furnishing capital as an investment rather than a grant, a PRI can make the recipient more "investment-ready" by promoting financial sustainability and better management.[iv] The Gates Foundation's investment in bKash, a Bangladeshi mobile financial service provider, illustrates this benefit. One analysis of this deal notes that "the terms of the equity investment compelled bKash's board to engage in a rigorous review of its governance, which would be unusual in most grant agreements."[v] That kind of governance strengthening matters for a regulated mobile money provider like bKash because it supports effective oversight of compliance and operational risk at scale, and it can be a prerequisite for attracting later private sector investors.

Attracting other funders. Foundations can use PRIs to attract additional capital from traditional investors. One report notes that PRIs can "attract additional capital by reducing risk for other more traditional investors through taking a first loss position or providing a guarantee."[vi] In a first-loss position, the foundation agrees to absorb initial losses on an investment before other investors are affected, making participation less risky for traditional funders who might otherwise decline. For example, the Kresge Foundation created a $350 million impact investing pool that was fully committed by 2020 and, over that period, leveraged more than $1 billion from banks, other foundations, and public sector partners.[vii]

Driving innovation. PRIs can help move high-impact ideas into commercial viability when potential for earned revenue exists. As one article on science funding argues, a PRI "gives a foundation a powerful tool for moving critical ideas out of the laboratory and into the commercial marketplace."[viii] For example, The David and Lucile Packard Foundation made a low-interest growth-capital loan to Afaxys, Inc., helping the company bridge the high-risk "valley of death" between pharmaceutical development and commercialization. Following this investment, Afaxys secured FDA approval for its first generic oral contraceptive and launched it through public health clinics nationwide, expanding affordable access to contraceptive options.[ix]

LOW UTILIZATION OF PRIS

Despite the benefits listed above, PRIs remain underutilized. One researcher recently observed the persistent gap "between the vision of PRIs as innovations expanding grantmaking's reach and the reality of their limited use."[x] Based on our analysis of tax return data provided by Candid (detailed below), we estimate that only about 0.4% of U.S. private foundations in 2023 made at least one PRI (see methodological appendix). This finding aligns with the last comprehensive study of PRI deployment, in which researchers at the Lilly Family School of Philanthropy found that fewer than 1% of U.S. foundations made PRIs in any given year between 1990 and 2010.[xi]

[2] The model assumes a 5% loss rate on PRI principal to account for defaults. All foundations pay the 1.39% federal excise tax on net investment income, including PRI interest. Outstanding PRIs are excluded from the payout calculation, consistent with their treatment as charitable-use assets under U.S. tax law. The model assumes that the PRI-making foundations redeploy repaid PRI principal in the year it is received, though in practice, foundations may smooth timing using excess distribution carryforwards. All returns and rates are held constant across years for illustrative purposes.

Existing research and guidance extensively cover the challenges contributing to this low utilization. These challenges can be categorized as cultural barriers and resource barriers.

Cultural barriers. Many foundations maintain a firm separation between grantmaking and endowment management, yet PRIs blur this boundary. The traditional siloed configuration can leave program staff with a lack of understanding of PRIs, including how they can help advance a foundation's mission.[xii] The Venn Foundation found that 73% of surveyed foundation staff "pointed to a lack of awareness about PRIs as a reason for low utilization."[xiii] Beyond this issue of limited awareness, siloed teams can develop different cultures and goals that can engender a concern that PRI-making could violate traditional institutional boundaries and norms.[xiv] For example, finance staff sometimes express worry about the financial consequences of prioritizing social outcomes over financial performance.[xv] When foundation professionals view PRIs as fundamentally incompatible with their identity and way of doing things, the resistance becomes as much psychological as practical.

Resource barriers. Foundation professionals also point to limits in the expertise and administrative capacity needed to execute PRIs. The Center for Effective Philanthropy found that foundation personnel commonly believe that their organization "does not have the right expertise, skills, or staff to engage in impact investing."[xvi] The Venn Foundation report cited above found that 87% of surveyed foundation staff "identified limited staff/board capacity and experience with PRIs as a key challenge."[xvii] Resource barriers also include the time and funding required to identify, negotiate, and close PRI opportunities. For instance, some foundations seek attorney opinion letters confirming an investment qualifies as a PRI, a step that can be expensive and time-consuming.[xviii] Whether real or perceived, these obstacles have solidified the conventional wisdom that PRIs are too complicated for all but the most well-resourced foundations.

RESEARCH OBJECTIVES AND DESIGN

Past writing on cultural and resource barriers focuses primarily on why foundations do not adopt PRIs. Yet this focus on obstacles to entry has left a gap in our understanding of what happens once foundations move forward. The analysis that follows therefore considers not only the challenges that deter initial engagement with PRIs, but also the practical dynamics of implementation once the decision to engage with PRIs has been made.

We conducted semistructured interviews with representatives of 36 U.S.-based foundations that are professionally staffed and began making PRIs between 2016 and 2023. We identified these recent adopters through analysis of 990-PF tax filings compiled by Candid, focusing on foundations with no recorded PRI activity before 2016 but that later integrated PRIs into their philanthropic toolkit. This approach ensures our findings reflect current practices while capturing insights from those with direct, recent experience of the transition. The methodological appendix provides detailed information about our sample, data collection procedures, and analytical approach.

Readers familiar with foundation investing may wonder why this study focuses exclusively on PRIs rather than also addressing mission-related investments (MRIs), whereby endowment funds are deployed to advance mission while targeting market-rate returns. We have deliberately limited this study to PRIs for two reasons. First, foundations must disclose PRI activity on annual 990-PF tax filings, creating a public record that enabled us to identify recent adopters. MRI activity is undisclosed, preventing comparable

sample construction. Second, PRIs are easier to define and examine consistently. We lack a firm consensus on what constitutes an MRI, and some foundations may apply the label to relatively conventional practices (e.g., investing in funds with basic environmental screens or excluding sectors such as weapons manufacturing). In contrast, PRIs must meet a legal standard; they are publicly reported, must materially advance a charitable purpose, and involve potential IRS scrutiny, making them less ambiguous than MRIs.

> *When foundation professionals view PRIs as fundamentally incompatible with their identity and way of doing things, the resistance becomes as much psychological as practical.*

Are PRIs Hard? A Deep Dive on Difficulty

We entered our research accepting the conventional wisdom that program-related investing is counterintuitive, burdensome, and expensive. From this starting point, we set out to understand how recent adopters manage and navigate this difficulty. Yet the interviews quickly revealed that we needed to rethink our assumptions.

MIXED VIEWS ON THE DIFFICULTY OF PRIS

Despite the conventional wisdom about PRI difficulty, interviewees were split roughly halfway between those reporting that PRIs are indeed difficult and those reporting they are generally not. Even within these camps, experiences varied considerably.

Among those stating that PRIs are difficult, statements ranged from “it was agonizing; it was awful” to “PRIs are labors of love.” One interviewee offered a balanced assessment: “PRIs are tough. They’re difficult from a governance perspective, legal perspective, and contracting perspective — at least harder than a conventional grant.” Perspectives diverged on what that difficulty meant. Some viewed challenges as productive growing pains: “The finance team didn’t fully appreciate how lengthy and tedious this work can be. They’ve come around over time, but not without pain points.” Others reached the opposite conclusion, with one stating bluntly that “the investment is a real chore to manage, and it’s not worth it.”

Those who did not find PRIs difficult were similarly varied in their views. Some stated that PRIs are “very straightforward,” “not terribly complex,” “really easy to do,” or “not a heavy lift at all.” Some pushed back against the conventional wisdom entirely, arguing that PRIs are “not any more complicated than doing a grant” or even “easier than lining up a new grantee partner.” The most nuanced perspective came from an interviewee who challenged the premise of comparing PRIs to grants: “It depends on the grant. Some grants are very easy, while others can take nine months of back-and-forth.” This observation underscores a critical point: Both grants and PRIs exist on spectrums of complexity, making blanket comparisons misleading.

WHAT MAKES PRIS MORE OR LESS DIFFICULT

The divergence in interviewee accounts prompted us to think of difficulty not as a fixed feature of PRIs but as a variable shaped by circumstances and conditions. Instead of asking "How do foundations navigate the difficulty of PRIs?" we first needed to ask "What makes PRIs more or less difficult?" Across the interviews, three factors emerged that largely explain why foundation professionals have such varied experiences.

Complexity refers to the inherent characteristics of PRIs. Some PRIs are straightforward while others involve multiple moving parts.

Capacity refers to the expertise and resources needed to execute PRIs. The availability and location of know-how shape the difficulty of the process.

Congruity refers to how well the foundation's culture, decision structures, and cross-functional alignment enable seamless goal setting and action.

Figure 3 · Three Factors Shaping Foundation PRI Experience

These three factors are not unique to PRIs; they influence foundation experiences across many activities. However, PRIs offer a particularly instructive context for understanding how these factors operate and interact. Because PRIs require foundations to bridge traditionally separate functions (program and finance), navigate potentially unfamiliar regulatory terrain, and coordinate diverse internal and external resources, they bring these dynamics into particularly sharp relief. In the sections that follow, we explore each factor in depth.

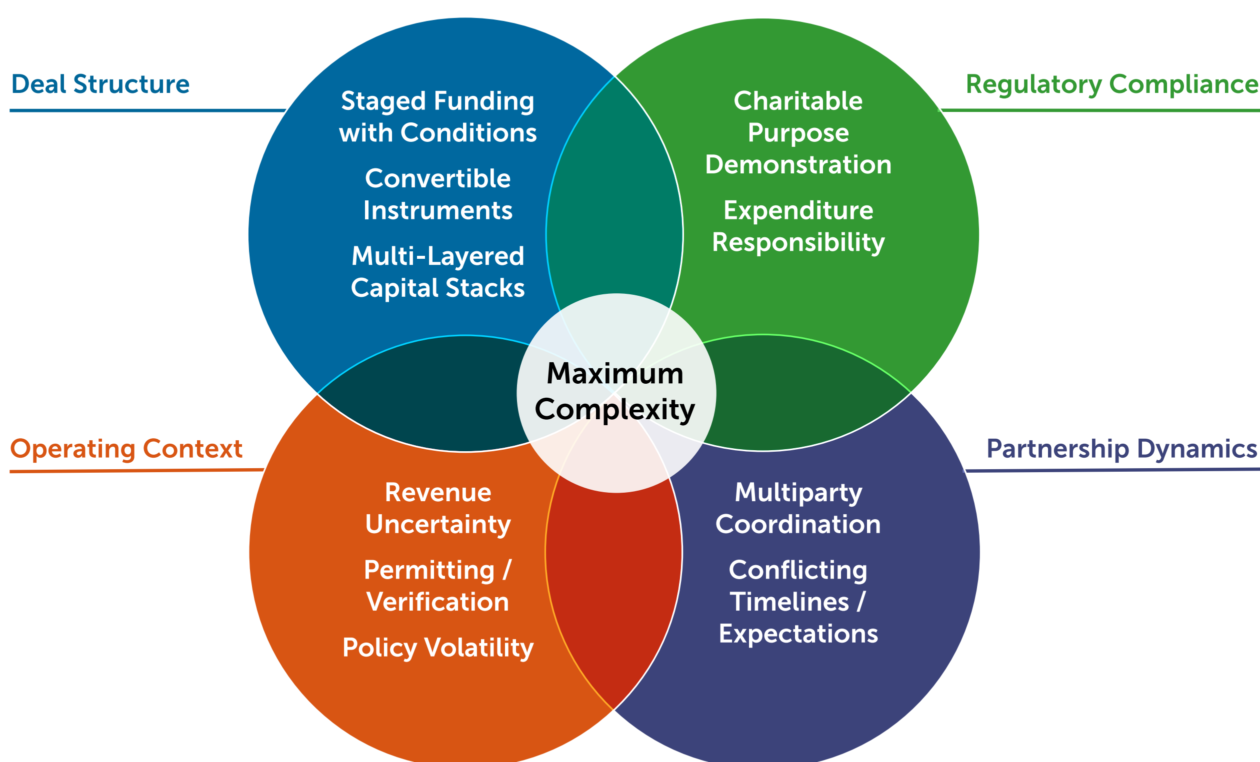
Both grants and PRIs exist on spectrums of complexity, making blanket comparisons misleading.

Complexity: PRI Terms, Context, and Stakeholders

Complexity refers to investment factors that necessitate time, coordination, and specialized judgment. Our analysis identified four distinct dimensions that drive complexity: deal structure, regulatory compliance, operating context, and partnership dynamics. While each can create challenges independently, complexity spikes when multiple dimensions intersect.

The goal is not to avoid complexity altogether but to recognize its sources, prepare for its demands, and make intentional choices about when potential impact justifies additional effort. As explored later in this paper, objectives such as reaching underserved populations or catalyzing market-based solutions often require accepting greater complexity. However, complexity can also be gratuitous, added without clear strategic rationale.

Figure 4 · Drivers of PRI Complexity



DEAL STRUCTURE

The first dimension concerns how straightforward or convoluted a PRI's financial terms are. At its simplest, a PRI might be a standard-term loan to an established nonprofit: A foundation lends $500,000 at 2% interest, the investee makes quarterly payments over five years, and everyone knows what to expect. But foundations sometimes move beyond these basic structures.

Consider staged funding tied to milestones, where a foundation releases money in tranches: $100,000 when a social enterprise secures operating licenses, another $200,000 when it reaches 100 paying clients, and the final $200,000 at break-even operations. Each disbursement requires verification, documentation, and approval, turning one transaction into multiple decision points.

Convertible instruments present another example. A foundation might lend $250,000 with the option to convert debt into an ownership stake if specific impact thresholds are met. Now the investor must understand not just lending but also equity valuation, ownership structures, and exit strategies.

Subordinated positions in complex capital stacks pose another challenge. When a foundation's PRI sits behind a bank loan in repayment priority, the foundation may need to negotiate intercreditor agreements and understand waterfall provisions dictating who gets paid in what order.

One interviewee discovered these dynamics firsthand: "I think we made the deal more complicated than we needed to. The prospect of generating a return triggered a higher level of scrutiny and caution internally, so we had all these conditions on the deal. We're going to advance payments only if they showed that the funds were getting used. They had to show they'd used the first tranche of money before we would advance the second." What might have been a simple loan became a multistage process requiring expenditure documentation, review processes, and approval cycles at each funding gate.

> *"I think we made the deal more complicated than we needed to. The prospect of generating a return triggered a higher level of scrutiny and caution internally, so we had all these conditions on the deal."*
>
> **STUDY INTERVIEWEE**

REGULATORY COMPLIANCE

Every PRI should pass the IRS's "primary purpose test," showing that the foundation's primary rationale is to further a charitable purpose and that income production or property appreciation is not a significant objective. This requirement can be simple when funding a homeless shelter, but it can be more complicated with social enterprises that emphasize financial objectives alongside social goals.

One foundation has developed a systematic approach emphasizing alignment with investees on charitable purpose requirements: "First, we ask the investee to provide a letter from their attorneys documenting why their activity counts as a charitable purpose. We then put together a memo for our files, which is our analysis of their letter — our record of why we endorse their viewpoint and why we think this counts as charitable purpose. Then we structure guardrails into the PRI agreement to maintain that charitable purpose."

This approach uses the investee's articulation not as a substitute for the foundation's own analysis but rather as a starting point for dialogue that informs how the investment is structured. Guardrails may include restrictions on fund use or provisions preventing mission drift. For instance, a PRI to a workforce development organization might include covenants requiring that at least 75% of trainees come from low-income communities. While the IRS does not require regular recertification of charitable purpose, contractual provisions like these help keep the investment aligned with its original intent and can protect the foundation if questions arise later.

The compliance burden intensifies when foundations take on expenditure responsibility, which applies when making PRIs to organizations other than public charities, including for-profit companies, international organizations, and even certain U.S. nonprofits that do not qualify as public charities. Expenditure responsibility requires more thorough due diligence, written agreements about fund use, separate accounting, spending reports, and reporting on the foundation's annual tax return. One

interviewee explained that they “try to avoid expenditure responsibility because it requires extra time and money for due diligence.”

Foundation professionals may understandably adopt a conservative posture toward compliance risk given unclear legal guidance. At the same time, publicly reported enforcement data suggest limited examination coverage: The IRS’s FY2024 Data Book reports 72 examinations in the return category including Form 990-PF.[xix] If we assume that all 72 examinations apply to Form 990-PF (which is almost certainly a substantial overestimate), the IRS reviewed less than 0.07% of U.S. private foundations.[3] Nevertheless, prudent practice demands compliance to avoid potential legal consequences and protect institutional reputation. Even if regulatory enforcement is low, foundations should maintain defensible positions on charitable purpose and proper structuring.

OPERATING CONTEXT

The third dimension of complexity relates to external factors: What sectoral or market conditions add requirements outside the foundation’s direct control? A fundamental consideration is whether the sector supports revenue-generating activities, as PRIs typically require recipients to have earned revenue sources to support repayment (e.g., rental income, service fees, or product sales). Beyond revenue potential, each field has its own regulatory requirements, market dynamics, and technical standards.

One interviewee’s experience with a carbon-focused PRI exemplifies operating context challenges. Repayment depended on monetizing carbon credits from preserved forestland, a process involving scientific measurement, third-party verification, registration with carbon credit platforms, and finding buyers in emerging markets. “The carbon project has not fully come to fruition because carbon projects are surprisingly complicated,” the interviewee explained. “It takes a lot of time and expense to research and verify the carbon on the property and make the case for how much there is and the quality of it.” With the loan approaching maturity, the foundation has begun discussing a potential extension, which is likely to add complexity through document amendments and board reapproval.

Affordable housing can present similarly formidable requirements: local zoning approvals, environmental reviews, construction permits, prevailing wage laws, and affordability covenants. A foundation making a direct construction loan is not just underwriting developer capacity; it is betting on political processes, regulatory approvals, and community dynamics.

As a final example, international development investments can add risk from currency fluctuations, shifting regulations, and political uncertainty. Cross-border PRIs may require foreign legal counsel, registration with government agencies in recipient countries, and compliance with both U.S. Treasury regulations and local tax treaties.

PARTNERSHIP DYNAMICS

PRIs often include co-investors with their own requirements — senior lenders whose approval might be needed, government funders with compliance requirements, or intermediaries managing relationships between parties. One foundation representative noted that “if you have to negotiate with multiple foundations or banks, it makes it harder.” Each party can bring another risk framework, approval process, and set of lawyers.

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[3] This figure is based on an estimate of 110,000 private foundations (see methodological appendix).

Consider a multiparty scenario: A community development project might involve a bank holding the senior loan (requiring intercreditor agreements), two co-investing foundations (each with different impact metrics and reporting preferences), and a government agency providing tax credits (requiring federal compliance). Harmonizing these requirements can demand significant coordination and documentation. Timelines can compound the challenge; a bank committee may meet monthly, a foundation board quarterly, and a government agency on a fiscal year schedule.

> *Complexity from partnership dynamics is not simply a function of how many parties are involved. What matters is the nature of these relationships.*

Complexity from partnership dynamics is not simply a function of how many parties are involved. What matters is the nature of these relationships. As shown later in this paper, co-investors can actually reduce complexity when they share due diligence burdens, contribute complementary expertise, or lead on documentation. Whether co-investors simplify or complicate a transaction ultimately depends on what each party brings to the table. This consideration raises a broader question about where the tools and knowledge needed for PRI execution reside. The next section explores this question in depth.

Capacity: Resources Needed for PRI Execution

Successful PRI-making requires capabilities spanning multiple domains: financial analysis to structure terms and assess viability, legal expertise for regulatory compliance and agreement drafting, administrative systems to track repayments and monitor covenants, and programmatic judgment to ensure investments align with charitable purposes. Capacity refers to the resources foundations need to carry out these functions. A foundation with deep financial expertise, established legal relationships, and robust administrative systems can navigate even complex multiparty transactions with relative facility. Conversely, a team lacking these resources might struggle with even a straightforward loan.

Because of these capacity requirements, PRIs are often associated with larger foundations that employ specialized impact investing staff. However, many of the recent adopters of PRIs interviewed for this paper have relatively lean internal operations, demonstrating that foundations need not possess all PRI capabilities in-house. As displayed in Table 1, capacity resides in multiple locations. Each offers distinct trade-offs in control, cost, learning, and administrative footprint. Foundation teams need to decide what combination of these capacity sources best serves their needs, recognizing that this mixture can evolve over time with changes in the volume, complexity, and strategic centrality of the foundation’s PRIs.

Table 1 · Sources of Capacity

Source	Description	Examples
Peer networks	Provide low- or no-cost knowledge, templates, and candid lessons	Informal relationships with peers at other foundations, membership associations, funder affinity groups
Intermediaries	Offer comprehensive turnkey solutions; handle sourcing, underwriting, closing, and servicing; dramatically reduce administrative burden	Community Development Financial Institutions (CDFIs), impact investing funds, housing investment funds
External advisers	Provide targeted expertise without the overhead of full-time staff; serve educational and transactional functions	Consulting firms, specialized attorneys, financial analysts, evaluation experts
Internal staff	Provide greater control and deeper learning; require sufficient deal volume to justify dedicated resources	Program officers with PRI responsibilities, dedicated PRI manager/director, finance staff tasked with PRI structuring and portfolio monitoring, cross-functional PRI working group
Investees	Often overlooked dimension; organizations unable to access traditional capital may lack sophisticated financial systems and require additional support	Early-stage social enterprises, grassroots nonprofits, community organizations taking on development projects
Co-investors	Serve as force multipliers; foundations can share due diligence costs, divide monitoring responsibilities, and leverage complementary expertise	Other foundations (particularly more experienced ones); funders with complementary strengths in legal, financial, or programmatic areas

TAPPING PEER NETWORKS

The lightest-touch source of capacity for PRIs is peer networks, both informal relationships with other funders and formal membership associations. Groups such as Mission Investors Exchange and regional or issue-focused affinity groups convene practitioners facing similar questions. Through conferences, webinars, resource libraries, and informal conversations, these networks create low- or no-cost opportunities to learn how others have structured deals, navigated board concerns, and handled regulatory questions.

Interviewees described other foundations as “incredibly generous” with documentation and candid stories, with one estimating that peers “saved us a year’s worth of work” by sharing templates and lessons learned. Several emphasized that informal conversations felt as valuable as paid consulting.

Peer networks have clear limits. They do not replace formal legal opinions, financial analysis, or dedicated execution capacity, and they cannot assume responsibility for specific transactions. Their role is to help foundation professionals ask better questions, scope what they might need from formal partners, and normalize the idea that PRIs are manageable.

INVESTING THROUGH INTERMEDIARIES

Intermediaries function as capital deployers and managers, originating, underwriting, closing, and servicing investments within established systems, and in many cases holding or sharing credit and compliance risk. Operating through licensed or regulated structures, they bring investment committees, audited processes, and portfolio-level reporting. One common type of intermediary is the Community Development Financial Institution (CDFI), a mission-driven lender that provides credit and financial services to underserved markets. As one interviewee said about the CDFI through which their foundation invests, “they handle pretty much everything — sourcing, financial analysis, diligence, tracking, repayment.”

> *One interviewee acknowledged that "there’s no administrative burden” with their investment fund: "They’re great to work with for someone with my social worker background who’s a generalist."*

This comprehensiveness dramatically reduces administrative burden and internal expertise requirements, a benefit that is often especially attractive to foundations with fewer resources. One interviewee from a small family foundation acknowledged that “there’s no administrative burden” with their investment fund: “They’re great to work with for someone with my social worker background who’s a generalist.”

Many intermediaries also offer established track records and professional management services that mitigate operational and financial risks. One interviewee pointed out that the established housing funds in which their foundation invests carry ratings and operate with conservative underwriting standards.

The turnkey solutions intermediaries provide make them a recognized “on-ramp” to PRI-making, as one interviewee put it. Another reflected that “working with a CDFI felt like an easy way to dip our toe in the water and see how it goes.” Available online are various directories of intermediaries, such as Opportunity Finance Network, the ImpactAssets 50 database, and ImpactAlpha’s “Liist.”

ENGAGING EXTERNAL ADVISERS

Compared to intermediaries, external advisers provide more targeted support in the form of professional advice and guidance. For foundations beginning their PRI journey, consultants often provide education and strategic guidance without full-time staffing overhead. One interviewee explained that their foundation engaged a consulting firm to “get a crash course in impact investing” before developing strategy. Another said their consultant “helped chart out the parties involved in different stages of the investment cycle to really operationalize impact investing as an integrated part of our work.”

Even experienced PRI-makers maintain relationships with external advisers, recognizing that specialized knowledge is sometimes most efficiently accessed as needed, rather than maintained in-house. As one foundation professional explained, "I now have my financial analysis person I can call when these deals come up, and my attorneys I can call at different points." Another continues working with a consultant who shaped their early PRI strategy: "When we identify something where PRIs make sense, we'll call that consultant back to help us." This network of trusted advisers becomes part of the foundation's extended capacity, available without fixed staffing costs.

BUILDING INTERNAL CAPACITY

The decision to build internal PRI capacity typically emerges from two drivers: increasing deal complexity and growing centrality of PRIs to foundation mission. One interviewee reported that PRIs often benefit from "someone who does this and thinks about [PRIs] all the time." Another observed that "at a certain point, there's not much difference between staffing it yourself or hiring others. You're putting similar resources behind it." In short, when the cost and coordination of external resources approach that of dedicated staff, bringing capabilities in-house begins to make sense.

Internal capacity can also offer greater control and learning, especially when foundations shift toward direct investments more tightly aligned with programmatic goals. One interviewee explained that "our focus on how closely the PRIs should align with our charitable mission is why we've chosen the direct investment route." Another valued the proximity of direct lending, noting the difference between working through an intermediary and "doing a loan to an organization we're in the trenches with."

> *"It was difficult because we'd never done it before, not because it was inherently hard."*
>
> **STUDY INTERVIEWEE**

Building internal capacity can happen through training existing staff, hiring new staff, or both. Training leverages institutional knowledge but requires investment in skill development. One team discovered that the learning curve can be steep but manageable: "The hardest part was figuring out what we needed to do differently when analyzing a loan versus a grant. We're not loan officers and don't have that experience, so we had to build processes for risk analysis. It was difficult because we'd never done it before, not because it was inherently hard." Another emphasized that finance teams may also need to adapt: "My CFO needs to be able to understand more complex financial analysis than what we're used to in the context of a grant. It's about making sure they have the financial skills to take on that work and grow it over time."

ACCOUNTING FOR INVESTEE CAPABILITIES

An often-overlooked source of capacity is investees themselves. PRIs often are made to organizations that cannot access traditional capital, such as early-stage social enterprises, grassroots nonprofits expanding into earned revenue, or community organizations taking on development projects for the first time. These organizations may lack sophisticated financial systems, experience with repayment obligations, or investor relations staff. "If you're doing PRIs well, you're likely working with organizations that couldn't get capital from mainstream sources," explained one interviewee. "They may be more nascent, so you have to meet them where they are, which takes time."

Accommodation can take many forms: simplifying documentation, providing technical assistance alongside capital, starting with a grant to build investment readiness, or accepting less formal reporting than commercial lenders require. Some foundations address investee constraints by working through intermediaries who provide wraparound support.

To be clear, investees also bring distinctive strengths, not just limitations. Investees' domain expertise, community connections, and commitment to mission make them critical partners. Indeed, many of our interviewees reported that the PRIs they made were initiated and even structured by investees who approached the foundation for support. As one stated, "The entrepreneur has decided that a PRI is the right strategy, and they're asking us to step up."

LEVERAGING CO-INVESTMENT PARTNERSHIPS

Co-investors can augment foundation capacity by taking on due diligence costs, dividing monitoring responsibilities, and sharing expertise. One interviewee built their entire PRI strategy on this principle, following larger foundations who handle deal structuring and documentation. Their lawyers review what others have negotiated, allowing the foundation team to observe how experienced PRI-makers structure terms and manage relationships without bearing the full burden of this work.

As mentioned in the section on complexity, co-investment can introduce coordination challenges. However, benefits can outweigh costs when foundations establish clear roles playing to each partner's strengths. One might lead on legal documentation, another on financial analysis, and a third on programmatic expertise. Partnerships like these work best, however, when a foundation's internal elements are aligned to support them. The following section on congruity explores how this internal alignment shapes the PRI experience.

Congruity: Aligning Process, Structure, and Culture

When something is congruous, it conforms to the circumstances or requirements of a situation. In the context of PRIs, congruity refers to how well a foundation's internal elements align to enable effective action. High congruity manifests as streamlined and aligned processes — what one interviewee called a "no mess, no fuss" approach. Low congruity shows up as conflicting priorities and organizational friction — what one interviewee described as "getting in your own way."

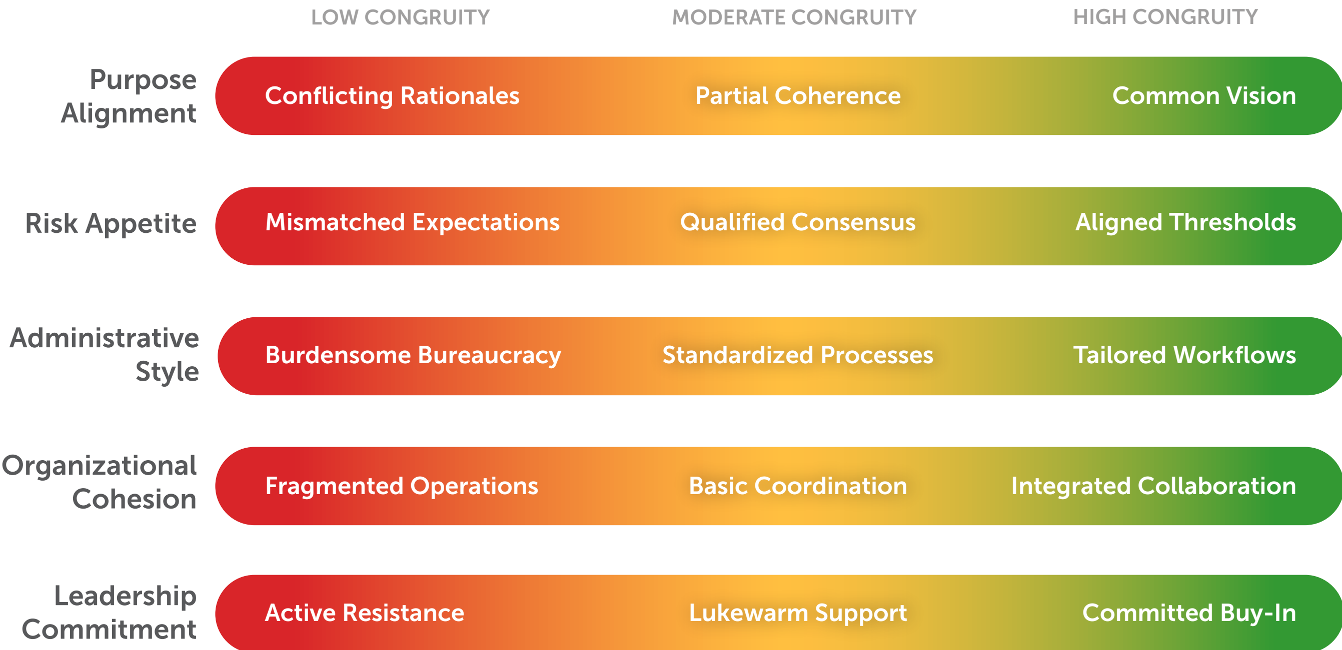
Smaller foundations may find congruity easier to achieve due to fewer organizational layers. As one executive director pointed out, "We don't have a lot of internal reviews because we're so small. If we're going to review something, I'll pull our board chair, me, the controller, and the grants manager for one meeting, half an hour, to talk about issues." Yet smallness alone does not guarantee congruity; even small foundations can experience misalignment when different parts operate from conflicting assumptions about risk, process, or purpose.

> *Low congruity shows up as conflicting priorities and organizational friction—what one interviewee described as "getting in your own way."*

Congruity does not necessarily mean moving quickly. High-stakes PRIs may genuinely require careful documentation and methodical decision-making, while straightforward loans to trusted partners may warrant simpler agreements. Foundations with high congruity recognize these distinctions, rightsizing processes to match actual needs.

Congruity manifests across multiple organizational dimensions. In Figure 5, we review five dimensions that repeatedly shaped whether PRIs felt manageable or overwhelming: purpose alignment, risk appetite, administrative style, organizational cohesion, and leadership commitment.

Figure 5 · Five Dimensions of Congruity



PURPOSE ALIGNMENT

Shared understanding of why a foundation is pursuing PRIs is the most fundamental element of congruity. Without purpose alignment, disagreements about risk tolerance, documentation requirements, and success metrics are likely to recur because they often stem from unresolved differences about what PRIs are meant to accomplish.

Some foundation professionals are drawn to PRIs because impact investing seems innovative or because peers are doing it. That initial curiosity can be a legitimate spark, but it is typically not adequate to sustain a PRI program. Without a clearer rationale, early enthusiasm can fade when transactions prove time-consuming or when boards begin asking hard questions. One interviewee observed this pattern across the sector: "I think there is a mindset among some foundations that PRIs are the thing to do because it's popular or trendy. I used to organize groups of grantmakers, and PRIs were always on the agenda. The discussion was always how to do it, but I didn't hear a lot about why to do it."

Purpose alignment means connecting PRIs to specific benefits that matter to the foundation's mission while also honestly weighing opportunity costs. As one interviewee put it, "It comes down to this: What am I going to give up to do this, and is it really worth it to have a PRI program when we're doing great at grantmaking?" Clarity about purpose helps foundation teams answer that question and stay the course if certain PRIs end up being demanding.

Foundations that skip the "why" conversation may find that bigger strategic questions surface mid-transaction, slowing execution and creating friction. One interviewee described this dynamic: "We realized we were getting the cart before the horse with a one-off deal. We needed to think about what we're trying to achieve with a PRI program so that we're not having bigger strategic conversations while trying to pull off a small deal."

This same interviewee advised composing an investment policy statement as a practical tool for codifying purpose: "Do an investment policy statement that defines your space and goals. Otherwise, you'll walk into bigger issues." With purpose documented, subsequent decisions have a reference point, reducing the need to relitigate basic questions with each new opportunity.

RISK APPETITE

Even though PRIs were created by statute to permit riskier investments in service of charitable purposes (an exception to the prudent investment rules that otherwise govern foundation endowments), our interviews revealed that foundation leaders are often tempted to apply commercial investment standards to PRIs. One interviewee described how mentioning repayment terms "triggered the board's 'business brain,'" leading them to become excessively preoccupied with interest rates and due diligence. The irony, they noted, was that "if we don't get the money back, we're still within our grantmaking range."

Another foundation encountered similar dynamics when their board learned that a PRI carried an expectation of return. The board "felt that to exercise their fiduciary responsibility, they needed to more carefully scrutinize whether it was a good investment. It caused a heightened sense of awareness that resulted in us building in additional checks."

Some foundations take a more pragmatic approach. One investment director articulated their approach to compliance risk as follows: "We need to understand the real practical risk and take reasonable steps to mitigate it, but we don't need to eliminate it entirely, especially at the expense of the deal. We focus on putting concrete language in agreements that gives us something to point to if needed."

ADMINISTRATIVE STYLE

Administrative style can either support congruity or create friction through requirements that exceed regulatory needs and practical necessity. Documentation was a common example in our interviews. Multiple interviewees reported negotiating lengthy loan agreements filled with commercial terms they would never enforce. One interviewee questioned this tendency directly: "We find ourselves negotiating 70-page loan agreements with all these protections, but [our foundation] will never go after collateral or pursue an investee if they can't repay. If that happens, the PRI gets written off as a grant." Another echoed this frustration: "We've been part of deals under a million and a half where the document was 40 to 50 pages thick. These are mostly uncollateralized. Why do we need all this legalese to protect ourselves against something we routinely might do in our grant budget?" Some foundations have deliberately simplified their documentation, with one interviewee reporting that they developed a three-page loan agreement to replace the 50-page template previously in use.

> *"… Why do we need all this legalese to protect ourselves against something we routinely might do in our grant budget?"*

Meeting structures and approval processes can generate similar drag. One interviewee described how quarterly meeting cycles repeatedly reset progress: "Every time you circulate a contract document, you almost have to restart the conversation from square one. We meet quarterly, so even with engaged trustees, there's a loss of knowledge between meetings. You have to repeat yourself, and if someone finds a sentence they don't like and I can't get it resolved by email, we'll have to wait another few months."

Excessive reporting requirements can also burden both foundations and investees without adding value. One respondent observed that investees "spend a lot of money and time making sure the optics look great for investors, which is a waste of time. I'm not sure how many investors actually read these reports or look at the financial covenants."

ORGANIZATIONAL COHESION

Organizational cohesion reflects how well different parts of the organization work together toward shared goals. This is the relational dimension of congruity.

Board alignment is a fundamental aspect of organizational cohesion. When board members share a common vision for PRIs, decisions tend to flow more smoothly. When they do not, even simple transactions become complicated. One interviewee described persistent wavering: "The biggest challenge is getting our board to agree on what they want to make loans to. They keep waffling. First it's 'we want no restrictions,' then it's 'that's unrealistic since we have expertise in these four areas,' then at the next meeting, 'no, we don't like that.'"

The relationship between program and finance teams is equally critical. As discussed earlier in this paper, program–finance separation can limit awareness and willingness to explore PRIs; at the implementation stage, the same separation can lead to misaligned expectations, incentives, and handoffs that slow or stall execution. One interviewee observed that their foundation is "structured to think about the investment piece and the grantmaking piece separately. We're not really structured to think about the in-between."

Misaligned incentives often underlie these tensions. If investment staff are rewarded solely on traditional portfolio performance, supporting investments that subordinate financial return to charitable purpose can appear to conflict with how they are evaluated. One solution is explicitly including PRIs in staff goals, performance reviews, and compensation, positioning PRIs as a central priority rather than a distraction.

Some foundations have developed deliberate strategies to build cohesion. One formed a PRI committee with program officers and investment managers to "break down silos." Another established "cross-functional task forces for significant initiatives" to cultivate the mindset "that everyone is responsible for advancing the mission, rather than the mindset that only the program team holds the mission while everyone else does administrative work." Other foundations make smaller-scale adjustments to foster cohesion, as one interviewee explained: "Early days we were much more siloed, but today we operate as one foundation and try to bridge across departments whenever possible. That includes small things like [our CFO] and I having quarterly lunches and talking through ways to work more collaboratively."

LEADERSHIP COMMITMENT

The value of leadership commitment surfaced repeatedly in interviews. One interviewee described how their "foundation president was really committed once she saw how [PRIs] could work. She said to build a program, earmark specific money, and get board approval, which we did." This clarity enabled staff to move forward confidently.

Board champions can be especially valuable. As one interviewee emphasized, "Having a board champion in partnership with the executive is important. The executive has to be a champion because they're executing the work programmatically, but having a board champion is crucial." This dual championship helps ensure alignment across governance and operations.

When leaders champion PRIs from the outset, they can shape processes and culture to support rather than hinder execution.

Some foundations benefit from structural factors enabling leadership alignment. One interviewee explained that their foundation's founders "set us up autonomously. We don't have to report to them. We can do anything we want." This independence eliminates potential sources of misalignment.

The timing of buy-in matters considerably. An experienced practitioner observed that obtaining board buy-in "sooner is better," reflecting how delayed or partial alignment can compound challenges over time. When leaders champion PRIs from the outset, they can shape processes and culture to support rather than hinder execution.

Practical Takeaways for PRI Implementation

The preceding analysis demonstrates why foundation professionals experience PRI implementation so differently. Complexity, capacity, and congruity interact across distinct organizational contexts, leading to different types and levels of difficulty. Understanding this framework shifts the question from "How do we overcome the difficulty of PRIs?" to "What choices will shape how difficult PRIs are for us?" This section distills the insights shared above into practical takeaways for foundation teams considering PRIs.

START WITH CONGRUITY

Before considering the technical aspects of PRI execution, foundation teams should assess whether they have the internal alignment necessary to pursue PRIs effectively. Congruity sets the stage for everything else. A foundation can access abundant external capacity or choose simple deal structures yet still struggle if its board wavers on vision, its program and finance teams operate at cross-purposes, or its approval processes impose unnecessary friction. Foundation teams should assess their readiness across the five dimensions of congruity identified in our research:

Purpose Alignment. Why should the foundation pursue PRIs rather than deploy grants exclusively? As discussed earlier, PRIs can recycle and grow philanthropic capital, enhance investee performance and commercial sustainability, attract other funders, or drive innovation. Without shared understanding of the "why," subsequent decisions are more likely to become contentious.

Risk Appetite. What is the foundation team's tolerance for both financial and regulatory risk? Some foundations accept high default rates for high-impact opportunities but insist on legal opinion letters for every PRI. Others are comfortable with internal compliance assessment but want near-zero financial losses. Foundation teams should document both dimensions explicitly.

Administrative Style. Does the foundation default to simple or complex processes? If a typical grant requires multiple committees and extensive documentation, staff should expect similar or greater complexity with PRIs unless they deliberately simplify. This self-awareness helps foundation teams choose the right entry strategy.

Organizational Cohesion. Who will manage the PRI process, and how will they coordinate with others? Foundation teams do not need an elaborate organizational chart, but everyone should know their roles. This is particularly important if program and finance teams are expected to collaborate on PRI development and execution.

Leadership Commitment. Do the board and executive leadership explicitly support exploring PRIs for the identified goals? Foundation teams should test leadership's support with specific scenarios — for example, "We're considering a $200,000 uncollateralized loan that might not be repaid. Are we comfortable with that risk?" Lukewarm support is unlikely to sustain the team through challenges.

LEAN TOWARD EXTERNAL CAPACITY INITIALLY

Once a foundation has established internal alignment, the question shifts to execution. We found that leaning on external capacity initially is the most prudent option for most foundations. That support often starts with peer networks — conversations with colleagues who have launched PRI efforts, participation in membership groups, and attendance at convenings. These interactions help teams form a realistic picture of the work involved, surface concrete examples, and clarify what additional help they may need.

From that base, intermediaries and advisers can shoulder technical and administrative burdens while the foundation tests whether PRIs fit its goals and culture. Over time, some foundations may build more internal capacity as PRIs become more central. A smaller set — those with program staff already comfortable with financial instruments, or investment teams explicitly charged with mission-aligned investing — may reasonably move more quickly to an internal model. The key is matching the starting point to existing strengths, with a presumption favoring external support unless there is a clear case otherwise.

Decisions about internalizing capacity should be driven by strategy: whether deal volume justifies dedicated resources, whether direct control over structuring matters to program goals, whether the cost and coordination of external resources approach internal staffing costs, and whether the foundation has learned enough from delegated approaches to take on more responsibility. Many foundations maintain delegated models indefinitely, and this approach can be entirely appropriate when deal volume is modest or when efficiency matters more than direct control. Simply because a foundation has made PRIs for some time does not establish an imperative to internalize capacity.

For foundations that do build capacity internally, the work extends beyond hiring. It requires developing systems — standardized templates, documented workflows, clear guidelines for troubled loans — and knowledge management practices that capture deal rationales and lessons learned. Without this infrastructure, foundations risk losing institutional memory with staff transitions. Even foundations with internal capacity often maintain hybrid approaches, developing core capabilities in-house while engaging external capacity for complex transactions or unfamiliar sectors.

RIGHTSIZE COMPLEXITY

External capacity provides the primary means of managing complexity for recent adopters. As they gain experience, some teams may decide to make direct investments, an approach offering more control and learning but requiring explicit decisions about acceptable complexity.

Foundations new to direct PRIs should start with straightforward structures: standard-term loans to established nonprofits with simple repayment schedules, minimal covenants, and basic reporting. Several interviewees noted that first investments often go more smoothly when made to former grantees, since the relationship, context, and expectations are already in place. These early transactions provide valuable learning about what PRI work entails in the foundation's specific context without overwhelming teams.

The most effective PRIs often occur precisely where uncertain returns, long time horizons, complicated environments, nascent markets, and other sources of complexity keep traditional capital away.

After gaining experience, foundation teams should evaluate whether additional complexity might be warranted by impact potential. This evaluation should be honest about organizational capacity, realistic about required expertise, and clear-eyed about whether programmatic strategy genuinely requires complex approaches or whether simpler alternatives might achieve similar outcomes.

Some opportunities truly require greater complexity, which typically means greater difficulty if an intermediary is not managing the investment. For example, foundations seeking to catalyze market-based solutions in developing regions may need first-loss positions to attract commercial investors. As detailed previously, these arrangements can involve elaborate legal documentation, ongoing coordination with multiple partners, and nuanced risk allocation. The most effective PRIs often occur precisely where uncertain returns, long time horizons, complicated environments, nascent markets, and other sources of complexity keep traditional capital away. Foundation professionals seeking that transformational impact should approach complexity deliberately, matching it to capacity, congruity, and strategic priorities.

Figure 6 · Three Steps for Successful PRI Implementation

Conclusion: Closing the Gap Between Promise and Practice

Our research with foundations that recently navigated the adoption of PRIs reveals that successful implementation depends on three factors that foundations can deliberately manage: the complexity they choose to take on, the capacity they access to execute transactions, and the congruity of their internal processes and culture. While conventional wisdom holds that PRIs are complex instruments requiring sophisticated expertise, extensive documentation, and organizational restructuring, the reality is far more nuanced and, for many foundations, far more accessible.

Perhaps the most encouraging insight is that successful PRI implementation does not require mastering complexity up front. Foundation teams that find PRIs manageable have not discovered secret knowledge or developed superior capabilities. Instead, they have matched their approach to existing strengths, chosen entry points aligned with their capacity, and avoided unnecessary complexity.

The diversity of approaches we encountered underscores that no single path is universally correct. Each foundation brings different organizational context, programmatic priorities, staff capabilities, and board culture. Rather than providing a prescriptive road map, the framework of complexity, capacity, and congruity offers a structure for improving our understanding of the differences in approaches to successful PRI implementation.

Moreover, early experiences with PRI-making are inherently exploratory. While the upfront alignment we emphasize is critical for avoiding predictable pitfalls, the most valuable learning emerges through practice. Foundation teams discover their true risk appetite by evaluating specific opportunities, understand capacity gaps by attempting transactions, and refine processes by experiencing friction points and adjusting accordingly. What unites successful adopters is not the specific path they followed but rather their willingness to start somewhere, learn from experience, and adapt.

> *Foundation teams discover their true risk appetite by evaluating specific opportunities, understand capacity gaps by attempting transactions, and refine processes by experiencing friction points and adjusting accordingly.*

The persistent gap between PRI promise and practice need not continue indefinitely. As more foundations share their experiences, the collective knowledge base grows richer. By demystifying program-related investing while respecting its genuine challenges, we hope this paper contributes to more foundations experimenting with PRIs.

Methodological Appendix

This research draws on interviews with foundation professionals who have direct, recent experience implementing PRIs. We focused on foundations that initiated PRI programs recently for two reasons. First, professionals that have fresh experience with the transition process could provide firsthand accounts with detailed insights about organizational dynamics and practical challenges, rather than reconstructed narratives that might miss critical details. Second, recent adopters ensure our findings reflect the current philanthropic landscape, including contemporary regulatory interpretations, market conditions, and field-level resources.

SAMPLE IDENTIFICATION AND SELECTION

We identified potential participants through systematic analysis of private foundation tax filings. Our initial dataset, provided by the nonprofit data provider Candid, drew from Form 990-PF filings that foundations submit annually to the IRS. These forms include specific fields indicating whether foundations made PRIs and, if applicable, the dollar amounts deployed.

The dataset encompassed PRI activity spanning 2009 through 2023 and initially included 4,286 private foundations reporting at least one PRI during this timeframe. However, preliminary review revealed widespread misreporting, with many foundations incorrectly categorizing standard grants and investments as PRIs.

To estimate the extent of program-related investing in 2023 (the most recent year for which data were available), we conducted a manual review of all 2023 tax returns. This review yielded 421 foundations whose reporting provided reasonably high confidence of genuine PRI activity. Given the roughly linear increase in domestic private foundations year over year (about 1,000 annually), 110,000 is a reasonable estimate for total U.S. private foundations in 2023 (as of this report's publication, the IRS reported 107,600 such organizations in 2021, the most recent year available).[xx] Thus, we estimate that about 0.4% of foundations in 2023 made at least one PRI, with total PRI spending for these 421 foundations coming to $1.35 billion.

To develop a pool of genuine recent PRI adopters, we applied the following criteria:

- Excluded foundations lacking continuous tax records from 2016 forward
- Limited the sample to foundations reporting PRI activity from 2020 to 2023
- Excluded foundations showing any PRI activity before 2016 to ensure we captured recent adopters
- Removed foundations with gaps exceeding five years in their tax filing history
- Excluded foundations reporting cumulative PRI amounts under $10,000, as review indicated these small amounts often reflected reporting errors
- Removed foundations without accessible websites or contact information needed for outreach
- Manually reviewed PRI descriptions in the remaining foundations' tax filings and excluded those whose reported PRIs appeared to be misclassified

This screening yielded 200 foundations meeting our criteria for recent, genuine PRI adoption.

DATA COLLECTION

We randomly selected 70 foundations for initial outreach from the pool of 200, anticipating approximately 50% participation. We prioritized staff members whose roles suggested direct involvement in PRI decisions, including program officers, investment directors, and senior executives. Participants received assurances of organizational and individual anonymity to encourage candid discussion.

This strategy resulted in 36 completed interviews, representing a 51% response rate. The remaining organizations either formally declined (15 foundations) or did not respond to multiple contact attempts (19 foundations). After completing these interviews, we determined we had reached thematic saturation, with new interviews reinforcing rather than expanding core findings.

SAMPLE CHARACTERISTICS

The participating foundations represent geographic diversity across the United States: 10 operate from the Northeast, 11 from Southern states, 3 from the Midwest, and 12 from Western regions. Because interviewees were assured anonymity, we do not share identifying details; however, Table 2 provides aggregate descriptive statistics on our sample.

Table 2 · Sample Descriptive Statistics

	Mean	Median	Max	Min
Net assets (2023)	$306,831,434	$130M*	$3B*	$3M*
Exemption year	1989.3	1997	2024	1935
Year of first PRI	2020.5	2021	2023	2016
Total allocation to PRIs (2023 and earlier)	$3,746,508	$1.5M*	$30M*	$20K*

* Indicates rounded number.

INTERVIEW APPROACH AND ANALYSIS

We employed a semistructured interview format balancing consistency with flexibility to explore emergent themes. The protocol addressed foundations' organizational contexts and philanthropic strategies; motivations for initiating PRI programs; practical experiences implementing PRIs, including unexpected challenges and benefits; specific approaches and structures employed; and perspectives on PRI practice within the broader sector.

All interviews were conducted and recorded via Zoom, with automated transcription enabling systematic analysis. Transcripts underwent qualitative analysis to identify recurring patterns, divergent experiences, and explanatory factors.

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