

# Recoverable Grants at Morgan Stanley GIFT

## Frequently Asked Questions (FAQs)

### *What is a recoverable grant?*

A recoverable grant is just what it sounds like, a grant that has the potential to be recovered back to the donor advised fund if certain goals are met by the grantee nonprofit organization. They are typically used to bridge funding gaps, support revenue generating programs, or help a nonprofit try out innovative solutions to entrenched social and environmental problems.

Recoverable grant funds are returned to the donor advised fund once the nonprofit has achieved their stated program goals. If the program succeeds – the nonprofit can return all or a portion of the donation, which can be recommended for additional grants. If the nonprofit doesn't succeed in their goals – the money converts to a grant and the donated capital is kept by the nonprofit.

Recoverable grants may be a great way for donors to build longer-term relationships with nonprofits, potentially expand the number of organizations (or size of recommended donations) supported by their donor advised fund account, and strategically expand the impact of their philanthropy.

### *How are recoverable grants used?*

Recoverable grants are typically used to:

- **Bridge funding gaps** that occur during the lag in timing between when a nonprofit needs to provide goods or services and when donations from government sources, pledges, or foundation funders arrive. For example – if a nonprofit is called upon to provide support during a humanitarian crisis – the organization can use recoverable grant dollars to provide support when the event happens and then as donations from other sources arrive, the nonprofit can return the capital to the donor advised fund.
- **Scale a program quickly** to help nonprofits deliver critical revenue-generating services in response to new and rising needs. For example, if a nonprofit has a revenue generating program they want to deploy to a new region, recoverable grants can provide capital to scale the program quickly and the organization can then return the grant funding if and when the program is self-sustaining.
- **Fund catalytic innovation** that may entail high-risk, but also carry the potential to positively and significantly transform societies and environments. Recoverable grants fill gaps that traditional grants and venture funding might not address, including research and development, pre-seed, and seed financing for promising technologies that are too high-risk for traditional investors. Some or all of the recoverable grant may be recovered if these efforts are ultimately successful.

### ***What can qualify as a recoverable grant?***

Typically, recoverable grants must be received by 501(c)3 entities, some exceptions are possible where charitable intent is well documented.

### ***How are recoverable grants different from investments or loans?***

Recoverable grants and investments or loans differ in their primary intent and expected outcomes. Recoverable grants are a type of charitable giving with the primary intent to maximize impact. As such, recoverable grants advance charitable purposes and, if successful, may recover all or some capital for future grantmaking. Impact investments and loans are intended to generate returns alongside impact when possible, with clear expectation for those returns.

Unlike lending, in which an investor has legal recourse if a borrower defaults on a loan, a recoverable grant is a philanthropic tool. Donors are recommending a charitable gift with the option for the capital to be repaid to their donor advised fund account if the stated impact goals and financial objectives are met.

### ***What should my recovery expectations be for a recoverable grant?***

Expectations for recovery vary, based on the terms of the recoverable grant – most organizations aim to return the fully granted amount with 0% additional recovery. The expected recovery terms and time frame for each recoverable grant are available for donors to review prior to recommending a grant. These guidelines are set by the nonprofit with the caveat that capital is returned to the donor advised fund if and when the nonprofit meets their impact and financial objectives or program goals.

### ***What is the minimum account size and the minimum transaction size for a recoverable grant?***

Recoverable grants are available to all MS GIFT clients. Minimum transaction sizes start at \$25,000 and can increase from there, depending on the opportunity. MS GIFT's minimum account size is \$25,000.

### ***What information is needed to initiate a recoverable grant?***

For MS GIFT to work with CapShift to process a recoverable grant, the following information is required from a client and his or her advisor:

- Donor account fund name
- Recipient nonprofit name
- Dollar amount
- Confirmation of no conflict of interest
- Acknowledgement of fees

Please work together with your advisor to submit this information to [recoverablegrants@morganstanley.com](mailto:recoverablegrants@morganstanley.com), or reach out to learn more about the opportunities currently available at MS GIFT.

### *Can I propose my own recoverable grant?*

Yes! If you have a nonprofit you'd like to support with a recoverable grant work with your financial advisor to reach out to [recoverablegrants@morganstanley.com](mailto:recoverablegrants@morganstanley.com). Please provide the name of the opportunity and an acknowledgement that no conflicts of interest exist between you and the stated opportunity. Once the information is submitted, MS GIFT will work with CapShift to screen the opportunity, advise regarding additional fees associated with custom recoverable grant opportunities, and complete the required documentation for approval.

### *What documentation is needed for recoverable grants?*

In nearly all cases, MS GIFT and CapShift will work with the nonprofit organization to sign a Letter of Intent (LOI), or a short agreement that outlines the donor's hope for recovery. LOIs are non-binding statements of the nonprofit's intent to return funds in the event of programmatic success. MS GIFT will share the document once the nonprofit signs the LOI and it will be uploaded to the client's MS GIFT DFX account.

### *How long does the process take?*

Recoverable Grants are more complex than a typical grant. Depending on the specifics of the opportunity, processing a recoverable grant can take up to several weeks.

### *Who can I contact for any additional questions?*

For questions on specific recoverable grants, please work with your financial advisor to reach out to [recoverablegrants@morganstanley.com](mailto:recoverablegrants@morganstanley.com).

### *What is CapShift?*

**CapShift** empowers philanthropic and financial institutions, along with their clients, to activate capital to drive social and environmental change. We work with organizations like MS GIFT to help provide impact investments and recoverable grants which enable donors to create meaningful impact from the moment capital is donated until it reaches their preferred nonprofit. You can reach us at [hello@capshift.com](mailto:hello@capshift.com).

## Disclosures

Morgan Stanley Smith Barney LLC and its affiliates (the “Firm”) do not currently offer the services provided by CapShift (the “Service Provider”), which is not an affiliate of the Firm. Any review of the Service Provider performed by the Firm was based on information from sources that we believe are reliable but we cannot guarantee its accuracy or completeness. This referral should in no way be considered to be a solicitation by the Firm for business on behalf of the Service Provider. The Firm makes no representation regarding the appropriateness or otherwise of the products or services provided by the Service Provider. There may be additional service providers for comparative purposes. Please do thorough due diligence and make your own independent decision.

The Firm will not receive a referral fee for referring you to the Service Provider. The Firm is a diversified financial services company with millions of clients in several countries around the world. The Firm routinely enters into a variety of business relationships for which either the Firm receives compensation or pays for services, and such business relationships may include the named Service Provider, its employees or agents, or companies affiliated with the Service Provider.

Morgan Stanley Smith Barney LLC, its affiliates and employees, including Financial Advisors and Private Wealth Advisors, do not provide legal or tax advice. You should consult your own tax advisor for matters involving taxation and tax planning, and your attorney for matters involving trust and estate planning, charitable giving, philanthropic planning and other legal matters.

The Morgan Stanley Global Impact Funding Trust, Inc. (“MS GIFT, Inc.”) is an organization described in Section 501(c) (3) of the Internal Revenue Code of 1986, as amended. MS Global Impact Funding Trust (“MS GIFT”) is a donor-advised fund.

Morgan Stanley Smith Barney LLC provides investment management services to MS GIFT. Back office administration provided by RenPSG, an unaffiliated charitable gift administrator.

While we believe that MS GIFT provides a valuable philanthropic opportunity, contributions to MS GIFT are not appropriate for everyone. Other forms of charitable giving may be more appropriate depending on a donor’s specific situation. Of critical importance to any person considering making a donation to MS GIFT is the fact that any such donation is an irrevocable contribution. Although donors will have certain rights to make recommendations to MS GIFT as described in the Donor Circular & Disclosure Statement, contributions become the legal property of MS GIFT when donated.

The Donor Circular & Disclosure Statement describes the risks, fees and expenses associated with establishing and maintaining an MS GIFT account. Read it carefully before contributing.

Although the statements of fact and data in this material have been obtained from, and are based upon, sources that the firm believes to be reliable, we do not guarantee their accuracy, and any such information may be incomplete or condensed.

This material is for informational purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any security. Past performance is not a guarantee of future results.

Recoverable Grants are made to nonprofit public charities and must comply with all IRS guidelines including but not limited to ensuring that no Prohibited Benefits are conferred to any Disqualified Persons or supporting organizations, Private Non- Operating foundations, or for direct or grassroots lobbying purposes. Recoverable Grants are made with no guarantee of recovery of funds or guarantee of impact results. Recovery of funds is not legally required and is performed on a best-efforts basis as determined by each nonprofit in accordance with the terms outlined in the Letter of Intent (LOI). Recoverable grants are a form of charitable giving. Donors should be prepared that funds may not be recovered and are a permanent and irrevocable gift to the nonprofit. While there is potential for grant recovery to the recommender’s MS GIFT account, the grant is an irrevocable gift to the nonprofit.