

DONOR ADVISED FUNDS

A Potential Capital Source for Middle Market Senior Housing Initiatives



Overview

As senior living developers and operators look for additional ways to serve the “Forgotten Middle” cohort of seniors, it is important to explore capital options that can help bring down overall project costs. While perhaps not applicable to all projects, Donor Advised Funds might be a viable option for select organizations and partners. The intent of this document is to provide a basic overview of Donor Advised Funds and organizations eligible to tap into these funds.

Donor Advised Funds (DAFs) are charitable giving accounts established at public charities that allow individuals, families, or organizations to make a charitable contribution, receive an immediate tax deduction, and then recommend grants from the fund over time, primarily to qualified non-profit organizations. DAFs have experienced significant growth in recent years, with more than \$326 billion in assets as of 2024¹, and are increasingly being viewed as tools for “venture philanthropy”—supporting projects that have both measurable social impact and potential for innovative approaches to longstanding community challenges.

What Donor Advised Funds Are—and Are Not

✔ DAFs Are:

- Charitable accounts managed by sponsoring organizations.
- Tools enabling donors (often high-net-worth individuals) to receive an upfront charitable deduction while granting to qualified charitable organizations over time.
- Potential sources of flexible capital for eligible organizations and mission-driven initiatives, including affordable and middle-market senior housing communities.

✘ DAFs Are Not:

- Traditional investment vehicles with personal profit or private inurement.
- Direct loans or grants to for-profit entities or for individual financial gain.
(Note: while most DAF sponsoring organizations do not allow private lending and investing, there are some ‘companion’ DAFs that will provide loans for impact investing to select community-benefit entities that may not be 501(c)(3) organizations.)
- Unregulated; they operate under the scrutiny of the IRS and must adhere to relevant tax and charitable laws.²

Why Consider DAFs for Middle Market Senior Housing Projects?

Middle-market senior housing serves the “Forgotten Middle” — seniors whose income or assets are too high for government assistance, but insufficient for private pay options. Because cost containment is significant in serving this population, having lower-cost capital options is crucial for developing or repurposing middle-market communities.

- **Venture Philanthropy Potential:** DAFs align with impact investment trends, aiming to drive social outcomes as well as financial sustainability for mission-focused projects like middle-market senior housing.
- **Favorable Terms:** Compared to traditional capital, DAF-related impact loans or below-market equity could reduce project costs or enable acquisitions of distressed assets for community benefit.
- **Mission Alignment:** DAFs are often interested in projects with clear, measurable social outcomes—making them a logical potential partner for addressing the critical needs of middle-market seniors.

How Can Senior Housing Stakeholders Tap Into DAFs?

1. **Partner with 501(c)(3)s:** DAFs may only grant to IRS-qualified charitable organizations. Projects should be sponsored by or affiliated with a non-profit or utilize a qualified charitable affiliate. As noted previously, there are instances where select DAF sponsoring organizations will allow private lending and investing to non-501c3 organizations. However, in instances where that is not possible, a potential joint venture with a not-for-profit partner might be a strategy to consider as well.
2. **Structure with Social Impact:** Impact-driven project structuring (e.g., below-market-rate housing, services for the "Forgotten Middle") enhances appeal. Detailed impact reporting and transparency are important to attract DAF capital.
3. **Engage DAF Sponsors:** DAF sponsors can be national (Fidelity, Schwab) or local (community foundations); outreach, education, and alignment on mission are key. Fostering relationships with impact investors who believe in the project(s) as well as who you are aiming to serve is important.

Key Rules and Considerations

- **Charitable Purpose:** DAF grants must support public, charitable purposes—DAF funds cannot benefit private shareholders or individuals.
- **No Direct Private Profit:** Direct investment in for-profit ventures where individuals directly benefit, as opposed to the target audience, is restricted. Structures such as "program-related investments" (PRIs) or investment via charitable affiliates may be possible, but must comply with IRS rules.
- **Flexibility:** DAFs can provide grants (non-repayable support) or, if properly structured, loans or equity to charitable entities. Outcomes should be clearly defined and reported.
- **Sponsoring Organizations:** Each sponsor may have specific guidelines, minimums, and areas of interest.
- **Permanence:** Once donated, funds in a DAF cannot be returned to the donor and must ultimately benefit charitable causes.

Summary

DAFs are an underutilized source of flexible, mission-compatible capital for senior housing projects that serve America's "Forgotten Middle"—but only when structured with a clear charitable purpose and in alignment with IRS rules. Owners, operators, capital partners, and developers should explore partnerships with non-profits, consult with DAF sponsors, and design projects with measurable social impact to potentially access this form of venture philanthropy capital.

Sources

[1] National Philanthropic Trust. (2025). 2025 Donor-Advised Fund Report. <https://www.nptrust.org/reports/daf-report/>

[2] IRS. (2024). Donor-Advised Funds: Tax-Exempt Organizations. <https://www.irs.gov/charities-non-profits/charitable-organizations/donor-advised-funds>