



**Impact Investing
Program Materials**

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About this packet

LOCUS believes foundations everywhere should work alongside communities to grow economies that work for all. That’s why we appreciate the opportunity to work with you - the staff and Board of the Community Foundation for Grant County, Indiana – to develop a local impact investing strategy to support Grant County.

We acknowledge and are grateful for the role that peer exchange plays in advancing the field of local impact investing, and now that the Foundation has more deeply joined this movement, we encourage you to share your leanings, experiences, and progress with your peers. We also believe that the process that the Foundation underwent is an invaluable input into the creation of the following policies, program guidelines, and implementation tools. We hope that when/if the Foundation connects with peers, you and your representatives will appropriately contextualize the journey that the Foundation underwent. The tools alone do not make a program – rather it’s the culmination of the work we’ve accomplished together; building knowledge and resources specific to the opportunities and interests of your foundation and place.

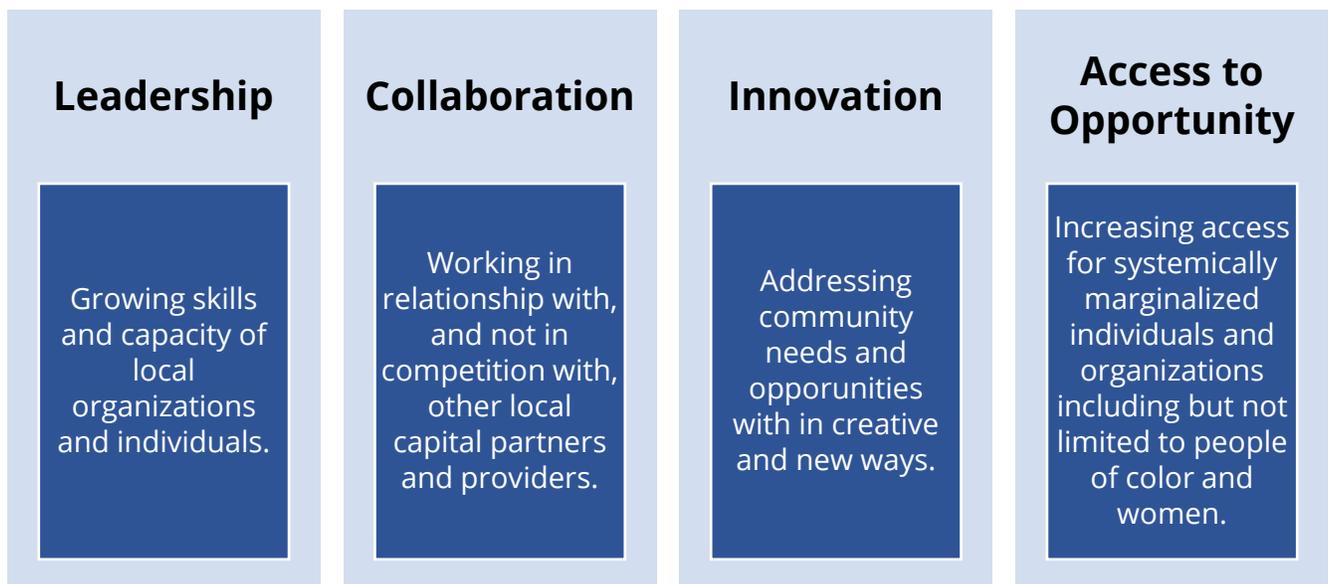
As a reminder, the contents of this packet are unapproved drafts that require additional review by staff, advisors, legal counsel and board committees. LOCUS expects that the Foundation will independently evaluate our work and recommendations, decide if and how to move forward, and seek your own legal and financial advice from non-LOCUS advisors prior to acting. Unless otherwise noted and acknowledged, in writing, by LOCUS, all activities involved in strategy development, systems design, due diligence, investment support services or other LOCUS services are non-advisory activities and materials.



1. Impact Statement

The Community Foundation of Grant County (CFGC) is committed to building a local impact investing program, Invest for Grant County, as an extension of its community leadership efforts. The Foundation recognizes that its assets, over 90% of which are endowed, positions CFGC to bring new tools, such as local impact investing, to address the needs and opportunities of the communities we serve.

The purpose of Invest for Grant County is to make socially impactful investments that provide financial return and measurably advance a prosperous Grant County. The program will invest in people, projects, businesses, and organizations that address economic prosperity, quality of life, and access to opportunity for residents of Grant County. The Foundation will seek investments that provide social impact and financial return, and that express the following values:



2. Program Operating Guidelines

The Community Foundation for Grant County (“Foundation”) Local Impact Investment Policy (“Policy”) directs the Local Impact Investment Subcommittee (“Subcommittee”) to recommend a set of Local Impact Investment Guidelines (“Guidelines”) to implement Invest for Grant County, the Foundation’s Local Impact Investing Program (“Program”). According to the Policy, the Guidelines should address impact objectives, financial targets, risk assessment, roles and responsibilities, reporting, and selection of investments.

The Guidelines are organized into the following sections: (I) Impact Objectives and Measures, (II) Source of Funds and Financial Targets, (III) Risk, (IV) Investment Process, and (V) Monitoring and Evaluation.

I. Impact Objectives and Measures

The Program’s purpose is to make socially impactful investments that provide financial return and measurably advance a prosperous Grant County. For the purposes of the Program, the Foundation will target investments that advance and address:

- Economic prosperity, especially opportunities to support innovation, entrepreneurship, and small business growth and development, specifically including Early Childhood Education and Career Readiness & Workforce Development.
- Quality of life through improved and revitalized neighborhoods and community infrastructure, specifically initiatives that address Food Insecurity and Financial Wellness.
- Access to opportunity, especially for systemically marginalized individuals, businesses and organizations and those overlooked by existing capital providers in our community.

Investments should have objective measures that are appropriate for each proposed project. The Foundation will also collect qualitative stories of impact for inclusion in internal and external program reporting. The following are examples of the types of measures the program will seek and that would align to the impact goals outlined in the Foundation’s local impact investing strategy.

| Impact Area | Examples of Investments | Examples of Measures |
|----------------------------|---|---|
| Economic Prosperity | Early Childhood Education Career Readiness & | <ul style="list-style-type: none"> ▪ # students served ▪ # of employers involved in program ▪ # of providers employed |
| | Workforce Development | <ul style="list-style-type: none"> ▪ # of people reach that are currently being served ▪ # of people that gain employment ▪ # of employer partners |
| | Entrepreneurship and Small Business Support | <ul style="list-style-type: none"> ▪ # new small business starts ▪ \$ increase in sales for small businesses supported ▪ # increase of women and minority owned businesses |
| Quality of Life | Grocery store in a food desert | <ul style="list-style-type: none"> ▪ Data regarding food desert ▪ # of citizens to be served ▪ Data regarding increase in social determinants of health |

| Impact Area | Examples of Investments | Examples of Measures |
|------------------------------|---|--|
| | Developing and Disseminating Financial Wellness Program for end users. | <ul style="list-style-type: none"> # users of program Pre-post test results of participants # user with bank account # people using payday lenders |
| | Downtown Revitalization | <ul style="list-style-type: none"> Square feet of downtown space revitalized Reduced vacancy rate in downtown spaces # units of housing in downtown corridors |
| | Broadband and Other Infrastructure that Addresses Equity | <ul style="list-style-type: none"> # new homes/businesses connected to high-speed internet #/increase in quality childcare spots in the county # of neighborhood-based community facilities |
| Access to Opportunity | Access to Capital for Underserved Individuals, Businesses and Organizations | <ul style="list-style-type: none"> % increase capital provided to women and minority lead organizations # decrease in un/under banked residents |

II. Source of Funds and Financial Return

The Foundation will use investable assets to fund its program. The Foundation may raise new, dedicated funds from donor gifts and grants for the purpose of local impact investing.

- The Policy identifies up to 10% of the Foundation's investment assets are committed to the Program. This is the Allocation.
- The Policy identifies that gift(s) and/or grant(s) earmarked for the purpose of local impact investing will be placed into a board discretionary fund designated to the Program. This is the Fund.

| | Source of Funds | Program Minimum | Program Maximum | Repayment |
|---|--|--|--------------------------------------|--|
| Allocation (<i>"Invest for Grant County"</i>) | Existing investable assets <i>Funds will be divested annually in coordination with CFGC investment manager.</i> | 1% <i>Current value: \$280,000</i> | 10% <i>Current value: \$2.8MM</i> | Recycle to portfolio |
| Fund(s) | Donor gifts/grants to impact investing program | Goal of raising additional \$280,000 by 2026 | No Maximum | Recycle to Board-discretionary local impact investing fund |

New or existing donors may be invited to participate in the local impact investing program by making a gift or grant to a foundation-established board discretionary fund. Such charitable contributions will be made for the purpose of local impact investing in Grant County and are irrevocable. Final decisions about investments and how gifted funds are deployed is the responsibility of the Board. Donors may recommend investment opportunities to the Foundation for further evaluation. Donors may not select investments. As an investment is repaid, donor funds are recirculated back to the impact investment board discretionary fund.

The Board has an obligation to use an investment strategy that reflects the financial needs, charitable mission, and public benefit purposes of the Foundation. The Program aims for its portfolio of local impact investments to generate a return between 2%-4%, and that is sufficient to cover inflation. Individual investment returns may vary and will be weighed alongside the impact to be achieved. Generally, the board may expect lower financial returns on investments with significant and measurable community impacts and expect higher financial returns on investments important to the community but with more narrowly prescribed community impacts. The Board understands that the Program may not immediately meet financial return benchmarks. The Committee will review the financial performance goals once the volume and risk return profile of various investments is better understood. The review will also consider the current and projected future rate of inflation.

The Foundation's investment manager will work with the Foundation team to report on returns of local impact investments within the context of the Foundation's total portfolio. Repayment and returns will be added to the Foundation's portfolio to be redeployed for future community investments.

III. Risk

In furtherance of the Program goals, the Subcommittee, with support of the Foundation team, will take reasonable measures to understand both transaction and portfolio level risks of local impact investments. As with all investment activity, local impact investing comes with risk – though, these risks can be managed through strategic policies, process, and practice. The Subcommittee will manage risk through (A) Investment Deployment Guardrails and (B) Investment Assessment Criteria and Standards.

A. Investment Deployment Guardrails

| Element | Allocation Guardrail | |
|------------------------------------|---|---|
| Annual Distribution Cap | No cap, but, when possible, the Foundation will deploy funds in portions over time to permit the foundation to understand emerging community needs/opportunities, mitigate risk, and maintain investing resources to deploy in future years. | |
| Desired Investment Partners | <ul style="list-style-type: none"> ▪ Entities receiving investments from the Fund may be either nonprofit or for-profit entities. ▪ Prioritize investments through, and in partnership with, financial entities such as CDFIs, credit unions, and banks with an established track record and/or existing relationship with the Foundation and/or community. ▪ Preference to invest in entities with a prior track record of repaying invested capital. ▪ In the case of debt, the receiving entity must have a readily identifiable source of income or asset base for repaying the investment. | |
| Investment Amount | Maximum Amount: It is preferred that a no single investment is greater than \$1,000,000. Larger investments are acceptable and subject to Subcommittee and Board approval. | Minimum Amount: It is preferred that no single investment is less than \$50,000. Smaller investments are acceptable provided the investment is greater than \$20,000 and subject to Subcommittee and Board approval. |

| Element | Allocation Guardrail |
|--------------------------------|--|
| Diversification Efforts | <ul style="list-style-type: none"> ▪ Though the Foundation will not restrict the number of investments that an investee may have at one time, efforts will be made to diversify the investment recipients over time. ▪ As a means of diversifying the portfolio, the Program will avoid concentrating investments in a single sector. |
| Term | <ul style="list-style-type: none"> ▪ It is preferred that term for each investment be within 3-5 years, although an investment term of 1-10 years is acceptable, subject to Subcommittee and Board approval. ▪ No single investment should have an expected maturity or life span of more than 10 years. However, the Subcommittee may use its discretion on a case-by-case basis to make longer term investments. |

If the Foundation identifies an investment opportunity with high community impact, that falls outside the parameters of the Investment Deployment Guardrails, the Subcommittee may recommend an exception to these Guidelines. An exception requires unanimous vote of the Subcommittee and majority vote of the Board to be approved.

B. Investment Assessment Criteria and Standards

The Foundation team and Subcommittee will use an evaluation scorecard (Appendix B) to perform an internal investment opportunity screening and assessment whereby they will:

- Establish that investments are within the permissible investment criteria authorized by Board.
- Establish alignment to the Program’s baseline criteria including impact goals, partner type, investment amount, etc.
- Gauge whether capital demand can be met by other providers to avoid competition with private and/or government investors.
- Determine the amount of potential additional capital that will be leveraged by the Foundation’s investment.
- Determine the investee’s relationship to the Foundation and verify that investments should not pose a threat to the Foundation’s reputation and have no potential to create negative outcomes, publicity, or public perception.
- Assess local support for investments by inquiring about connection to existing efforts, community planning processes, engagement activities or other means.
- Determine if investment is innovative and presents a creative solution to widely understood community challenge.
- Determine if investment advances impact for a defined population, with preference for systemically marginalized populations.
- Establish an anticipated financial return.
- Ensure the Foundation’s operational capacity to administer the investment.
- Gauge investees capacity to successfully execute the investment activity.
- Ensure investment measurability.
- Determine the amount of potential collaboration the investment encourages across agencies, other investors, organizations.

- Establish alignment to, or ability to promote shared community vision.

Depending on the investment opportunity, the Subcommittee may recommend the Foundation secure and consider additional evaluation in the form of:

- a **due diligence report commissioned** by the Foundation to be performed by a capable third-party partner,
- a **due diligence report created by a co-investment partner** (e.g., bank or other financial institution/partner) that is shared to facilitate a prospective investment participation, and/or
- a **third-party report, not commissioned by the Foundation but made available** to the Foundation team and Subcommittee, that underwrites a transaction's repayment capacity, organizational and management strength, investee contribution, and collateral coverage and positioning.

Where risk cannot be mitigated, risk will be balanced against financial return and community impact. Underwriting and due diligence will be fully documented and retained by the Foundation. The Foundation will have professional advisors review documents, transactions, agreements, and legal structures.

IV. Investment Process

The Foundation will use the following framework to guide its local impact investing decision-making.

| | Description | Tools |
|--------|--|--|
| Source | Foundation team will identify and communicate with likely sourcing partners including banks, nonprofits, CDFIs, and others. Members of the Subcommittee may assist the Foundation team from time to time. Over time, the Foundation may consider posting its Program criteria on its website or in publications. Nonprofits will be targeted for partnership, taking into consideration CFGC's target impact areas and stated desire to partner and not compete with local financial entities. | <ul style="list-style-type: none"> ▪ Sourcing questionnaire ▪ Website (<i>potentially</i>) |
| Screen | Foundation team with support from members of the Subcommittee conduct an internal assessment of an opportunity to understand if the potential opportunity falls within Program Guidelines approved by the Board. | <ul style="list-style-type: none"> ▪ Scorecard – Phase 1 |
| Apply | If the proposed investment appears to meet the Program's criteria, prospective investees will be invited to submit a short application including purpose of investment, use of proceeds, proposed terms, repayment source, etc. Foundation team will conduct a second assessment of the opportunity considering the fuller content now available. | <ul style="list-style-type: none"> ▪ Application ▪ Scorecard – Phase 1 and Phase 2 |
| Score | Foundation team prepares a Preliminary Review Memo outlining the investment opportunity. The Memo will include the Subcommittee-approved investment scorecard and the application. | <ul style="list-style-type: none"> ▪ Preliminary Review Memo |

| | Description | Tools |
|------------------|---|---|
| Review | The Subcommittee reviews the Preliminary Review Memo. Based on a discussion of the relative merits and weaknesses, and whether the Program objectives can be met, the Subcommittee determines whether to undertake full due diligence. Subcommittee will provide guidance to the Foundation team on the form of the due diligence – whether it should be conducted internally or by an external consultant/advisor. If the Subcommittee does not view the opportunity as viable, it will reject the investment at this stage. | <ul style="list-style-type: none"> ▪ Subcommittee Meeting(s) ▪ Preliminary Review Memo |
| Assess | The due diligence process should result in a written report that: (a) describes the opportunity and how it meets the Program’s criteria; (b) summarizes the salient findings from the due diligence process; (c) outlines the key risks and mitigants; and (d) outlines preliminary investment terms. | <ul style="list-style-type: none"> ▪ Due diligence report or Third-party Report |
| Recommend | The due diligence report and any supplemental executive summary memo or presentation created by the due diligence provider, or by the Foundation team, is the basis for the final Subcommittee discussion. A majority vote of the Subcommittee is required to make a recommendation for Board approval. | <ul style="list-style-type: none"> ▪ Due diligence or Third-party report ▪ Subcommittee Meeting Minutes (recorded action) |
| Approve | Investments recommended for Board approval will be considered by the Board. The Subcommittee, supported by the Foundation team, will supply all documentation necessary for Board review. | <ul style="list-style-type: none"> ▪ Board Meeting Materials ▪ Board Meeting Minutes (recorded action) |
| Close | If approved by the Board, the Foundation team will close on the transaction with the investee. The Foundation team will have professional advisors review documents, transactions, agreements, and legal structures. | <ul style="list-style-type: none"> ▪ Closing documentation ▪ Professional Advisor Review |
| Monitor | Investees are generally required to submit financial statements on some frequency, annual audited financials, and any other information or impact metrics agreed to in advance of the investment. Frequency of reporting and the form of reports will be agreed upon through the closing process. | <ul style="list-style-type: none"> ▪ Financial Statements ▪ Notice of Key Operating Changes ▪ Impact Reports |

V. Monitoring and Evaluation

The Foundation will be authorized to begin making local impact investments upon ratification and adoption of these Guidelines by the Board.

The health and viability of local impact investments will be reviewed at least quarterly relative to the initial financial projections, operating metrics, impact measurements, and compliance with covenants, where applicable. A deeper evaluation of the Program as well as individual investments, will be conducted at least annually. The Foundation’s team will maintain detailed financial records on all investments and will produce financial status reports for the Subcommittee and Board, as applicable. The Foundation investment advisor will assist the team as appropriate.

In the case of delinquent payments of more than 30 days, or investment losses, the Foundation team will promptly notify the Subcommittee of any potential impairment and make recommendations for

appropriate response. The Subcommittee will consider and vote on such recommendations. Any changes in loan terms or conditions must be reviewed and approved by the Subcommittee, reported to the Board in a timely manner, and subsequently approved by the Board.

The Foundation team will identify and recommend for Subcommittee approval appropriate community-impact measures (metrics) for investments within the Program. These measures of impact will vary depending on the nature and scope of each individual investment instrument. The Foundation team will also recommend a summary 'dashboard' for the overall Program that will enable the Committee to easily review the Program portfolio. The Foundation team will maintain community-impact data and will review and update the Program dashboard on an annual basis for the Subcommittee, Board, and others, as applicable.

The Subcommittee will review the Guidelines at least annually and make any recommendations for amendments to the Board for its consideration and approval.



3. How will we manage risk? Impact Investing Scorecard

See attached...

Phase I

Phase II

4. Who is Responsible? Impact Investing Subcommittee Description

Charge: There is hereby established a Local Impact Investing Committee, a subcommittee of the Innovation Committee, and consisting of no fewer than three (3) current Innovation members with Innovation Chair serving as Subcommittee Chair, and two (2) Finance committee members with expertise relevant to the practice of local investing, and (1) Board Member at large. Members will serve one (1) year terms that may be renewable without limits, and which will coincide with the annual election of officers.

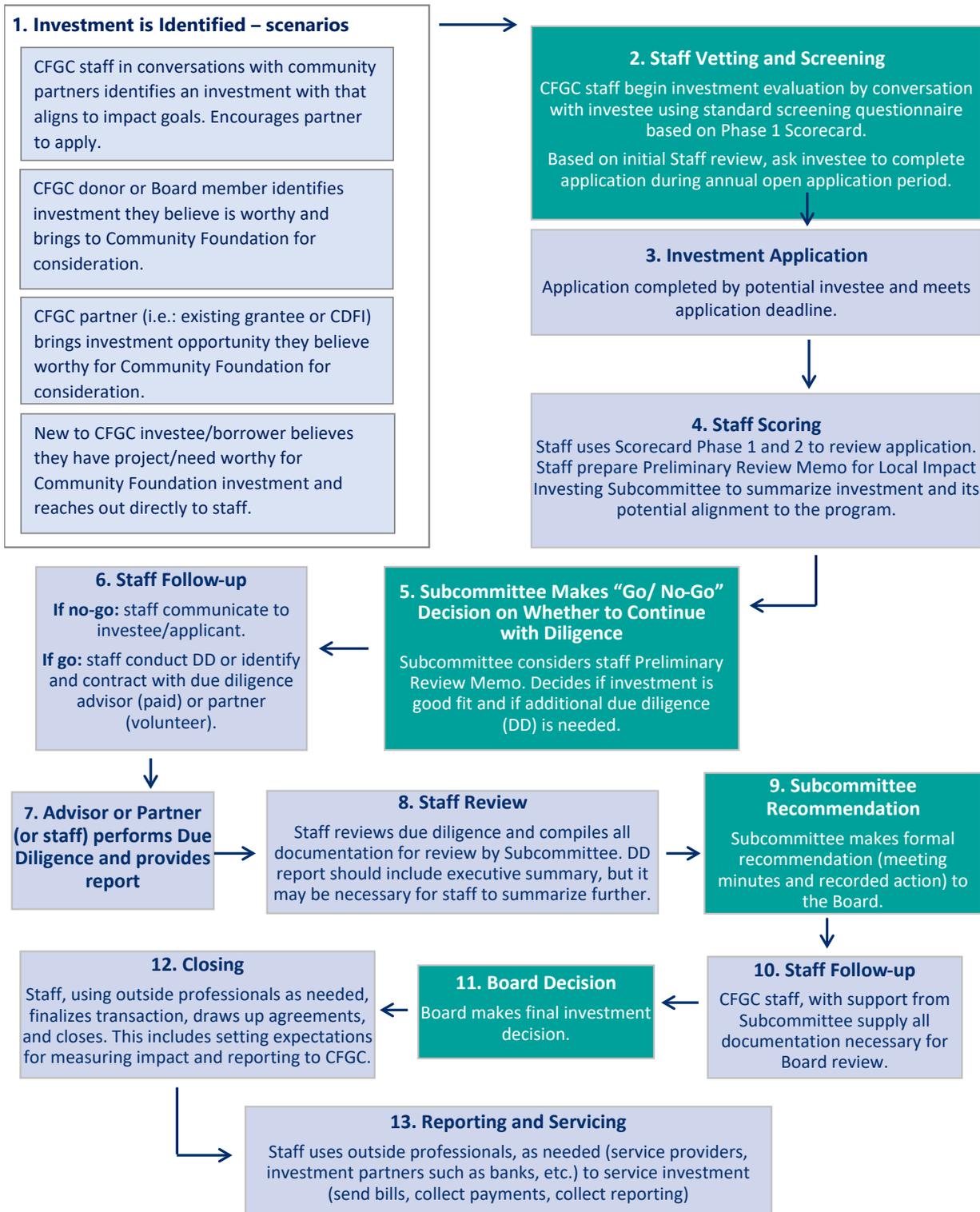
Powers: The Committee shall have the power to:

- a. Identify potential local impact investments for the Foundation to consider;
- b. Conduct risk and impact analysis on proposed and existing local impact investments;
- c. Make recommendations on actions to be taken on proposed and existing local impact investments including but not limited to any changes in investment terms or conditions, write-offs or collections;
- d. Report regularly on the portfolio of local impact investments.

Objectives: The Community Foundation of Grant County expects to launch a local impact investing program in 2022. To aid the Board and Staff with the Program's rollout, the Subcommittee's 2022 Objectives may include:

1. Recruit Subcommittee members with expertise relevant to the practice of local investing, including law, community finance, planning, real estate development, community lending, community impact, entrepreneurship, and/or inclusive community processes.
2. Support the Board's consideration and adoption Local Impact Investing Policy and Local Impact Investing Guidelines, as needed. (Policy and Guidelines are reviewed annually and may require adoption of revised version after the initial approval in year one.)
3. Provide orientation and occasional learning opportunities for Subcommittee on the practice of local impact investing by community foundations. Learning opportunities may include discovery calls with peer foundation committees, topical readings, practice presentations, or attending relevant conferences.
4. Work with staff to develop a staffing plan for the Program.
5. Review investment results quarterly. Coordinate with Investment Committee a report on investment, financial, and impact performance.
6. Conduct an annual evaluation relative to the initial financial projections, operating metrics, impact measurements, and compliance with covenants, where applicable. Provide results of annual evaluation to the Board. Make recommendations to the Board on changes to the Policy and Guidelines.

5. Who is Responsible? Process Flowchart



6. Impact Investment Policy

I. Scope of this Policy

This Local Impact Investing Policy ("Policy") is issued by the Board ("Board") of the Community Foundation of Grant County, Indiana, Inc. ("Foundation") to create a mission-aligned local impact investing program ("Program") to enhance Grant County's quality of life and serve the broad-based community benefit of residents of Grant County. The Program will seek socially impactful investments that intentionally advance and address:

- a. Economic prosperity, especially opportunities to support innovation, entrepreneurship, and small business growth and development;
- b. Quality of life through improved and revitalized neighborhoods and community infrastructure;
- c. Access to opportunity, especially for systemically marginalized individuals, businesses and organizations and those overlooked by existing capital providers in the communities of Grant County.

The Program is designed to be consistent with the Foundation's values of shared leadership, collaboration, innovation, and access to opportunity. The Foundation will regularly seek input from program participants, grantees, board members, donors, stakeholders, and those impacted by the Program and Foundation efforts.

II. Source and Use of Funds

Program investments may be made into nonprofits, businesses, and funds that measurably advance the mission of the Foundation and balance the Foundation's financial needs, charitable mission, and public benefit purpose. To make Program investments, the Foundation may use:

- a. Gifts earmarked or designated for the purpose of local impact investing which will be placed in a board discretionary fund designated to the Program.
- b. Up to 10% of the Foundation's endowed investable assets, as a portfolio allocation.

The Foundation may tolerate Program investments with lower financial return or higher levels of risk if such local impact investments generate commensurate mission-aligned community impact.

III. Governance

The Board will make Program policy and investment decisions including investment approval. The Board may amend this Policy both upon their own initiative and upon consideration of the advice and recommendations of committees and Foundation team. The Board may terminate the Program at any time. The Board will appoint a Local Impact Investment Subcommittee ("Subcommittee"), a subcommittee of the Innovation Committee ("Committee").

The Subcommittee will conduct risk and impact analysis on proposed and existing investments, make recommendations on Program actions and policy, and regularly report on investment performance to

Committee and the Board. The Subcommittee will have no fewer than five and no more than ten members, including the Chair of the Innovation Committee and a simple majority of members of the Board. The Subcommittee will include members with expertise relevant to the practice of local investing, including law, community finance, planning, real estate development, entrepreneurship, and/or inclusive community processes.

The Subcommittee will recommend, for Board approval, Local Impact Investment Guidelines (“Guidelines”). The Guidelines will include impact objectives, impact measurements, financial targets, impact and financial reporting processes, and underwriting and due diligence criteria. The Subcommittee may engage the Foundation team to source and assess investment opportunities and produce reports.

Once investments are approved, the Foundation team are authorized to facilitate any necessary agreements and processes to effectuate the investments under the oversight of the Board. The Foundation’s team will maintain detailed records on all investments and will produce financial and impact status reports for the Subcommittee, Board, and other Board-level committees, as applicable. The Foundation team may engage consultants and other partners with expertise in facets of local impact investing in accordance with existing policies and approvals for contracting with external consultants and other partners.

In the case of delinquent payments greater than 30 days or investment losses, the Foundation team will promptly notify the Subcommittee and Board of any potential impairment and appropriate responses. Any changes in investment terms or conditions, write-offs or collections must be reviewed and approved by the Board.

Adopted [DATE]

By: _____

Board Chair

By: _____

Board Secretary

Amended [DATE]

