



Program Related Investment Policy

A. STATEMENT OF PURPOSE

This policy establishes the process for Berrien Community Foundation (BCF) to act as an investor of community dollars through the use of Program Related Investments (PRIs). This role expands the mission and philosophy of community leadership for BCF. As a place-based philanthropic organization, BCF is looking for ways to impact our community even more meaningfully. Program Related Investing holds the potential to complement existing strategies to address pressing local challenges. The underlying purpose of a Program Related Investment is to provide investment capital to our community in order to deliver specific social benefits to the community along with an economic return to BCF.

This policy is not intended to replace or diminish the Foundation's current programs and grant making activities. Rather, its purpose is to establish a process for expanded investment and the development of the community we serve.

B. AUTHORITY AND IMPLEMENTATION

BCF's Board of Directors has the authority to allocate investment dollars for PRI investment purposes in accordance with BCF's Bylaws and this PRI policy. These investment dollars initially will come from unrestricted funds as determined by the Board of Directors; field of interest funds and/or donor advised funds as appropriate; and/or individual donors.

Once specific PRI investments are approved by the Board of Directors, the BCF staff is authorized to facilitate any necessary agreements and processes to effectuate the investments under the oversight of the BCF Board of Directors and PRI Committee.

The Board retains authority to make PRI investment decisions including PRI project approval. The Board may terminate the PRI Program at any time.

As a program related investor, the Community Foundation may be:

- a direct investor in any project that advances the Community Foundation's mission ("to strengthen our communities" stemming from a vision of "building strong, vibrant, and sustainable communities"); and is consistent with the Community Foundation's commitment to responsible investing.
- a facilitator or catalyst to bring various community groups and financing sources together.

PRIs will use a portion of Community Foundation assets to provide:

- capital for activities that advance the Community Foundation's mission while still providing an economic return;
- the opportunity for the Community Foundation to invest more than would be possible through a traditional grant and to reinvest funds once they are repaid;
- the opportunity to make intentional investment in the community integrating Diversity, Equity and Inclusion (DEI). This is defined as having a 40% diversity threshold in at least one of the following areas: Firm ownership, Firm Leadership and Strategy Management. Diversity dimensions include: Female, BIPOC (black, indigenous, and other people of color), LGBTQ+ Individuals, Veterans and People with Disabilities.

PRIs will meet criteria established by the Internal Revenue Service (IRS) for 501(c)(3) organizations. As such, PRIs must:

- be made primarily to accomplish one or more of the Community Foundation's exempt purposes;
- not produce income or appreciation of property as a primary purpose of the investment;
- not be used for lobbying.

C. PROJECT EVALUATION

The Board of Directors will appoint a standing PRI Committee with a minimum of five members to initiate, review and define projects for recommendation to the Board of Directors for final approval. The PRI Committee will review preliminary project requests. When the PRI Committee determines that a project proposal is worthy of further extensive evaluation, an Evaluation Committee will be created. This Evaluation Committee will consist of the following people who have specialized expertise or skills to help guide the initiative:

- Staff members
- PRI Committee representatives
- Members of the Board of Directors
- Community members at large with relevant expertise for the specific PRI project being evaluated
- An attorney (if deemed appropriate)

The Evaluation Committee will use the following project attributes to evaluate a proposed project and to communicate the proposed project to the PRI Committee and the Board for approval. EACH of these project attributes MUST be addressed in a PRI project proposal for submission to the PRI Committee and the Board of Directors. Additional proposed project attributes may be required by the PRI Committee or Board depending on the singular characteristics of the proposed project. The magnitude of the project will determine the depth of the project proposal and evaluation.

- Community Impact with special consideration given to:
 - Job Creation
 - Social and Environmental Benefit
 - Catalyst to Economic Growth in the Community
 - Utilization of local contractors and materials when possible
 - DEI indicators
- Project feasibility and community impact,
- Financing and other resources required,
- An estimation of all project transaction costs,
- Final anticipated outcomes of the project,
- A project plan with timeline detailing how the project will be executed and by whom,
- The expected economic and social returns,
- The investment risks including risk mitigation strategies and probabilities of success, and
- Criteria for evaluating the project during the life of the project and at project end

When the Evaluation Committee determines that a project is suitable to move forward, and it has been approved by the PRI Committee, the project will then be submitted to the BCF Board of Directors for final approval and authorization to proceed. If the BCF Board of Directors approves the project, the PRI Committee will be responsible for monitoring and oversight of the project through completion and the Evaluation Committee for the project will be dissolved.

D. PRI OPERATING PRINCIPLES

The PRI program will be managed based on the following principles:

- The PRI Committee will only consider projects within our service area that provide significant social and/or economic returns as well as a potential financial return in line with the Community Foundation's Articles of Incorporation, bylaws, and IRS rules and regulations.
- Any project from whatever source will be considered if it can be shown to have a community wide impact or fulfill an unmet community need. However, BCF does not want the process to devolve into one of reviewing applications and program proposals. The goal is to be proactive and seek out projects that reflect a need as identified by the community, not just as perceived by BCF or a single individual or organization.
- The Foundation will be intentional with integrating Diversity, Equity and Inclusion (DEI) within its PRI investments.
- The program will be funded from a PRI Fund established by the Board of Directors and will not be integrated with the Community Foundation's traditional investment pool.

- Any and all recommendations from donors pertaining to the investment of their gifts shall be considered advisory only. The PRI Committee and Board of Directors has the power to make all final PRI investment decisions
- PRIs will be reported separately and excluded from general portfolio performance calculations. The program may make PRIs directly or in partnership with other individuals, businesses, or organizations.
- Investees are not required to be charitable or nonprofit organizations.
- Funding levels for the PRI Fund will be determined by the BCF Board of Directors on an annual basis.
- PRIs will likely involve the acceptance of a greater level of investment risk than a traditional investment or grant.

E. USE OF FUNDS

The PRI Fund is intended to function as a revolving fund. Return of PRI investments will be reinvested in the PRI Fund and made available for funding additional PRI projects. Return beyond the original corpus will be returned to the originating fund in the case of investment from a Donor Advised Fund. Expectations of below market returns are acceptable if deemed appropriate for the project. In each case, BCF would expect a return on and/or return of the project principal.

Permitted investments would be as follows:

- Loans,
- Loan guarantees,
- Equity investments,
- Line of credit,
- Financing that encourages other entities to contribute funds and resources.

Each project opportunity will be reviewed on a case-by-case basis in view of available PRI dollars. However, to avoid concentration risk the following funding guidelines apply:

- a maximum of 25% of the set aside funds can be invested in any single entity or project, subject to review and recommendation of the Evaluation Committee and PRI Committee and approval of the Board of Directors,
- Projects that are structured as a loan should have collateral of the type and amount as recommended by the Evaluation Committee,
- Total unsecured investments should not exceed 30% of the set aside funds, and
- Investment terms are expected to be five years or less.

F. ADMINISTRATIVE COSTS

Investee will be responsible for any direct transaction costs associated with processing a PRI project including, but not limited to: legal fees, appraisal fees, environmental assessment fees, and relevant administrative fees (i.e. excessive Staff time supporting the development of the PRI proposal) by the Foundation. These costs may be paid in a

number of different ways including, but not limited to, the investee paying the cost upfront or building it into the principal amount of the project.

G. MONITORING AND EVALUATION

The PRI Committee will be responsible for monitoring the performance of PRIs and overseeing the projects to completion. The PRI Committee will report quarterly to the Board of Directors on all current PRIs and the status of the PRI Fund.

The report will contain:

1. Progress reports on the status of all current projects including an assessment of specific project risks
2. Metrics on the economic and social returns to the community
3. Changes in fair market value of the PRI Fund including an assessment of PRI Fund risks

The Foundation's finance staff will maintain detailed financial records on all PRI investments and will produce financial status reports on an annual basis for the PRI Committee, Investment Committee, and Board, as applicable. Staff will meet with investees at least annually.

H. DELINQUENCIES AND DEFAULTS

BCF's financial staff will actively monitor all PRIs for actual or potential delinquency or default. Such delinquencies or defaults will be communicated as soon as possible to the BCF President. If an investee is delinquent, or if the Community Foundation concludes that significant or ongoing delinquencies are likely, the Community Foundation's President and PRI Committee Chair will meet with the investee immediately to address the problem area. Any changes to the PRI project terms or conditions must be reviewed by the PRI Committee and approved by the Board of Directors. An investee that defaults or substantially fails to comply with its PRI's terms and conditions will no longer be eligible for future BCF PRI funding.