



Impact Investment Fund Investment Policy Statement

I. Introduction

This Investment Policy Statement ("IPS") for the Impact Investment Fund (the "Fund") outlines the general responsibilities and guidelines for the management of the Fund's investment assets of the Community Foundation for Greater Atlanta, Inc. ("Foundation").

The Foundation is a community foundation, organized as a Georgia nonprofit corporation and which qualifies as a tax-exempt, public charity under sections 501(c)(3) and 170(b)(1)(A)(vi) of the Internal Revenue Code. The Foundation's Board of Directors ("Board") is entrusted with the responsibility for the prudent management and stewardship of the Foundation's various funds, established by gifts and bequests from many donors that support a wide range of philanthropic and charitable purposes.

II. Purpose of the IPS

The purpose of this IPS is to assist the Board and its Impact Investment Committee in effectively supervising, monitoring, and evaluating investments of the Fund (responsibilities described on page two). This IPS is intended to (i) document the Board's expectations, objectives, and guidelines for the investment of Fund assets; (ii) set forth an investment structure for managing these assets; (iii) provide guidelines for monitoring the level of overall risk, return and liquidity; (iv) encourage effective communication between the Impact Investment Committee and the Foundation staff; and (v) establish formal criteria for monitoring and evaluating the performance results of the Fund.

With review and recommendation by the Board's Investment Committee, this IPS has been adopted by the Board after consideration of the financial implications of a wide range of policies, and describes the prudent investment process that the Board deems appropriate considering the charitable purposes of the Foundation and the purpose of the Fund.

In addition, in developing this IPS, the Board considered: (i) the goals and objectives of the Foundation's strategic plan regarding impact areas, (ii) general market trends in social impact investing, (iii) the role that the Fund plays within the overall investment portfolio of the Foundation, (iv) the expected total return from investments, (v) other resources of the Foundation, and (vi) the needs of the Foundation and its other funds to make distributions and to preserve capital.

This IPS is intended to be a summary of an investment philosophy that provides guidance for the Foundation, the Impact Investment Committee and staff. It shall serve as the staff's

principal source of guidance for developing appropriate strategies. In addition, it shall serve as the basis for performance evaluation. Any changes in this IPS will be in writing and will be communicated to the staff by the CEO.

III. Investment Responsibilities

Board Responsibilities

The Board has the ultimate responsibility for the prudent management of the Fund's investment assets, and for establishing and modifying (when appropriate) this IPS. The Board has constituted an Impact Investment Committee, as independent and separate from other committees, and delegated to it certain responsibilities for overall management of the Fund.

Impact Investment Committee Responsibilities

The Impact Investment Committee's authority and responsibilities include:

- 1) Establishing and periodically reviewing this IPS and all related exhibits on an ongoing basis and recommending modifications to the Board as may be necessary or desirable in order to reflect changing conditions within the Foundation or to make the policy more effective.
- 2) Overseeing the investments and reporting on performance of the Fund to the Board regularly.
- 3) Establishing asset allocation strategies, Fund structures and parameters for diversification, investment amounts and sector concentration necessary to achieve the objectives of the portfolios.
- 4) Monitoring investment performance and compliance with this policy.
- 5) Reporting at least annually to the Board on the following subjects:
 - a. Fund investment performance summary on financial and impact returns, including comparisons to benchmarks (when appropriate benchmarks can be reasonably identified for similar impact investments)
 - b. Current and historical asset allocation by amounts invested in each impact area
 - c. Progress toward the stated performance objectives documented in this IPS
 - d. Other pertinent matters regarding the Fund's investments

IV. Mission, Purpose and Investment Philosophy

Mission

The mission of the Fund is to drive positive social impact in the Foundation's community through impact investing, the concept that strategically invested capital can achieve both a social outcome and a financial return. The purpose of the Fund's investments will be to support, sustain and scale philanthropic causes that provide a sustainable, long term benefit to the community, while also achieving capital preservation and a positive financial return.

Investment Philosophy

The Foundation's strategic plan has identified and quantified the community's areas of greatest need as represented by five impact sectors in the greater Atlanta region: Arts, Education, Community Development, Nonprofit Effectiveness, and Well-being. Consistent with the Foundation's practices of identifying organizations and initiatives that best address the needs within each impact area, the Fund intends to make strategic investments that support sustainable, long-term social outcomes. As described in greater detail below in the Impact Criteria, investment decisions will first seek to qualify investment opportunities by their relative ability to create a measurable result.

Investment practices and decisions will be governed by the Foundation's belief that investing new forms of capital to address social challenges can meaningfully accelerate and scale solutions that provide both a benefit to the community as well as a positive financial return. An intentional focus on these guiding principles will direct the Fund's investment decisions:

- Impact First Capital: The Fund's capital must influence a measureable improvement in metrics within at least one of the five impact areas;
- Filling a Capital Gap: Investments must fill a gap in access to capital and be necessary to achieve the desired result due to a lack of similarly priced and structured capital opportunities in the market;
- Catalytic in Nature: The structure and terms of investment need to provide more than an incremental effect to the initiative or project's outcome;
- Persuasive Capital: The Fund's capital and engagement in a transaction should actively influence the effort to attract and deploy greater amounts of capital from other sources interested in achieving a common impact.

IV. Investment Objectives & Criteria

The overall investment objectives for the Fund are as follows, and as further described by the two categories of criteria described below:

- Impact: Sustain and scale community-based social change among the Foundation's five impact areas by investing in social solutions in the Atlanta region
- Financial: Preserve capital while achieving positive long-term returns (returns above zero percent)

The Impact Investment Committee will need to continuously monitor the balance between the objectives of the Impact and Financial criteria of the Fund's investments, such that the priority to achieve Impact does not result in undue financial risk.

Impact Criteria

The priority of the Fund will be to achieve the intended social impact. This will be assessed by the degree to which investments are consistent with the Foundation's impact-related goals and alignment with the Foundation's service area.

Impact Goals: The first step in the process to approve transactions will be a pre-screening by the managing director and the Cross-Functional Team (as defined in Section VI) to ensure acceptable initial alignment with the impact areas, as summarized below:

- Arts: Build a dynamic arts ecology to ensure all residents have access to high-quality cultural experiences and diverse artistic programs
- Community Development: Advocate for equitable economic growth, strong civic health and safe, sustainable communities
- Education: Improve outcomes and expand opportunities for all learners across the education spectrum
- Nonprofit Effectiveness: Invest in the region's nonprofits with management and financial resources to equip them to effectively manage operations and high-performing programs
- Well-being: Ensure a healthy, safe and engaged region, where all residents have access to quality health care and nutritious food

Geographies: Investments must benefit constituents, organizations or communities within the Foundation's 23-county area of metro Atlanta. While the possibility exists that investees may be domiciled outside of this area, investments must be deployed for the benefit of the region.

Impact Objectives: The measure of impact, as expressed by an impact rating, for each investment will be determined based on the respective metric(s) as found on the Foundation's Impact Area Dashboard. It should be noted that one of the main challenges faced by the impact investing community is how to evaluate impact, report overall returns and establish effective benchmarking; and the Fund will employ best practices in measuring impact as such practices evolve.

Financial Criteria

The financial goal of the Fund will be to preserve capital and generate positive long-term returns. The following investment considerations shall be considered:

Range of Asset Classes: the primary asset class will be short to medium-term (two to seven year) interest-bearing debt; however, asset classes may also include

- cash equivalents, such as bank certificates of deposit or similar
- community investment notes
- payment guarantees
- hybrid debt/equity-like instruments which have certain liquidity, collateral or payment preferences.

Debt may include, but is not limited to:

- First mortgage financing of real estate, mezzanine or subordinated financing
- Bridge loans
- Debt with conditional or flexible repayments
- Payments based on revenue or performance
- Unsecured or under-secured loans for equipment, renovations, program launch, or working capital.

Preference for Intermediaries: the Foundation intends to deploy funds primarily by investing debt capital in established lending institutions, such as commercial banks, community development financial institutions ("CDFIs"), development authorities

and other established institutions. These investments may have structures ranging from loans directly to the intermediary, loans to existing programs or pools, risk-sharing agreements, loan guarantees, side-by-side loans or purchasing participations in loans.

Direct Investments: In certain cases, which meet with the Fund's goals for the impact areas and align with other investment criteria, the Foundation may also make direct investments in nonprofit or for-profit operating entities.

Investment Amounts: The range of individual investment amounts will be further determined once the initial allocation to the Fund is established (the "Committed Funds", see Section V). In order to ensure appropriate diversification, the Impact Investment Committee (see Section VI) shall determine maximum investment amounts such that no individual investment, or pool of investments with the same repayment source, will cause an undue concentration in the portfolio. The Impact Investment Committee shall also determine the maximum amount for any single investment, as well as the process for approving exceptions to concentration policies. Portfolio concentrations shall be regularly monitored and assessed; and revisions to the policy made accordingly, as determined by the Impact Investment Committee. It should be noted that, due to the startup nature of the Fund, the portfolio will have large concentrations until adequate diversification can be achieved through the further deployment of funds.

Return Objectives: Individual investments will be underwritten with the intent to return the invested principal to the Fund. In addition, each investment will seek to provide a positive financial return, though the Fund will make both market-rate and below-market rate investments. Considerations for below-market rate investments will depend on the expected degree of impact to the community. Financial returns for the portfolio shall be reported at the same frequency and manner as other investment returns reported by the Foundation.

Risk/Credit Profile: The Fund's investments will be comprised primarily of illiquid, private debt transactions, some of which will be unsecured, under-secured or subordinated to the interests of other creditors. The Foundation will seek to mitigate risk through comprehensive underwriting, diversification, and other forms of risk mitigation. As the Fund deploys capital, certain policies for establishing and maintaining a liquidity reserve will also be put in place by the Impact Investment Committee. In transactions with intermediaries, we will request and verify third-party credit ratings when available. For each individual investment, the Fund will attempt to obtain a risk/credit rating or recommendation from a third-party underwriter when possible.

Investment Horizons: The Fund shall have no single investment with a maturity of more than 10 years and most investments shall have terms between two and seven years. However, as determined by the Impact Investment Committee, investments may be extended, renewed or committed to a longer term, or have amortization periods which exceed maturity, on a case-by-case basis, if warranted by the anticipated impact value and if risks are mitigated appropriately.

Other Criteria

Strategic Use of Funds: As further guide to the investment policies and decision process, the Fund's debt capital will typically fit within structures and capital stacks that include, but are not limited to:

- Bridge Financing: Capital that fills specific gaps in timing, loan-to-value ratios or project milestones, where the repayment source is known, typically from other committed capital providers;
- Building Capacity/Efficiency: Providing difficult to obtain longer term capital that has a high likelihood of demonstrating a measureable increase in the permanent sustainability, institutional capacity or reducing cost and inefficiencies;
- Advancing Opportunity: Supporting new initiatives or expansion of successful organizations in order to create or exploit new opportunities;
- Funding Innovation: Providing prudently structured, flexible debt capital for unique social innovations that have the potential for transformational change;
- Infrastructure Support: Foundational capital for supporting the growth of underlying infrastructures, such as the market expansion of intermediaries, necessary to the health and sustainability of social solutions.

Other Terms/Structures/Payments: Investments will be documented with all the necessary and applicable range of terms, provisions, reporting requirements and other conditions commonly found in loan agreements or investment documents of this type.

Investee Structures: Regarding the legal structures of investees, investments may be made to nonprofit 501(c)(3), for-profits, hybrid entities and other entities legally authorized to operate and receive investment and debt obligations. The Impact Investment Committee may determine certain types of investees that may be prohibited from receiving investments, such as PAC's.

Transaction Procedures: The operating protocols, controls and processes for disbursement, reconciliation, invoicing and other transactional procedures will be the same as those in place for the Foundation's other accounting and finance procedures.

V. Capital Allocations

Initial Capitalization: The Fund will be initially funded by an allocation of Committed Funds from the unrestricted portion of the Community Foundation's investment portfolio, as determined by the Board of Directors. Draws against the Committed Funds will occur as each individual transaction is approved and funded. As the Fund reaches full deployment and the amount of unused Committed Funds declines, additions to the amount of Committed Funds may be considered, as determined by the Board of Directors, based on recommendations from the Impact Investment Committee. The Fund will be established as an open-ended fund, such that allocations and investments in the Fund may be made at any time and without a specific expiration or maturity of the Fund.

Separate Fund: The Fund will be managed as an independent pool of investments, apart and separate from the Foundation's existing investment pools.

Donor Capital: Once established the Fund will be made available to existing and new donor-advised funds, as a separate investment choice, based on terms to be determined by the Impact Investment Committee in consultation with the Foundation's senior staff. Certain disclosures, restrictions and investment guidelines will be developed and communicated to donors as a matter of course for inclusion in the Fund.

VI. Investment Practices and Guidelines

With oversight from the Impact Investment Committee, within the guidelines of the IPS and guidance from senior leadership, the Foundation's managing director will have responsibility for employing the investment practices and guidelines necessary to manage the Fund, along with a Cross-functional Team of Foundation staff (shall consist of representatives from all departments of the Foundation, including Community, Finance & Operations, Marketing & Communications and Philanthropy).

Due Diligence: While each investment opportunity will be subject to pre-screening by the managing director and the Cross-functional Team, a more complete due diligence and underwriting report will be sought, when possible, from either the relevant intermediary or a firm experienced in due diligence and credit assessments. When available, we will seek appropriate credit rating information on intermediaries. A due diligence review of each proposed transaction will provide necessary information to assess the overall risk rating of each investment.

Approval Process

The process for approving investments will be governed by this IPS, as the Board may revise from time to time. The Board has authorized the Impact Investment Committee to review and approve individual investments and manage the Fund's portfolio of investments, as further described:

Application for Investment: To apply, potential investees will provide a brief executive summary, term sheet or investment package to the Foundation. Upon satisfactory pre-screening by the cross-functional team, a more complete package of financial, operational and business information will be requested.

Investment Memorandum: The managing director and cross-functional team, with assistance from available outsourced due diligence providers, will prepare an investment memorandum for consideration by the Impact Investment Committee. The investment memorandum will: a) describe the opportunity and how it aligns with the Foundation's impact criteria and metrics; b) summarize the findings from the due diligence process and outline the key risks and appropriate mitigations, and c) summarize the key investment terms for the investment, including repayment terms, maturity, collateral, if any, and interest rate.

Investment Approvals: The proposed structure for approving individual investments includes:

- After pre-screening and upon receipt of complete package, a recommendation would be made to senior staff; upon acceptance,
- A full due diligence process would commence; upon acceptable review and recommendation to advance,
- An investment memorandum would be prepared for review by the Impact Investment Committee, which may:
 - Approve without exception (move to closing),
 - Approve with conditions (to be satisfied prior to closing),
 - Reject (deny the investment), or
 - Request additional due diligence and resubmission.

As a practical matter, during any point of the approval process, input may be sought from members of senior staff and the Impact Investment Committee as needed. Throughout the process, the managing director and other staff may update, seek additional information from and communicate as needed with the investee.

VII. Investment Managing, Monitoring and Reporting

Managing and Monitoring the Portfolio: The managing director and cross-sector team will be responsible for appropriate oversight and monitoring of the individual investments and communicating with and following the progress of individual investees. The Foundation's finance and investment staff will be responsible for servicing all impact investments, including receiving and reporting all loan repayments, and notifying borrowers if payments are overdue. The finance and investment staff will also maintain detailed financial records on all impact investments and will produce financial status reports on a quarterly basis for the Impact Investment Committee and any participating donor-advised funds.

Ongoing Analysis and Investment Evaluation: Due to the risk profile of typical community-based impact investments, in addition to regular reporting, the managing director and cross-sector team, along with the assistance of intermediaries and outsourced service providers, will be responsible for monitoring the progress and financial condition of investees, and providing reports and evaluations of progress to senior leadership and the Impact Investment Committee, as necessary.

Reporting of Social Impact Returns: The Impact Criteria described in Section IV will also be used to define the parameters for reporting impact returns, which will be issued in the same frequency, and in similar format, as the financial returns. In order to align with the metrics for measuring progress, impact returns will be categorized by the Foundation's five Impact Areas;

Benchmarking Financial and Impact Returns: When available and to the extent applicable to investments in the Fund, the managing director and cross-sector team will provide the most relevant and current benchmarks with reporting of the Fund's performance.

VIII. Operational Guidelines

Administrative and Review Procedures

The Impact Investment Committee will review this IPS at least annually, and any material changes, additions or omissions must be approved by the Board. The Impact Investment Committee will also generally consider any exceptions to the constraints in this IPS within the overall context of the materiality of the exception, the context of its occurrence, and the expected longevity of the exception condition.