



SOCIAL BOND FRAMEWORK

The Endowment believes that the nonprofit sector has been severely harmed by the COVID-19 pandemic and its economic fallout, and that nonprofit organizations will require substantial additional financial resources to continue to carry out their charitable missions. Meanwhile, The Endowment believes our nation's recent awakening to racial injustice provides an historic opportunity for transformational change towards a more equitable California. In response, The Endowment seeks to substantially increase the impact of its grantmaking in the coming years by making grants directed at building resilience in the nonprofit sector and stabilizing and strengthening key nonprofit organizations (the "Opportunity Investments").

The net proceeds of the Bonds are expected to be used to provide grant funding for Opportunity Investments to organizations, projects, and programs meeting The Endowment's grant-making criteria or as investments consistent with its Program-Related Investment ("PRI") process. The Endowment's target population of existing and prospective grantee and PRI partners are largely dependent on philanthropic funding and thus are particularly vulnerable to operational, employment, and mission disruption as a result of the wider economic slowdown caused by COVID-19 control measures.

The Endowment will have broad discretion as to its use of the proceeds of the Bonds, provided that such use complies with The Endowment's tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and The Endowment's classification as a private foundation.

The Endowment will use its three key organizational goal areas as a primary screen in determining which nonprofits will receive Opportunity Investments. This screen will ensure consistency with The Endowment's goals and program areas that support the movement for health equity and racial justice in California – with a focus on target populations impacted by inequity. The three goal areas are described below:

People Power: developing young and adult leaders to work intergenerationally to raise the voice of marginalized communities and promote greater civic activism as essential building blocks for an inclusive, equitable and prosperous State;

Reimagining Institutions: transforming California's public institutions to become significant investors in, and champions of, racial and social equity in California's schools, justice, and community development systems, in support of the healthy development and success of young people for generations to come;

A 21st Century “Health for All System”: ensuring prevention, community wellness and access to quality health care for all Californians.

To better target resources where the need to stabilize and strengthen the infrastructure and capacity of key non-profit organizations is greatest, The Endowment will further focus its Opportunity Investments in 6 priority areas:

- **Power Building:** Supporting organizational infrastructure to sustain civic engagement and develop intergenerational leaders reflective of marginalized communities
- **Health Coverage:** Establishing a state-wide grassroots network dedicated to universal health coverage and health systems reform
- **Health and wellness:** Strengthening public health institutions and community partnerships for health and wellness
- **Health Workforce:** Building workforce pipelines that will expand and diversify the health workforce across California
- **Resilient Communities:** Supporting local systems, and infrastructure to respond to the needs of communities most impacted by the health and economic effects of disasters.
- **Research and Evaluation:** Linking civic leaders with researchers and bringing data, analysis, ideas and action together for learning and impact.

Other than Bond proceeds used to pay for costs related to the issuance of the Bonds, The Endowment expects to allocate 100% of remaining Bond proceeds to Opportunity Investments over the course of 2-3 years. With the use of multi-year grant formats, full distribution of the proceeds may take an additional 1-3 years.

Process for Project Evaluation and Selection

The Endowment’s leadership and program teams will be responsible for selecting the Opportunity Investments. Grantees and PRI partners will have undergone a rigorous proposal application process administered by program teams that are subject matter experts in their respective fields.

Opportunity Investment proposal applications evaluate prospective grantees based on a number of criteria including, but not limited to, (i) the issues their organization/project addresses, (ii) geographic focus and/or communities and populations their organization/project intends to support, (iii) long-term goals, (iv) existing revenue sources, (v) potential impact, (vi) prior experience, and (vii) diversity goals and efforts.

Proposals for Opportunity Investments will be thoroughly reviewed to ensure The Endowment complies with all legal requirements (including, but not limited to, Internal Revenue Code requirements and U.S. anti-terrorism laws) for charitable giving. The Endowment has designed its grant making process – from preparation of the grant recommendation to processing final reports – to conform to applicable legal standards and The Endowment’s procedures and standards. Opportunity Investments will be monitored by The Endowment on an ongoing basis through visits, meetings, and written reports.

Management of Proceeds

The Endowment will track the net proceeds of the Bonds. Until distributed, the net proceeds of the Bonds will be held in a segregated account at The Endowment’s custodian bank. Bond proceeds will be transferred, as needed, to an operating account for disbursement. A register will be established and managed by the CFO and his Finance department staff to record on an ongoing basis the allocation of the net proceeds of the Bonds to Opportunity Investments.

Reporting

The Endowment currently reports on its grant-making by listing all of its grants and grantees on its website, updated monthly, as well as Form 990-PF tax filings, with ongoing updates on the work conducted in furtherance of its mission (<https://www.calendow.org/>). The Endowment intends to report on the grants financed through the Social Bonds along with its other grantmaking activities on its website, which will include recipients, location, subject area, and population served.

Information contained in The Endowment’s website is not part of this Offering Memorandum and is not incorporated by reference herein. All updates on the expenditure of bond proceeds are voluntary.