

THE WEST VIRGINIA FIRST FOUNDATION, INC.

SUD GAP FUNDING POLICY

A. The West Virginia First Foundation, Inc. (the "Foundation") is a private nonprofit corporation created by the State of West Virginia and certain Local Governments by virtue of the West Virginia First Memorandum of Understanding (the "MOU") entered into by and among the State of West Virginia, counties, cities, villages, and towns located within the geographic boundaries of the State of West Virginia.

B. The Foundation is organized and exists under W. Va. Code § 31E-1-101 et seq. and shall be operated exclusively for charitable, educational, and scientific purposes within the meaning of § 501(c)(3) of the Internal Revenue Code of 1986, as amended, to hold and manage the proceeds of Judgments and other funds for the support of evidence-based strategies, programming, and/or services used to expand the availability of treatment for individuals affected by substance use disorders and/or addiction; to develop, promote, and provide evidence-based substance use prevention strategies; to provide substance use avoidance and awareness education; to engage in enforcement to curtail the sale, distribution, promotion, or use of opioids and other drugs; to decrease the oversupply of licit and illicit opioids; and to support recovery from addiction, to be performed by qualified providers as described in the MOU.

C. The Foundation is governed by the Board of Directors (the "Board"), which is vested with all powers and authorities conferred upon it by the Articles of Incorporation issued by the Office of the Secretary of State of West Virginia on May 18, 2023, and the Foundation's Bylaws adopted on October 31, 2023.

D. The Board desires to establish a Gap Funding Model Program that provides short-term, no- or low-interest loans to eligible nonprofit organizations and public entities that have been awarded grants or contracts by West Virginia state government agencies but are awaiting their first disbursement of funds.

E. The Board intends for the Gap Funding Model Program to support continuity of services and operational stability during the grant startup period, further the Foundation's charitable mission, and operate as a Program-Related Investment in accordance with applicable Internal Revenue Service guidance.

NOW, THEREFORE, in furtherance of the above-stated purposes, the Board adopts this policy:

1. PURPOSE

1.1. The Foundation establishes the SUD Gap Funding Model Program (the "Program") to provide short-term, no- or low-interest loans to nonprofit organizations and public entities that have been awarded grants or contracts by a West Virginia state government agency but are awaiting their first disbursement of funds. The Program is intended to support continuity of services and operational stability during the grant startup period.

1.2. The Program shall be offered as a Program-Related Investment in accordance with applicable Internal Revenue Service guidance and shall align with the Foundation's mission to support community development, public health, and human services.

2. ELIGIBLE BORROWERS

2.1. To qualify for the Program, an applicant must:

- (a) Be a § 501(c)(3) nonprofit organization or public entity, including a municipality or state agency sub-grantee, with total unrestricted net assets of less than \$1,000,000;
- (b) Provide proof of a fully executed grant agreement or contract from a West Virginia state government agency;
- (c) Demonstrate compliance with W. Va. Code § 12-4-14, including compliance with state grant reporting requirements and eligibility to receive future State funds;
- (d) Be in good standing with the Foundation, including compliance with applicable reporting requirements and grant or contractual agreements;
- (e) Be located in and/or serve communities within the Foundation's designated geographic focus area, e.g. West Virginia; and
- (f) Provide services permitted under the MOU's Approved Uses that align with one or more of the Foundation's priority funding areas.

3. LOAN TERMS

3.1. **Loan Amount.** For a lump-sum grant, an applicant may request up to 25% of the total confirmed state grant award, not to exceed \$100,000 per applicant per grant. For a scheduled-payment grant, an applicant may request up to the amount of the first scheduled payment of the confirmed state grant award, not to exceed \$100,000 per applicant per grant.

3.2. **Interest Rate.** No interest shall accrue on a loan repaid within three months after the beginning of the loan term. A loan not repaid within three months shall accrue interest monthly at a fixed rate of 1.5%.

3.3. **Origination Fee.** An origination fee of \$500 per applicant per grant must be paid before funds are disbursed.

3.4. **Loan Term.** The loan term shall be no longer than 12 months and shall end no later than 30 days after the borrower receives the first disbursement of state funds, whichever occurs first.

3.5. **Repayment.** The borrower shall repay the loan in full in one lump-sum payment upon receipt of the first grant disbursement. A request to modify payment terms, including an extension or payment plan, must be made in writing to the Foundation and may be approved on a case-by-case basis. The Foundation is not required to approve a modification request.

4. CREDITWORTHINESS AND UNDERWRITING CRITERIA

4.1. Because of the Program's charitable nature, the Foundation shall de-emphasize traditional credit metrics. The Foundation shall assess:

- (a) Verification of a fully executed state grant or contract with clear disbursement terms;
- (b) Compliance with state grant requirements and eligibility to receive State funds;
- (c) The applicant's most recent audited financial statements or IRS Form 990;
- (d) Current and pro forma financial statements and applicant liquidity;
- (e) Evidence of sound fiscal management and internal controls;
- (f) History of grant compliance and fund management; and
- (g) A statement of the applicant's ability to repay the loan upon receipt of the first grant payment.

4.2. Credit scores and collateral are not required. The Foundation may request a board resolution or fiscal agent guarantee in individual cases.

4.3. The Foundation reserves the right to decline a loan application based on insufficient liquidity, excessive debt, or other factors that do not conform to the Foundation's risk profile.

5. APPLICATION PROCESS

5.1. An applicant must submit the following materials:

- (a) A Loan Application Form containing organizational and contact information;
- (b) A copy of the executed state grant or contract, including its budget and disbursement schedule, and confirmation of compliance with W. Va. Code § 12-4-14;
- (c) A Letter of Good Standing from the West Virginia Tax Department;
- (d) A board-approved resolution authorizing the loan request, if applicable;
- (e) The applicant's most recent financial statements, with audited financial statements preferred and unaudited statements permitted if audited statements are unavailable;
- (f) A narrative description of the grant program, timeline, and intended impact; and
- (g) A repayment plan tied to the expected disbursement timeline.

6. REVIEW AND APPROVAL

6.1. Applications shall be submitted using the Foundation's standard form and shall be accepted on a rolling basis.

6.2. Foundation staff shall review each application for completeness and basic eligibility.

6.3. An approved applicant shall receive a loan agreement stating the applicable terms and repayment schedule, subject to Board oversight.

7. LOAN AVAILABILITY

7.1. Loans shall be made available on a first-come, first-served basis.

7.2. The Foundation shall include in its annual budget an amount to be made available for the Program. The fund shall be depleted as loans are originated and replenished as loans are repaid.

7.3. Unless otherwise specified by Board action, the Program shall temporarily pause if the fund is depleted and may resume when repayments replenish the fund.

8. MONITORING AND REPORTING

8.1. A borrower must notify the Foundation upon receipt of state funds and promptly repay the loan upon receipt of the first disbursement.

8.2. At the discretion of Foundation staff, a borrower may be required to submit a brief use-of-funds report and impact summary after the grant-funded program begins.

9. DEFAULT AND REMEDIES

9.1. If a borrower fails to repay a loan because it does not receive the expected state disbursement, the Foundation may take one or more actions, including, but not limited to, the following:

- (a) Accelerate repayment of the loan;
- (b) Renegotiate the loan terms;
- (c) Convert part or all of the loan to a grant, subject to Board approval and documented hardship; or
- (d) Report the issue to state partners to assist in resolving the matter.

10. LEGAL COMPLIANCE

10.1. The Program shall comply with Internal Revenue Code § 4944(c) governing Program-Related Investments and shall further the Foundation's charitable mission.

11. REVIEW AND AMENDMENTS

11.1. The Board shall review this policy annually and may amend it at any time to reflect changing needs or regulatory guidance.