

**Community Foundation for Monterey County
Addendum to Investment Policy Statement Approved April 24, 2012 (Being
revised in 2019)**

Community Impact Investments

This addendum adds Community Impact Investments as an asset class in the Community Foundation for Monterey County's Investment Policy Statement. This addendum allows an allocation for Community Impact Investments within a range of 0 – 4%, and a target allocation of 2%. Decisions for placing Community Impact Investments will be approved by the Community Impact Investment Committee. Returns will be shown on the monthly and quarterly reports produced by the CFMC's investment consultant, and reviewed by the CFMC's Investment Committee. While there is no standard benchmark, return expectations will be established by the CIIC. It is understood that the CIIC will monitor the social impact created by the investments.

April 2, 2018 (Revised February 2019)

Community Impact Investment Policy Statement

The Community Foundation for Monterey County's (CFMC) Community Impact Investment (CII) program utilizes a portion of the CFMC's long-term investment portfolio in a manner that creates local impact. Local placements from the portfolio support overall returns and create impacts consistent with the CFMC's mission (*To inspire philanthropy and be a catalyst for sustaining communities throughout Monterey County*). Investments must benefit Monterey County.

Impact investing is not new to philanthropy. Many private and community foundations are utilizing impact investments in various forms. Impact investments are not grants. They are placements of capital intended to bring market or near-market returns. Impact investments can range from the very simple (buying CDs at local credit unions) to the complex (investing directly in social enterprises). The CFMC seeks a middle ground of complexity by placing capital with intermediaries such as Community Development Financial Institutions (CDFIs) or like institutions. This strategy allows the CFMC to utilize expertise currently residing in the intermediaries. For example, rather than directly making loans to start-up farmers or women entrepreneurs, the CFMC's Community Impact Investment program will place capital with experienced organizations that work directly with the recipients of the funds. Should the CII program exhaust CDFI options, or if the CII committee seeks to impact areas not practically served by CDFIs, the committee, with CFMC board approval, may make direct investments with organizations engaged in the sought-after impact area. As the CFMC's Community Impact Investment program grows, it may choose to venture into even more complex investments; should that occur, this policy statement will be further amended to allow for such activity.

Capital for the CFMC's Community Impact Investments will come from the CFMC's long-term portfolio. The CFMC's Investment Policy Statement (IPS) includes Community Impact Investments as an asset class. The IPS shows an allocation range for Community Impact Investments of 0 – 4%, with a target allocation of 2%.

No one investment will exceed 50% of the target allocation, unless approved in advance by the CFMC board of directors. Should the CFMC co-invest with another funder, it is only the CFMC's investment that counts toward the limit of 50% of the target allocation. Each Community Impact Investment requires consideration of duration, allowing for flexibility to changing economic circumstances and the potential for liquidity.

It is understood that donor advisors may want to utilize their funds for Community Impact Investments. Such activity will not occur without the approval of the CII committee.

The Community Impact Investment Committee will define what returns are deemed acceptable, considering the type of investment and how the investment is meeting a need in Monterey County. Investment return on the CFMC's impact investments will be reported to the CFMC's Investment Committee, and returns will be included in the investment consultant's monthly and quarterly reports.

April 2, 2018 (Revised February 2019)

Community Impact Investment Committee Description

Oversight of the CFMC's Community Impact Investments will be performed by the Community Impact Investment Committee. The committee will be comprised of no less than five members. The chair must be a CFMC board member, and a majority of the committee will be comprised of CFMC board members. The chair will sit on the CFMC's Investment Committee. Staff will support the work of the committee.

The role of the Community Impact Investment Committee will be to:

- Annually review the CFMC's Community Impact Investment Policy Statement and recommend any changes to the CFMC board of directors for approval;
- Maintain a process for identifying and placing investments;
- Maintain a process for determining the terms, conditions, and expected outcomes of each investment, including reporting by any intermediaries to which placements have been made;
- Maintain a process for monitoring the success of individual placements, not limited to investment return (e.g. alignment with the CFMC's mission). Investment impact can include reports on the number of jobs created, businesses started or housing units built
- Provide reports to the CFMC's Board of Directors and Investment Committee; and,
- Create a description of duties for the CFMC's finance department to utilize in working with and reporting on Community Impact Investments, including how impact investments interact with the CFMC's annual audit.

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