

**Community Foundation for Monterey County**  
**Addendum to Investment Policy Statement Approved April 24, 2012**

**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 – 5%, and a target allocation of 2%. Decisions for placing Community Impact Investments will be overseen 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

## Community Impact Investment Policy Statement

The Community Foundation for Monterey County (CFMC) seeks to utilize a portion of its investment portfolio in a manner that creates local impact. Local placements from the portfolio can 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.). The CFMC's program will be called Community Impact Investments. The 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. As the CFMC's Community Impact Investment program grows, it may choose to venture into more complex investments; should that occur, this policy statement will be amended to allow for such activity.

Capital for the CFMC's Community Impact Investments will come from the general portfolio. The CFMC's Investment Policy Statement (IPS) will be amended to allow for a new asset class: Community Impact Investments. The IPS will reflect an allocation range for Community Impact Investments of 0 – 5%, with a target allocation of 2%. Once approved, the CFMC may take up to three years to meet the target allocation.

No one investment will exceed 50% of the target allocation. 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.

As Community Impact Investment placements are made, it will be important to consider the duration of each investment, 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.

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 monitored by the CFMC's Investment Committee, and returns will be included in the investment consultant's monthly and quarterly reports.

April 2, 2018

## **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 3 – 7 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:

- Develop a Community Impact Investment Policy Statement that can be recommended to the CFMC board of directors for approval;
- Develop and implement a process for identifying and placing investments;
- Develop and implement a process for determining the terms, conditions, and expected outcomes of each investment, including reporting by any intermediaries to which placements have been made;
- Develop and implement 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.

April 2, 2018