ALBUQUERQUE COMMUNITY FOUNDATION
leadership • trust • legacy

Impact Investment Policy
Updated April 2026~~December 13, 2022~~

Background

In January 2016, the Board of Trustees of the Albuquerque Community Foundation ("Foundation") decided to engage in an Impact Investing Initiative ("Initiative") and commit up to 5% of the endowed assets managed by the Foundation, as of December 31 of the prior fiscal year, to impact investments. Initially considered a pilot project in 2016, on March 23, 2021 the Board of Trustees extended the life of the Initiative indefinitely, subject to periodic review by the Board. This document outlines the Policies and Procedures for the Foundation's Initiative.

Principles

The Initiative will be managed based on the following principles:

1. The Initiative will prioritize investments that advance measurable social impact while pursuing financial return consistent with its mission. The Initiative recognizes that transformative outcomes may require thoughtful risk-taking and flexible capital. Preservation of capital will be considered within a broader framework of responsible portfolio management, rather than as a prerequisite to participation in individual projects~~The Initiative will seek to fund projects that provide both social impact and financial return, recognizing the need for reasonable risk-taking for success, but with due effort and intent to preserve capital and manage the risks associated with individual projects, as well as the overall portfolio of local investments~~.

2. Investments shall be aligned with the Foundation's mission, vision and values.~~Vision Statement, "To be a Leader in Community Philanthropy."~~

3. Investments shall be made only after consideration of the Foundation's commitment to Diversity, Equity, and Inclusion ("dEi") and related policies.

~~4. Impact Investments will be considered for programs providing access to economic opportunities principally in the areas of economic development, workforce enhancement, education, historic preservation and renovation, and affordable housing.~~

~~5~~4. Generally, the investments shall seek to create a social impact in the Greater Albuquerque Metropolitan Area (Bernalillo, Sandoval, Valencia and Torrance Counties) served by the Foundation, but investments that may also impact other regions or the State of New Mexico as a whole are permissible.

~~6~~5. The Initiative will focus primarily on equity investments through intermediaries and loan opportunities. Equity investments through or in partnership~~s~~ with local and regional intermediaries are preferred. The intent is to leverage their local expertise, strengthen local intermediary capacity and build long-term partnerships. National intermediaries with existing local presence or capacity to build a significant presence may be considered where appropriate and beneficial to the Foundation's long-term Impact Investment strategy.

6. Investments can be made in both nonprofit and for-profit entities, which are in compliance with applicable laws and regulations, including IRS regulations and UPMIFA.

~~8~~7. Investments can earn market or below market rates of financial return based on the level of associated risks and the extent of the social impact return. Forgivable Loans may be considered as outlined in the Foundation's Forgivable Loan Policy.

The Impact Investment Fund and Coordination with the Foundation's Investment Committee

The Impact Investment Fund to be administered by the Impact Investment Committee ("Committee") is intended to be five percent (5%) of the Foundation's endowed assets as of December 31 of the prior fiscal year, subject to excluding charitable remainder trust assets, New Mexico Community Trust assets, and disclosing and regularly reporting financial and social returns for the impact portfolio separately and combined with the full investment portfolio. As the Foundation's endowed assets grow, the size of the Impact Investment Fund available for use in the impact investing program also grows, albeit limited to no more than 5% of the Foundation's endowed assets (as of December 31 of the prior year), [excluding the Impact Investment Committee's separately tracked investment returns] [or] [in addition to the Impact Investment Committee's separately tracked investment returns]. Increased funding above the Board-approved 5% of the Foundation's endowed assets for impact investing of endowed assets managed by the Foundation is subject to Board of Trustees' approval.

Assets invested currently as part of the Foundation's endowed assets shall remain invested under the supervision of the Investment Committee until the Committee advises the Investment Committee that it wishes to draw from those investments for impact investment purposes. ~~The Committee should seek to provide the Investment Committee 90 days' notice prior to the deadline for making an impact investment.~~

The Investment Committee shall maintain sufficient liquidity in the invested endowment portfolio so that it may provide funds promptly to the Committee for impact investment purposes. Upon receiving a call for funds by the Committee, the Investment Committee shall promptly liquidate sufficient funds (to be selected in the Investment Committee's reasonable discretion) to meet the Committee's request and make them available to the Committee for impact investment purposes.

All financial returns to the Impact Investment Fund shall not be spent or distributed, except that in the event additional impact investment opportunities are not available, those financial returns may be reinvested by the Investment Committee in traditional, liquid investments so that such funds may be readily available for further impact investing; provided that such funds and returns will be tracked and accounted for on a basis separate from other endowment funds.

The Committee is responsible for reporting both financial and social impact to the Foundation's Investment Committee and Board of Trustees annually. The Foundation's CFO and Impact Investment Committee Chair will review and report social impact to the Committee annually.

The Committee may invite donor-advised fund holders interested in impact investing to participate in receiving investment pitches or presentations. Such donors could engage directly with an organization or in partnership with a Foundation investment. Repayment of the investment will be negotiated with the partners on each individual deal.

Donor-advised fund holders could choose to grant funds to the Foundation's Impact Investment Fund. These funds would be treated as any other donor-advised grant and thus, not repaid.

The Committee may invite other individuals or entities, not currently donors to the Foundation, to participate in receiving investment pitches or presentations. The purpose of these potential partnerships would be to develop relationships with new donors to grow the Foundation's general endowment fund and to generate a larger overall pool of impact investments.

Those above-mentioned donor-advised and other funds shall serve to increase the size of Impact Investments above the threshold of 5% of the endowment without further Board of Trustees approval, unless such approval may otherwise be required under the Foundation's gift acceptance policy.

Every impact investment will be different and require its own specific contract and other required documentation.

Impact Investment Guidelines

These Guidelines will be read in conjunction with the Foundation's Impact Investment Policy and Charter. In the event of a conflict between these Guidelines and the Policy and Charter, the Policy and Charter controls.

Objectives

Financial Goals: Impact investments may target ~~can earn~~ market-rate or below-~~-~~market ~~rates of~~ financial returns, depending on the nature of the opportunity and its anticipated social or cultural impact. The Initiative seeks financial performance that is appropriate to the level of risk undertaken and consistent with responsible portfolio management. Long-term stewardship of capital remains an important consideration, evaluated within the broader context of advancing the Initiative's mission and impact objectives. ~~The stated financial target return seeks to preserve the principal long term and earn a return commensurate with investment risks with due consideration given to the anticipated social or cultural impact of the investment.~~ Returns on impact investments may generally be lower than traditional market benchmark rates for the respective asset classes; however, the Committee ~~in certain cases,~~ recognizes that the pursuit ~~the financial return on an impact investment need not be sacrificed necessarily to achieve a~~ of measurable social impact ~~return~~may justify flexible financial expectations, while also acknowledging that impact-oriented investments may, in certain circumstances, achieve competitive financial returns. Target rates of financial return for each investment may~~will~~ be established, where ~~possible~~appropriate, based on various factors including the anticipated social impact or result, associated risks, and insights and experience the Foundation may have with the prospective investee organization. The Committee acknowledges that target rates of return may not be possible or appropriate for certain ~~for equity~~ investments, including equity investments.

Impact Goals: Impact investments should be in alignment with: (a) the Mission, Vision, and Values of the Foundation with a focus on social impact in the Greater Albuquerque Metropolitan Area (Bernalillo, Sandoval, Valencia and Torrance Counties) ~~served by the Foundation~~, and (b) the Foundation's dEi policies. Investments that may also impact other regions or the State of New Mexico as a whole are permissible. The Foundation seeks, in general, to make strategic investments where they support or enable the Foundation's broader community leadership and/or can be leveraged to bring a larger pool of funding to the project for positive impact to the community.

Investment Parameters

1. **Risk:** Primary risk concerns include protecting the Impact Investment Fund's principal and the Foundation's reputation. These risks may be mitigated through use of intermediaries in good standing, appropriate due diligence, diversification (as such opportunities may be available), co-investments, term sheet requirements, collateral, and guarantees or other forms of loss protection. The Committee shall seek to conduct a risk assessment on each investment and categorize it as No/Minimal Risk, Low Risk, Moderate Risk or High Risk as part of the due diligence and decision-making process. The Foundation acknowledges that the investments to be made through the Impact Investment Fund are inherently higher risk than most other traditional investment opportunities.

2. **Investment Time Horizon:** I~~In general, i~~mpact investments may be made for any term of time, but generally should not exceed ~~are expected to have~~ a time horizon of ~~7 to~~ 10 years. ~~However, the Committee has the authority to make shorter or longer-term investments on a case-by-case basis~~.

3. **Allocation:** ~~The allocation of impact investments may be driven by the underlying impact investment opportunities and instruments managed by the intermediaries where local impact objectives can be met with sufficient deal flow~~. In order to mitigate investment concentration risks, the Initiative will limit the maximum amount of assets that can be invested in or through any single intermediary or entity to 35% of the total committed Fund. The investment portfolio should be reviewed by the Committee at least annually to monitor compliance with these restrictions.

   The Investment Committee has the discretion to modify this percentage restriction; provided however, in no circumstances shall investments in or through a single intermediary or entity exceed 50% of the total committed Fund.

4. **Investment ~~Criteria~~Considerations:** The Committee will consider investment opportunities that have a reasonable likelihood of returning at least the invested capital. Acceptable rates of financial return should be determined in light of the expected social or cultural impact results and the degree of financial risk. Other considerations~~riteria~~ for investments include:

   - The prospective investee requires a minimum investment of $50,000 from the Foundation.
   - A grant is not the right tool to meet the objective, ~~however~~ and an impact investment will not preclude the partner from receiving grants through the traditional grant programs of the Foundation.

- The prospective investee should have a proven track record of repaying invested capital and/or be led by a management team with strong experience in managing such projects to successful social and financial outcomes.
- The prospective investee should have an identified source of income or asset base for repaying the invested capital. If there are concerns regarding how secure or sufficient the sources of repayments might be, the investment could be further secured by a guarantee from another entity that is financially stronger.
- The Committee shall assess the prospective investees's potential to achieve an acceptable level of social results measured against metrics appropriate to the type of investment under consideration. Prior to making any investment decision, the Committee shall develop metrics or performance measurement criteria against which to measure the social impact return results that are appropriate to the type of investment under consideration. For example, metrics may include number of jobs or new businesses created, number of families supported, revitalization outcomes, etc.

5. **Payment Schedule:** The payment schedule for principal and earnings from the invested capital will be negotiated or determined on a case-by-case basis, depending upon the prospective investee's anticipated source and nature of repayments.

6. **Loan Loss Reserve:** An appropriate loss reserve will be established for each loan investment at the time of closing. The rate for loss reserve is to be determined by the CFO~~Committee~~ depending on the level of risk.

7. **Administrative and Transaction Costs:** Unless such costs can be absorbed by the partner, the Foundation will charge to the endowment any costs associated with processing the investments including, but not limited to, legal fees and other out-of-pocket expenses~~ to the endowment~~. These costs may be paid in a number of different ways including, but not limited to, the partner paying the cost up front or building it into the principal amount of the underlying investment.

8. **Processing Time:** The Foundation anticipates the time to close and fund an approved investment will typically range from 60 to 180 days from the receipt of the initial proposal. The actual time may vary depending on a number of factors including, but not limited to, the complexity of the project and proposal, the availability of requested documents for due diligence and other Foundation constraints.

9. **Monitoring and Evaluation:** The Committee will conduct regular monitoring and evaluation of its investments and overall performance on a quarterly and annual basis. The Committee will report to the Board of Trustees at least annually.

   Reports will focus on overall performance of the Impact Investment Fund and will include:

   - Metrics on social impact or results
   - Fund investments and performance
   - Risk assessment for each active investment and for the combined impact investment portfolio
   - Related activities

Reports containing investment activities and performance are to be collected from intermediaries or entities in which direct investments have been made on a quarterly or semi-annual basis depending on the types of investments.

Social Impact Investment Statement

All investments will be focused in the Greater Albuquerque Metropolitan Area (Bernalillo, Sandoval, Torrance and Valencia Counties). Investments that may also impact other regions or the State of New Mexico as a whole are permissible. The objectives of the impact investment portfolio are:

- To stimulate entrepreneurial initiatives and economic development
- To contribute to the creation and retention of jobs that offer living wages and benefits
- To provide availability and access to affordable capital
- To increase the supply of and improve access to affordable housing
-
- To enhance the quality of life through the vitality of the downtown area and other strategic locations.
- To promote a more vibrant community, especially in collaboration with other investors (including donors) to increase leverage
- To promote quality educational opportunities
- To promote nonprofit capacity building
- To promote such other initiatives as the Impact Investment Committee may identify consistent with the spirit and ethos of this policy.

These potential impacts should be evaluated through the lens of the Foundation's dEi commitments and policies.

Metrics will be measured on a deal-by-deal basis. ~~Our expectation is that our investments will produce social impact in one or more of the following ways, without limitation:~~
~~Increase in the number of new private sector jobs offering living wages and benefits~~
~~Increase in the number of new companies founded~~
~~Increase in the number of loans or investments made to aspiring entrepreneurs, homeowners and students~~
~~Increase in the number of affordable housing units created~~
~~Increase in the number of individuals trained around financial literacy~~
~~Amount of capital leveraged~~
~~Impact on the revitalization of the City of Albuquerque~~
~~Increase in the number of educational professionals trained~~
~~Increase in the number of students' educational/vocational attainment (e.g., degrees or certificates obtained)~~