



AJL FOUNDATION
PROGRAMMATIC INVESTMENT POLICY STATEMENT
APPROVED: MARCH 21, 2024

I. BACKGROUND

It is the mission of the AJL Charitable Foundation (“Foundation”) to invest in the people, programs and movements that benefit Colorado’s families and youth (“Community”). The Board of the Foundation views the assets held by the Foundation (“Portfolio”) as funds intended for long-term philanthropic purposes consistently responsive to the human needs in the served communities.

It is the policy of the Board of Directors (“Board”) of the AJL Charitable Foundation (“Foundation”) that all assets, including funds that are legally unrestricted, be held in a fiduciary capacity for the sake of accomplishing the Foundation's mission and purposes. The following information is to be judged and understood in light of that overall sense of Foundation stewardship. When applicable, the Foundation will prioritize investments that support the mission and the Sustainable Development Goals 10 and 11, Reduced Inequalities and Sustainable Cities and Communities. The basic investment standards applied shall be those of a prudent investor as articulated under Colorado state laws.

II. PURPOSE

The purpose of this Programmatic Investment Policy Statement (PIPS) is to document the Foundation’s objectives and guidelines for program related investments (PRIs). This PIPS provides guidance to the Foundation’s Board of Directors (“Board”), Finance and Investment Committee, Staff, and Advisor on how to evaluate, invest, and monitor PRIs.

III. ROLES AND RESPONSIBILITIES

A. Board

The Board’s specific responsibilities for the programmatic investment strategy include:

1. A fiduciary responsibility for the Foundation’s assets and set policy governing the implementation of the Foundation’s mission and programs identified in the Strategic Plan.
2. Reviews recommendations by the Finance and Investment (F&I) Committee and makes final approval of the PIPS.

B. Finance & Investment Committee

The F&I Committee is primarily responsible for the oversight of and retains ultimate discretion for the Foundation’s programmatic investment strategy.

The F&I Committee’s specific responsibilities are to:

1. Review the PIPS and make recommendations for approval of this policy, annually, or as

- needed, and refer the PIPS to the full Board for final approval.
2. Review investment updates and determine whether a meeting is necessary.
 3. In concert with the Staff, cultivate ideas for investment opportunities.
 4. Review the Staff's due diligence on PRIs in accordance with the guidelines set forth in this PIPS.
 5. Work with the Staff to establish the reporting objectives, noted below, for the PRIs, considering other impact metrics used by the Foundation.
 6. Review initial due diligence reports, as needed, and review financial and impact performance monitoring reports, at least annually, or more frequently as needed.
 7. Continue to assess the alignment between the PRIs, the PIPS, the Foundation's Strategic Plan, and the Foundation's impact investment program, and recommend updates as needed.
 8. Review and approve all PRIs.

C. Staff

The specific responsibilities of the Staff include:

1. Assess and cultivate the investment market, providing field scans, and developing actionable investment opportunities.
2. Source, implement, and monitor PRI investment decisions including:
 - a. Conduct the financial and impact due diligence on PRIs sourced.
 - b. Provide due diligence memos on the PRIs to the F&I Committee and/or Board.
 - c. Provide, at least annually, financial and impact performance reports on the investments that analyze performance of each investment relative to the identified objectives, below.
3. Support the organization in the financial structuring of the PRIs working in partnerships with other Foundation consultants (e.g., legal).
4. Oversee the communication, with support from the Advisor (if applicable), of the PRIs to the F&I Committee, the Board, investees, and the Community.

D. Program Related Investment Advisor

In recognition that the Board, F&I Committee, and Staff may not possess the resources, time, experience, or expertise to most appropriately guide PRIs; the Foundation may work with an independent program related investment advisor. Specifically, the advisor shall support by:

1. Providing recommendations, insights, and guidance to various PRI opportunities and existing investments.
2. Assisting Staff in researching, due diligence, and clarifying investments and impacts.

IV. INVESTMENT OVERVIEW

Organization Type	501c3 organizations For-profit companies
Geography	Colorado Other geographies allowable based on approval by the F&I Committee
Type of Investment	Indirect Investments (e.g., pooled loan fund, CDFI, etc.) Direct Investments
Asset Classes	Grant support Equity and Debt Guarantees
Source of Funds	Foundation funds Other funds, as appropriate

V. OBJECTIVES

The Foundation will follow the IRS guidelines for PRIs as a framework for the programmatic investments.

1. The primary purpose of the investment is to further the Foundation’s charitable purpose.
2. The production of income or asset appreciation is not a significant purpose.
3. The investment will not be used to influence legislation or take part in political campaigns.

Because community impact has inherent value, additional framing objectives that are guided by the mission of the Foundation include the intention for PRIs to fill financing gaps, address market failures, apply an aggressive risk profile, and promote innovative ideas in the areas of the Foundation’s strategic priorities. Thereby, filling a role that traditional capital may consider too risky or otherwise does not meet the criteria for traditional market funding. The PRIs are not intended to be just an inexpensive source of capital. For Impact First investments, the



Foundation’s primary consideration for the investments will be to address the key priorities as identified in the Foundation’s mission and vision but could also have an above market rate return.

B. Repayment

The primary consideration for the investment will be to address the key priorities areas outlined in the Foundation’s Strategic Plan. All investments will be made with an expectation of full repayment (return of principal). In addition, in some cases income and/or asset appreciation that is below the market rate for that investment may be considered.

C. Intentions and Community Impact

Intentions and community impact of PRIs are outlined to meet the bylaws of the Foundation and the needs of the Community without compromising the future generation’s needs and evaluating opportunities that avoid harm, benefit Community and contribute to solutions.

INTENTIONS	Avoid Harm	Benefit Community	Contribute to Solutions
COMMUNITY IMPACT	Abortion, Adult Entertainment, Alcohol, Firearms, Gambling and Tobacco	Big Challenges: Reduced Inequalities and Sustainable Cities and Communities Focused issue areas: Environment, Diversity, Human Rights, Community Engagement, and Workers Rights	Big Challenges: Reduced Inequalities and Sustainable Cities and Communities Focused areas: Signal that impact matters, engage actively, grow new or underserved capital markets, and flexible capital

Consistent with our overarching mission and in alignment with the [IRS’ definition of charitable](#), we also rate our investments for, relief of distressed or underprivileged people, advancement of education and science, promoting social welfare, lessen neighborhood tensions, eliminate prejudice and discrimination, defend human and civil rights secured by law, decrease community deterioration, gender and socioeconomic equity, and proactively seeking investees who are people historically underrepresented in the investment and finance field, outlined in a separate PRI ratings document.

D. Risk

PRIs will often be inherently riskier than traditional investments. The Foundation will aim to mitigate some of the risk by working through intermediaries and creating a diversified portfolio of PRI opportunities across the risk spectrum. Where possible, the Foundation will evaluate the



potential for collateral and financial covenants as well as alignment to intentions and community impact, above.

E. Ratings

The Foundation rates investments with ratings A through D, “A” being a high likelihood of repayment with income and “D” being a lower likelihood of repayment. All investments will also be rated A through D on their community impact, rated with an “A” as they align with intentions and community impact (per section C, above) and “D” with indirect alignment or movement away from community impact during the investment period. The Foundation will rate each investment to enhance understanding of the level of risk, both as a financial and risk to Community if no investment is made. Looking across the programmatic investment portfolio, the Foundation will target a weighted risk profile of B or C for a repayment objective, depending on the needs and opportunities presented in the marketplace and target a risk rating of A or B for intentions and community impact objectives (per section C, above). The ratings system, outlined in a separate document, in no way guarantees the likelihood of investment performance for repayment and/or intentions and community impact.

1. Sector/Issue objectives and measurement: PRIs seek to align with AJL’s repayment and community impact objectives.
2. Investment structure: Capital will be deployed through financial intermediaries and/or with co-investment partners whenever feasible, as well as sole AJL direct investments.
3. Financing instruments: The priority will be to deploy capital through financial intermediaries in the approved asset classes. The financing instruments outlined below may be used by the Foundation within each asset class. Any other instruments must be approved by the F&I Committee prior to being considered.

Grant Support	Equity	Debt		Cash	Guarantees
		Sub Loans	Senior Loans		
Non-recoverable grants	Direct equity	Flexible loans (direct)	Flexible loans (direct)	CDs	Loan guarantees
Recoverable grants	Equity funds	Debt funds	Debt funds	Deposits	Fund guarantees
	Convertible equity	Line of credit Facilities			

F. Expected Time Horizon

Investments can be as short as six (6) months and as long as ten (10) years. Different time horizons may be considered on a case-by-case basis and must be approved by the F&I Committee.



G. Investment Range

PRIs may range from \$500 - \$150,000. Larger amounts may be considered on a case-by-case basis and must be approved by the F&I Committee.

VI. DUE DILIGENCE

The AJL staff will evaluate the following due diligence criteria for each programmatic investment and provide the F&I Committee with an assessment memo outlined with applicable findings for new and existing investments. Due diligence criteria is outlined in a separate document.

V. INVESTMENT MONITORING

A. Investment Review

Staff will review and engage with all investees at least annually, or as needed, apprising the F&I Committee of any material changes in the investee's ability to meet the minimum obligations of the investment agreement. The investee shall go on "ratings review" when there is any material change in the following:

1. Change in the management and/or portfolio team of the organization or fund.
2. Investment is out of compliance with any of the performance or financial covenants/promissory notes.
3. Investment or company shows a deteriorating financial position as measured by profitability, debt service coverage ratios, debt/equity ratios, performance, etc.
4. A change in investment philosophy and/or impact strategy.
5. Difficulty meeting programmatic goals and/or changes to intentions and community impact.

B. Financial Performance & Impact Reporting

The Staff will provide quarterly financial reports and annual financial and community impact reports to the F&I Committee to review the investment results, transaction status, and to discuss the landscape for new PRIs. The Staff will complete this report on a best-efforts basis recognizing that the impact data provided and measured by investees and/or intermediaries may differ from the Foundation's standards and metrics. The Advisor may provide a quarterly review and report of PRI performance on an absolute basis and in comparison, to the investment's financial and impact objectives.