



Policy:	STATEMENT OF INVESTMENT POLICY
Board Approval Date:	October 27, 2003
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## STATEMENT OF INVESTMENT POLICY

### I. PURPOSE

**Mission Statement:** The Community Foundation Serving Greeley and Weld County promotes philanthropy to build resources, develops partnerships, and provides leadership that will be of lasting benefit to our communities.

This Statement of Investment Policy has been adopted by the Board of Directors of The Community Foundation Serving Greeley and Weld County, Inc., hereinafter the “Foundation”, to define the investment policy of the Foundation. It is intended to be a guide to the Investment Committee and the officers and directors of the Foundation as well as to provide public information to donors and others who may be interested in the Foundation’s investment policy and practices. At least one member of the Community Foundation Board of Directors shall serve on the Investment Committee.

The overriding investment goals of the Foundation are to produce a strong and growing level of income in order to provide current funding for the Foundation’s various programs and to generate capital appreciation to maintain the purchasing power of the Foundation’s assets over time considering the effects of inflation.

### II. PROFESSIONAL MANAGEMENT

The Foundation Board of Directors has determined that the assets of the Foundation should be professionally managed. Given the size of the Foundation’s assets and the expertise required to effectively manage and invest such assets, professional management is the prudent choice. In having such funds professionally managed, we are consistent with other similar charitable foundations. On a quarterly basis, the Investment Committee will review the overall performance of the investment manager or managers.

### III. ASSET ALLOCATION

The asset allocation should reflect the long-term objectives and portfolio constraints of the Foundation. Management of the Foundation’s portfolio should focus on satisfying these objectives through the optimal allocation of stocks and bonds. Bonds should be used to satisfy current income requirements and control total portfolio volatility. Common stocks should generate capital and income growth to preserve and enhance the purchasing power of the portfolio. The nature of the assets involved and the long-term objectives of the Foundation suggest utilizing a total return approach to investment management. Specifically, the fund should conform to the following asset allocation guidelines.

	Allowable Range
CASH RESERVES	As required
FIXED INCOME (including cash reserves)	30% - 60%
EQUITIES	40% - 70%

These percentages will be based on the market value of the investments.

It is anticipated that a reasonable cash reserve will be established to meet the Foundation's ongoing cash needs for program distributions and Foundation expenses. The balance of the assets will be allocated as outlined above. The above asset allocation guidelines are exclusive of any real estate or other miscellaneous property which the Foundation may hold.

#### IV. DISTRIBUTION POLICY

The foundation and operations spending policy goal is to provide a reasonable, predictable, and sustainable amount of funds available for the uses intended by the original endowment. Given the foundation's commitment to support both current needs and to provide for future needs, the foundation advocates a total return approach to investing and to funds distribution.

The Community Foundation has established a Spending Policy that is reviewed annually, which is referenced and included herein as attachment A.

#### V. INVESTMENT GUIDELINES

- **Permissible Investments:** Foundation assets may be invested in publicly-traded common and preferred stocks, convertible bonds, bank common funds, mutual funds (including ETF's – exchange traded funds), international equity mutual funds, fixed income securities, real estate-based mutual funds, REIT's (real estate investment trusts), and other assets as authorized by the Foundation's Board of Directors from time to time. Options and futures may be used rarely, only for the purpose of hedging portfolio risk, and by the prior approval of any specific action by the Board of Directors. No purchase and/or management of direct real estate assets shall be permitted without the prior consent of the Foundation's Board of Directors.

- **Prohibited Investments:** the following are not permissible investments.

- Common stock in non-public corporations
- Short sales of any type
- Letter or restricted stock
- Buying or selling on margin
- Direct placement of mortgages on real property
- Bonds, notes or other indebtedness for which there is no public market (private placements)
- Options or futures contracts (used for speculative purposes)

- **Equity Investments:**

At the time of investment, a manager is to purchase no more than 5% in any one security as a percentage of total Foundation equity assets. No more than 30% of the market value of the total equity holdings will be invested in any one sector.

Investments in small capitalization companies (less than \$300 million in total market capitalization) should comprise no more than 10% of the total market value and should be consistent with the long-term objectives and constraints of the Foundation.

The manager(s) shall review any equity positions that decline 20% from original cost, and report quarterly to the Investment Committee as to whether the positions were sold, added to, or maintained, along with the manager's rationale.

The manager is permitted to invest in non-U.S. domiciled equities.

- **Fixed Income Investments:**

The portfolio should contain investment grade issues that carry a Standard and Poor's rating of BBB - or better. At least 80% of the portfolio shall consist of issues that carry a Standard & Poor's rating of A- or better. When measuring this 80%, any issue that had a rating of A- or better at the time of purchase will be included. Emphasis should be on certainty of cash flows from bond investments. A buy-and-hold strategy is encouraged, and the manager shall provide the Investment Committee with rationale for any bond sales that occur prior to maturity each quarter.

If exceptional circumstances occur that the investment manager believes warrant a departure from the above standards, they shall notify the Chairman of the Investment Committee and the final decision on whether to continue holding the non-complying bond investment (on a temporary basis) will rest with the majority vote of the Investment Committee. Said departure would be re-evaluated at each of the Investment Committee's quarterly meetings and a report made to the Board of Directors.

## VI. REVIEW PROCEDURES

- **Review and Modification of Investment Policy Statement:** The Board of Directors of the Foundation shall review this Statement of Investment Policy at least annually to determine if modifications are necessary or desirable. If modifications are made, they shall be promptly communicated to the investment manager and other interested persons.
- **Meetings with Investment Managers:** Investment managers are expected to meet at least semi-annually with the Investment Committee of the Foundation to review its portfolio and investment results in the context of this Statement of Investment Policy. Investment Managers are expected to meet more often with the Investment Committee if requested to do so.
- **Performance Measurement:** The Foundation expects that the investment manager will achieve a compound, time-weighted total return in excess of a weighted-average composite of the component indices over a fair market cycle of three to five years.

The following performance benchmarks will be used as comparisons for each asset sector and comprise the component indices:

**Domestic Equity Component of the Funds** – Standard & Poor's 500 Index

**Fixed Income Component of the Funds** –Barclay's Intermediate Government/ Credit Index

**ATTACHMENT A**



<b>Policy:</b>	SPENDING POLICY FOR ENDOWMENT FUNDS
<b>Board Approval Date:</b>	MARCH 31, 2003
<b>Revision Date/s:</b>	APRIL 28, 2003 September 26, 2005



## **SPENDING POLICY FOR ENDOWMENT FUNDS**

The Board of Directors of the Community Foundation Serving Greeley and Weld County may appropriate for expenditure, for the uses and purposes for which an endowment fund is established, so much of the net appreciation, realized and unrealized, in the fair value of the assets of the fund over the historic dollar value of the fund as is prudent. Preserving the historic value best serves the long term objectives of endowments. An endowment fund is a fund, or any part thereof, which is not wholly expendable by the Foundation on a current basis under the terms of the applicable gift instrument (e.g., will, deed, grant, conveyance, agreement, memorandum or other governing document, including the terms of any Foundation solicitation from which a fund resulted) under which property is transferred to or held by the Foundation.

The maximum allowable spending amount shall be five percent (5%) of the trailing average of the fair value of the fund for the twelve (12) quarters prior to the end of the fiscal year preceding the year in which the grant is made. Absent an agreement to the contrary, if the fair value of an endowment fund on the last day of any fiscal year is less than that fund's historic dollar value, there will be no appropriation.

All new endowment funds must be invested for four (4) full quarters before any earnings are available to spend. If the donor would like to begin awarding grants or scholarships prior to such time, the Foundation will permit the donor to make a contribution as a pass-through contribution to fund the first year's grant-making. For new funds, the maximum allowable spending amount will be five percent (5%) of the fair value of the assets at the time they were transferred. For the second year, the maximum spending amount will be five percent (5%) of the average of the fair value of the assets at the time of transfer and their fair value on the last day of the first full fiscal year thereafter. For the third year, the maximum spending amount will be five percent (5%) of the average of: (i) the fair value of the assets at the time of transfer; (ii) the fair value of the fund on the last day of the first fiscal year thereafter; and (iii) the fair value of the fund on the last day of the second fiscal year after the original transfer of assets.

If a multi-year funding commitment is approved, the maximum allowable spending amount will be determined anew in each year based upon this policy.

The Foundation shall maintain a record of the historic dollar value of each endowment fund. Historic dollar value means the fair value in dollars of an endowment fund at the time it first became an endowment fund plus the fair value in dollars of each subsequent donation to the fund at the time it is made plus the fair value in dollars of each accumulation made pursuant to a direction in the applicable gift instrument at the time the accumulation is added to the fund.

In determining the amount of appropriation, the members of the Board of Directors shall exercise ordinary care and prudence under the facts and circumstances prevailing at the time of the action or

decision, and in so doing, they shall consider long-term and short-term needs of the Foundation in carrying out its charitable purposes, its present and anticipated financial requirements, expected total return on investments, price level trends and general economic conditions.

Investment management expenses and administrative fees of the Foundation shall be charged against ordinary income of each endowment fund.

Exclusions to this policy include, but are not limited to funds which are not endowment funds as defined herein, pass-through funds, non-endowed donor funds and endowed funds which are required to reach a certain asset level before grants can be made which have not reached such a level or if there is an agreement to the contrary.

The Board of Directors shall review this policy annually, and it has the express authority to amend the policy at any time.