



Fund Management Policy

This policy is intended to serve as a framework for the overall management of the Foundation's managed funds in conformance with the Uniform Principal and Income Act and the Uniform Prudent Management of Institutional Funds Act. Foundation policy for the operating fund is considered a part of this policy.

GENERAL STATEMENT OF PURPOSE

- To seek out, receive and administer endowment and other specialized funds from private sources and manage them under community control for local charitable purposes.
- To operate under the Uniform Principal and Income Act, to achieve a growth in principal that will support a continuing rise in charitable distributions from permanent grantmaking funds.
- To avoid a high degree of risk for any of the Foundation's assets. It is expected that the assets of the Foundation will be managed with the care, skill, prudence, and diligence under the circumstances that a prudent person acting in a like capacity and familiar with such matters would use in the management of assets of institutions of like character and with like aims.
- To operate in perpetuity, and accordingly, to limit grants from the permanent endowment funds annually to amounts which are reasonable and prudent after considering total return from investments over time, including interest, dividends, other income, realized gains and unrealized gains. The Foundation shall also consider the effects of expenses, fees, inflation and general economic conditions over time.
- To operate under the Uniform Prudent Management of Institutional Funds Act, to achieve returns on funds/trusts reasonably suited to the purpose and duration of the trust, the known needs of the beneficiaries, the risk/return analysis, the effects of inflation or deflation, the expected total return from income and the appreciation of capital, and the projected needs of liquidity, regularity of income, and preservation or appreciation of capital.

OBJECTIVES

The objective of fund management is to determine the purpose of the fund and/or the donor's intent at the time the fund is established. Long-term funds generally include endowments and other funds that will be held for two years or more. The objective of these funds is to maximize the growth of the fund assets consistent with minimizing exposure to risks of permanent capital losses and attainment of the Foundation's desired level of grantmaking.

The Foundation's Investment Policy Statement (IPS) contains details of the Foundation's investment strategy. Short-term funds and the operating fund have different objectives.

Pooled endowment funds of the Foundation. Endowment assets of unrestricted endowment funds, restricted funds, field of interest funds, and donor-advised funds may be pooled for investment purposes. Temporarily restricted assets may be placed in pooled investments, unless the fund agreement or donor recommendation indicates they will be needed in the near term for grantmaking.

Every attempt is made to achieve a total rate of return that will provide for annual grants as well as fees, expenses, and, in the case of permanent funds, protection from the effects of inflation over time.

The Foundation will maintain sufficient liquidity to allow for a normal level of grants from donor-advised funds on short notice.

Short-term pooled funds. Any funds seeking a higher level of current income than that offered by the normal investment and payout policy may request instead an all fixed income allocation. Any funds preferring this alternative investment approach need to understand that growth of capital and future income are not goals of this investment approach.

Other trusted funds. With respect to assets held by the Foundation as trustee under specific or express trusts (such as charitable remainder trusts), the Foundation seeks to invest such assets so as to comply with the purposes, terms, distribution requirements, and other circumstances of the trust.

The Foundation, acting as trustee or co-trustee, will develop an overall investment strategy for each, with risk and return objectives reasonably suited to each trust. The Foundation may also use an outside administrator/advisor to assist with these tasks.

The Foundation will consider general economic conditions, the possible effect of inflation or deflation, expected tax consequences, the expected total return from income and the appreciation of capital, other resources of the beneficiaries known to the trustee as determined from information provided by the beneficiaries, and the needs for liquidity, regularity of income, and preservation or appreciation of capital.

The Foundation, with the advice and recommendation of outside consultants, will review the investment plan for each trust annually.

Operating Fund. Operating cash shall be held in interest-bearing bank checking, money market, or CD accounts for disbursement as needed for current Foundation operations.

Disbursements will be made in accordance with the operating budget as approved and revised by the Board of Directors.

FEES AND EXPENSES

The Foundation will charge each fund fees as determined by the Board of Directors and detailed in the Administrative Fee Schedule. These fees will be credited to the Operating Fund.

PROCEDURE FOR HANDLING CASH AND INVESTMENTS

The Foundation maintains accounts with recognized bank(s) for monthly operating expenses. All cash receipts are recorded and deposited to these accounts, or to other banks, to money market funds, or to the commingled investment fund. Two signatures for checks over \$1,000 are required for all accounts, including the President/CEO and an officer of the Foundation or two officers.

SPENDING GUIDELINES FOR ENDOWMENT AND LONG TERM FUNDS

In order to meet the long-term goals of endowment funds to maintain principal, provide a reliable source of distributable income and cover the Foundation's administrative fees, the grants payout or spending policy of the Foundation will be evaluated at least annually by the Investment Committee. The evaluation is conducted in light of total return from investments, fees, expenses, and the effects of inflation. The annual grants payout will typically be based on the fair market value of the fund at June 30 of the preceding fiscal year.

DEFINITIONS

Long-term funds	Endowed or other funds to be held for two-years or longer
Short-term funds	Funds expected to be spent within a two-year time period
Endowed funds	Funds accepted, generally with the requirement that the principal remain intact
Unrestricted endowment funds	Funds that have no restrictions on the distribution of the available balance made up of interest/dividends as defined by the spending policy.
Restricted endowment funds	Funds with restrictions applied to the distribution of interest/dividends
Pooled funds	Cash from multiple funds as co-mingled to purchase mutual funds. Accounting for the individual funds is handled at the Foundation level

SELECTING AN INVESTMENT ADVISOR

Four key components to choosing an investment Advisor

- Philosophy and process of the advisor
- The risk assumptions made by the advisor

- The level of independence and objectivity of the advisor
- Experience and credentials

We have our approach to investing, and our financial goals are unique. In our selection, we will need to choose an advisor who will accommodate as much involvement as we need in our investments. We should select one who will discuss our goals and objectives with us as frequently as necessary to manage our investments as effectively as possible.

Coordinate all aspects of our investments

The advisor should know how to take a long term view of markets and financial goals. The advisor should understand how to balance our approach and situation with the most current analysis techniques. The Investment Advisor should be able to (and we will need a advisor who has up to date skills in these areas, undergoes frequent and ongoing training, and one who has daily access to professional specialists) assist us with the following:

- Setting goals
- Investment planning
- Asset allocation
- Portfolio Management
- Performance measurement and analysis
- Risk Management

Credentials

The Investment Advisor should have one of the following three credentials:

- **Chartered Financial Analyst**
This globally recognized standard, awarded by the Association for Investment Management and Research (AIMR), measures the competence and integrity of financial analysts. Requirements include passing three examination levels, having at least 3 years of acceptable professional experience working in investment decision making processes, signing and agreeing to professional code of conduct, a member's agreement and continuous exhibition of a high degree of ethical and professional conduct.
- **SEC Registration/Form ADV**
Any financial advisor who provides advice about securities must be registered with the Securities and Exchange Commission and/or the state securities agency, depending on the total value of assets under management. Most advisors are required to file Form ADV with regulators.
- **Certified Financial Planner (CFP)**
CFP practitioners are certified by the CFP Board of Standards as competent and ethical financial planning service professionals. They voluntarily submit to the rigorous CFP certification process that includes significant education and experience requirements, a comprehensive examination on personal financial planning knowledge and skills, continuous education and agreement to the CFO Board's Code of Ethics and Professional Responsibility and Financial Planning Practice Standards.

Experience

The Investment Advisor must have at least 15 years of experience in investment management and a minimum of \$25-50 million assets under management. SRCF assets under management should not be more than 5% of the investment advisor's total responsibility.

DONOR RECOMMENDATION OF INVESTMENT MANAGERS

A donor to a donor advised fund, an organization that has established an organizational endowment or the advisor(s) of a donor advised fund may recommend that the Community Foundation engage a specific qualified investment manager to invest the assets in the fund if the fund has a fund balance of at least \$1million. If the Investment Committee finds that the recommended manager meets the licensing, experience and other qualifications which the Community Foundation has established for investment managers, the Committee may recommend to the Board for approval the appointment of the recommended manager to invest the assets in the fund. The recommended manager must maintain, the qualifications set by the Community Foundation for investment managers. The investment manager will follow SRCF Investment Policies.

The Investment Committee will evaluate the recommended manager's investment performance on the same basis as is applied to other investment managers employed by the Community Foundation. The Community Foundation retains full authority to appoint or remove any one or more investment managers, whether appointed upon the recommendation of a donor or fund advisor, or appointed upon the recommendation of the Investment Committee after approval by the Board.

The Investment Committee shall meet quarterly to review the performance of individual managers and to monitor the Foundation's assets and investment policies. All investment managers must prepare and submit quarterly investment reports and make annual presentations to the Investment Committee.

Considerations

Charitable remainder trusts, and funds which, in the CEO's and Investment Committee's opinion could grow to \$1 million in assets within two years of their creation as a result of additional contributions by one individual, family or client.