

## **PALO VERDE COLLEGE FOUNDATION INVESTMENT POLICY**

### **I. SCOPE OF THIS INVESTMENT POLICY**

The purpose of this Investment Policy Statement is to provide guidelines for the Palo Verde College Foundation (hereinafter referred to as Foundation) investments. These investments are intended to generate income for scholarships, operations, and other board approved uses.

This Statement reflects the investment policy, objectives and constraints of the entire pool of Foundation funds. The entire pool of funds consists of the following:

**Local Bank Account – Essentially, a checking account**

**Fund 1 - Unrestricted Operations Fund**

**Fund 2 - Unrestricted Endowment Fund**

**Fund 3 - Restricted Endowment Fund**

**Fund 4 - Restricted Endowment Challenge Grant Fund Corpus**

**A Local Bank Account** will be retained by the Foundation to serve as the vehicle through which monies pass to accommodate normal transactions that have been directed and authorized by the Foundation Board.

**Fund 1** will be reserved for those monies that are retained by the Foundation that may be expended for any Board-approved purpose on behalf of the Palo Verde College.

Endowment Funds – the investment objectives of Funds 2, 3 and 4 as discussed below is to protect the corpus of the Foundation; preserve the real spending power of the assets; obtain maximum possible investment return commensurate with reasonable risk and operational considerations; and comply with applicable law.

**Fund 2** will be reserved for those monies that are unrestricted by Title V Endowment regulations or other private donor requirements/criteria. “Unrestricted” means that the Foundation or private donors have not placed any restrictions on the monies.

**Fund 3** will be reserved for those monies that are restricted because of “special” restrictions that have been established by private donors or the Foundation. (As an example, a donor has requested that any award amounts be used only for scholarships; or a donor has requested that any award amounts be used for a public lecture fund; or a donor has requested that any award amounts be used for a specific program within a college department).

**Fund 4** will be reserved for those monies that are restricted by the Title V Endowment Challenge Grant funds program, including matching funds; fund appreciation; and any retained interest and/or dividends.

## **II. STATEMENT OF PURPOSE**

The Foundation Board of Directors has adopted this Investment Policy Statement in recognition of their responsibility to supervise the investment of the Foundation's assets. The purpose of this Policy Statement is to set forth in writing: (1) an appropriate set of objectives and goals to be attained through the investment of the Foundation's assets; (2) the position of the Board of Directors with respect to the Foundation's risk/return posture, including allocation of assets, and establishment of investment guidelines; and (3) an overall system of investment policies and practices whereby the continuing financial obligation of the Foundation will be satisfied.

## **III. STATEMENT OF RESPONSIBILITIES**

The following parties associated with the Foundation shall discharge their respective responsibilities in accordance with all applicable fiduciary standards as follows: (1) in the sole interest of the Foundation's contributors and beneficiaries; (2) with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and of like aims; and (3) by diversifying the investments so as to minimize the risk of large losses.

- A.** Board of Directors: The members of the Board of Directors are the fiduciaries of the Foundation and are ultimately responsible for the investments of the Foundation.
- B.** Investment Committee: The members of the Investment Committee have been delegated authority by the Board of Directors to manage the day to day administrative issues associated with the Foundation's assets.
- C.** Investment Consultant: The investment consultant is charged with the responsibility of advising the Investment Committee on investment policy, the selection of investment managers, and providing performance analysis and monitoring services.
- D.** Investment Manager(s): The investment manager(s) are delegated the responsibility of investing and managing the Foundation's assets in accordance with this Investment Policy Statement, and all applicable law. Each investment manager must either be (1) registered under the Investment Company Act of 1940, (2) registered under the Investment Advisors Act of 1940, (3) a bank, as defined in that Act, (4) an insurance company qualified under the laws of more than one state to perform the services of managing, acquiring or disposing of the Foundation's assets, or, (5) such other person or organization authorized by applicable law or regulation to function as an investment manager.

## **IV. STATEMENT OF SPENDING POLICY**

Fund 1: Expenditures shall, generally, be limited to scholarships, operating expenses, administration fees, costs to administer and manage the endowment funds, and other activities considered beneficial to Palo Verde College as directed and authorized by the Foundation Board.

Fund 2: Expenditures shall, generally, be limited to scholarships, costs to administer and manage the fund, and other activities considered beneficial to Palo Verde College as directed and authorized by the Foundation Board. It is expected to disburse 4% of Fund 2's endowment principal market value on an annual basis. At the beginning of each fiscal year (July 1), the Investment Committee will apply a rate of 4% against the endowment principal market value of Fund 2, this will be the amount for making grants/scholarships for the next fiscal year.

Fund 3: Expenditures shall, generally, be restricted to scholarships, costs to administer and manage the fund, and other programs as directed and authorized by the Foundation Board. With approval of the Foundation Board, private donors may impose further restrictions on any funds donated under a special bequest. It is expected to disburse 4% of Fund 3's endowment principal market value on an annual basis. At the beginning of each fiscal year (July 1), the Investment Committee will apply a rate of 4% against the endowment principal market value of Fund 3, this will be the amount for making grants/scholarships for the next fiscal year.

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Fund 4: Expenditures are restricted by Title V Endowment regulations. This fund consists of private donations, Federal grant funds provided under the Endowment Challenge Grant Program (also known as Title V), and retained endowment fund income. Every year during the Endowment Challenge Grant period, the Foundation must match the Title V funds with one dollar of non-Federal funds. During the grant period, the Foundation may not withdraw or spend any part of the endowment fund corpus. (Endowment fund corpus means an amount equal to the endowment challenge grant plus matching funds provided by the Foundation). During the grant period, the amount of income that may be withdrawn from Fund 4 shall be determined as follows:

On the date that a withdrawal of income is to occur:

- Determine the value of the Challenge Grant Endowment Fund income (“Challenge Grant Endowment Fund income” means an amount equal to the total value of the fund, including fund appreciation and retained interest and dividends minus the Challenge Grant Endowment Fund corpus) by subtracting the Challenge Grant Endowment Fund corpus from the total value of the Challenge Grant Endowment Fund on that date; and
- Calculate the amount of Challenge Grant Endowment Fund previously withdrawn from the Challenge Grant Endowment Fund.
- If the value of the Challenge Grant Endowment Fund income in the Challenge Grant Endowment Fund exceeds the aggregate amount of previously withdrawn Challenge Grant Endowment Fund income, 50% of that excess fund income may be withdrawn. However, the maximum amount withdrawn each year will not exceed 4% of the beginning fiscal year (July 1) value of the Challenge Grant Endowment Fund.

### V. INVESTMENT OBJECTIVES

The Investment Objectives for the Foundation will be for the asset value, exclusive of contributions or withdrawals to grow over the long run. However, our objectives, as stated herein, should never be construed to demand excessive risk. A conservative investment philosophy that seeks preservation of capital must always prevail.

### VI. PERFORMANCE OBJECTIVES

The performance objective of the total fund is, through an investment in no-load mutual funds, waived loads/fees mutual funds and income generating cash equivalents, to broadly diversify the total invested funds in order to control portfolio risk. Each of the funds in the total portfolio will have a slightly different performance profile. By holding a wide selection of funds, the Foundation seeks to buffer the high volatility of some fund types, such as stock funds, with less volatile investments such as bond and money market funds, all while maintaining a strong potential for gains over time.

### VII. ASSET ALLOCATION

The Asset Allocation of the Foundation shall be reviewed at least annually to insure that the Target Allocation is in compliance with the following guidelines.

<b>Asset Class</b>	<b>Allocation Target</b>	<b>Range</b>
Bond Funds	40%	40% - 70%
Stock Funds	50%	40% - 60%
Cash & Equivalents	10%	0% - 35%

### VIII. INVESTMENT GUIDELINES

It is the intention of the Investment Committee to allow each investment manager full investment discretion within the scope of these investment guidelines, the applicable Investment Manager Agreement, and any laws that supersede either of these documents.

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**Liquidity:** The Investment Committee will monitor the Foundation's cash flow on a regular basis, and sufficient liquidity shall be maintained to fulfill the spending objectives and operational costs of the Foundation. When withdrawals become necessary, the Investment Committee will notify the investment manager(s) as far in advance as possible to allow them sufficient time to acquire the necessary liquid reserves.

**Proxy Voting:** The investment manager(s) shall have the sole and exclusive right to vote any and all proxies solicited in connection with the securities held by the Foundation.

**Trading and Execution:** The Investment manager(s) shall use their best efforts to obtain execution of orders through responsible brokerage firms at the most favorable prices and competitive commission rates. The Investment manager(s) shall use their best efforts to obtain no-load mutual funds whenever possible.

**Prohibitions:** The investment in individual issues of stock, commodities, and any speculative securities is prohibited.

**Cash and Equivalents:** Investments may be in cash, certificates of deposit or money market type of investments offered by mutual fund companies or financial institutions. Average maturity within the fund should be two years or less.

**Fixed Income Funds:** All of the fixed income mutual fund investment bond holdings should be of investment grade or better quality. Investment grade, fixed income issues are rated as "BBB" or better. All of the mutual fund investments in commercial paper should be rated A1 (or equivalent) or better.

**Title V Endowment Regulations:** The Foundation Board of Directors and the Chief Financial Officer of Palo Verde College will monitor Fund 4 to insure compliance with the investment standards outlined in the Title V Endowment regulations.

### **IX. INVESTMENT PERFORMANCE REVIEW AND EVALUATION**

- A. The Investment Committee will review the investment results of the investment manager(s) at least semi-annually. Performance comparisons will be made against a representative performance universe and the performance objectives set forth in this policy statement.
- B. The Investment Committee will use an of-kind report card to review each mutual fund investment on an annual basis. Such rating services include Morningstar or Lipper Mutual Fund Services.
- C. The Investment Committee shall periodically review the qualitative developments of each investment manager. This evaluation should include changes in ownership, personnel turnover, adherence to investment style and philosophy, and any other qualities that the Investment Committee deems appropriate. This review should also include an assessment as to whether each investment manager has operated within the scope of the Investment Policy Statement.
  - The investment consultant will confer with the Investment Committee at least annually or more frequently if circumstances dictate.
  - The annual confer may be in any form deemed appropriate by the Investment Committee, including telephone, survey response, mail, facsimile or electronic mail.

### **X. POLICY CHANGES**

The Investment Consultant shall advise the Investment Committee of any restrictions within this Investment Policy Statement that may prevent the investment manager(s) from obtaining the objectives and goals set forth herein. Any violation of the investment guidelines or other sections of this Investment Policy Statement discovered by the investment consultant in the preparation of its regular performance review shall be reported immediately to the Investment Committee and discussed at their next regularly scheduled meeting.

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**XI. REVIEW AND REVISION**

The Board of Directors reserves the right to amend the Investment Policy Statement at any time they deem such amendment to be necessary, or to comply with changes in federal law as these changes affect the investment of the Foundation's assets.

IN WITNESS HEREOF, the Board of Directors of Palo Verde College Foundation has approved the revised Investment Policy Statement by resolution adopted on the 16th day of January, 2008.

**PALO VERDE COLLEGE FOUNDATION**

**BY:** \_\_\_\_\_  
Jill Johnson, President

**BY:** \_\_\_\_\_  
James W. Hottois, Secretary

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