Community Foundation of Johnson County

Investment Policy

I. Purpose

The Community Foundation of Johnson County (Foundation) provides financial support to a wide variety of non-profit organizations and causes in the greater Johnson County, Iowa area. The Foundation's board, staff and investment managers have the fiduciary responsibility to meet these current needs, while preserving and building the assets of the Foundation for long-term purposes.

Fiduciary Duty
All assets shall be managed consistent with sound and prudent fiduciary practices and comply with all applicable laws including the Uniform Prudent Management of Institutional Funds Act as adopted in Iowa and Illinois. In seeking to attain the investment objectives set forth in the policy, the Committee and its members must act with care, skill, prudence and diligence under the circumstances then prevailing that a prudent person in like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims. All investment actions and decisions must be based solely on the interests of the Foundation. Investment Managers must provide full and fair disclosure to the Committee of all material facts regarding any potential conflicts of interest.

The purpose of this Investment Policy Statement (IPS) is to assist the Finance Committee in effectively supervising, monitoring and evaluating the investment of Foundation assets to meet both the short-term needs (operating expenses and grant allocation), and the long-term goals (growth of the foundation's assets to provide for its ongoing viability and future community needs). The Foundation's assets will be divided and managed in separate funds or accounts, each designed to meet specific objectives. These accounts are:

A. The operations and distributions account will serve to meet the Foundation's liquidity needs. It will fund the day-to-day operational requirements of the Foundation and provide a short-term pool for approved yet undistributed grants. This account will be invested in FDIC insured deposit accounts, money market funds, or short-term, layered (3 to 6 month) US Treasury or Agency debt securities or securitized by an agency of the Federal government.

B. The general endowment account which will serve as the Foundation's long-term investment fund(s).

Endowment accounts are to be invested in diversified portfolios of debt and equity issues to provide for:

- Distributions and cash requirements for operational activities
- Opportunities for Long term growth and appreciation
- Grant distributions
- Future expenses
- Provide an offset to the effects of inflation

The following asset allocation models are guidelines to be used for the general investment structure of the Foundation's endowment accounts: The philosophy of these guidelines is to allow investment advisors maximum latitude in meeting and/or exceeding investment objectives with due regard to risk.

Investment Strategy Guidelines for Investment Advisors:

	Minimum Target %	Maximum Target %
Cash and cash equivalents	0%	20%
Fixed income	15%	50%
Equities	30%	80%

The degree of concentration in any equity or debt investment should not exceed 15% (by individual company) or 40% (by industry sector) of the investment managers' portfolios. Exceptions to these guidelines may be made to accommodate a significant gift(s) of individual securities or cash, pending their timely and prudent sale and reinvestment based on investment advisor discretion with timely notification to the Finance Committee.

II. The Foundation's President shall appoint an Finance Committee on an annual basis, (including at least one member of the Foundation's Executive Committee), with a target committee size of not less than five (5) members, and not more than seven (7) members. A quorum shall consist of a majority of the committee's members. The Finance Committee's duties shall include:

A. Periodic review of the Foundation's investment policies and the recommendation of revisions as needed to the Board of Directors.

B. An annual meeting with the Foundation's investment managers to discuss portfolio performance, and any re-allocation or re-direction of assets currently under management.

C. The establishment of investment performance goals to be used in the selection of investment managers.

D. The Finance Committee will perform quarterly reviews of the investment performance, and the portfolios' compliance with investment policy.

E. The recommendation to retain or replace the Foundation's investment managers, and / or the reallocation of Foundation funds between investment managers.

F. Negotiate favorable management fees with the Foundation's investment managers.

G. Report to the full Board on a quarterly basis.

H. Provide an annual recommendation to the Grants Committee regarding funds available for upcoming grant cycles.

III. Permitted investments will include:

A. Common and preferred stocks, which are publicly, traded on an established or generally recognized exchange such as, but not limited to, the New York, American or NASDAQ exchanges.

B. Direct obligations of the U.S. Government and its Agencies.

C. Corporate bonds, notes, and commercial paper.

D. No-load or load waived mutual funds whose investment practices fall within the confines of this policy.

E. Money market mutual funds or federally insured money market accounts.

F. Federally insured certificates of deposit.

G. Alternative investments with prior disclosure and notification of exposure to the Finance Committee

H. It is recognized that all investments carry risk and it is generally understood that equity investments carry a greater level of market risk than debt or fixed income securities. The specific portfolio management decisions including security selection, size and quantity of holdings, emphasis on income vs. growth, portfolio turnover or other strategic investment activities are left to the investment advisor's discretion subject to standards of a fiduciary. Investment Advisors shall have the responsibility for developing and recommending asset allocation strategies to the Finance Committee, monitoring the Fund investments, researching and recommending investment vehicles and managers and providing timely investment reports to the Finance Committee.

Prohibited investments and transactions include commodity trading, futures contracts, the purchasing of restricted stock or other non-marketable securities, short sales, and margin purchases.

IV. EXCESS BUSINESS HOLDINGS

The Pension Protection Act of 2006 amended section 4943 of the Internal Revenue Code to limit ownership of closely-held business interests in a donor advised fund. A fund's holdings, together with the holdings of disqualified persons (donor, advisor, members of their families and businesses they control) may not exceed any of the following:

- 20% of the voting stock of an incorporated business;
- 20% of the profits interest of a partnership, joint venture, or the beneficial interest in a trust or similar entity;
- Any interest in a sole proprietorship.

These limitations do not apply if the donor-advised fund holds an interest that does not exceed two percent of the voting stock and two percent of the value of the business.

Donor-advised funds receiving gifts of interests in a business enterprise have five years from the receipt of the interest to divest the holdings that are above the permitted amount, with the possibility of an additional five years if approved by the Secretary of the Treasury. To prevent a violation of the rules, it is the Foundation's policy to divest itself of such holdings within five years from the date the Foundation acquired the asset. If that is not possible, the asset will be transferred to a new or existing fund that is not an advised fund.

Since they are not "business enterprises," the rule will not apply to most gifts of real property, although undeveloped land may become a business enterprise under some circumstances. Interests in investment partnerships and LLCs – including family partnerships, hedge funds, REITs, and so forth – are excluded from the definition of business enterprise if 95 percent or more of the entity's income is from passive sources. Examples of other property gifts that are excluded because they are not business enterprises include: oil and gas interests (non-working); life insurance; tangible personal property (if it is not inventory); and remainder interests in personal residences and farms.

V. The Community Foundation serves a highly diverse group of constituencies in the Johnson County, Iowa area. It is the Foundation's belief that its investment policy and activities should strive to benefit not only its local constituencies, but also society at large.

Amended and Approved 02-15-18
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