

Endowment Fund Investment Policies

Preamble

The “Organization Name” Endowment Fund (the Endowment Fund) is created by resolution of the Board of Directors (the Board) of the “Organization Name” (the Organization). Contributions directed to the Endowment Fund shall comprise a permanently-restricted fund of the Organization. The original principal amount of any contribution shall be committed to the Endowment Fund irrevocably and the original principal balance of contributions to the Endowment Fund shall not be invaded for any reason. The aggregate of contributions to the Endowment Fund shall be referred to in this document as the “original contributions”. The Board shall be responsible for holding and managing the original contributions according to the Investment Policies (the Policies) set out in this document. The Board shall also be responsible for distributing any income and gain produced by the Endowment Fund in accordance with the Policies, with the purpose of benefitting the Organization and furthering the Organization’s mission and purposes.

Delegation

The Board delegates supervisory authority over the Endowment Fund to the Finance Committee of the Board. The Finance Committee is responsible for regularly reporting on the Endowment Fund’s investments to the Board. In carrying out its responsibilities, the Finance Committee and its agents will act in accordance with the Policies and all applicable laws and regulations. The Board reserves to itself the exclusive right to revise the Policies.

The Board and its Finance Committee are authorized to retain one or more Investment Managers (the Manager) to assume the management of funds and assets comprising the Endowment Fund. In discharging this authority, the Finance Committee can act in the place and stead of the Board and may receive reports from, pay compensation to, and enter into and terminate agreements with the Manager. The Board and its Finance Committee shall designate an employee of the Organization as liaison to the Manager.

Investment Objective

The primary investment objective of the Endowment Fund is to produce a rate of total return which will permit maximum support for the General Operating Fund of the Organization to the extent that is consistent with the following: prudent management of investments, preservation of principal, potential for long-term asset growth, and socially responsible investment practices.

Investment Guidelines

Permissible Investments

Endowment Fund assets may be invested in publicly-traded common and preferred stocks, convertible bonds and preferred stocks, bank common funds, mutual funds and fixed income securities (including corporate bonds and money market instruments), whether interest-bearing or discount instruments, subject to any restrictions hereinafter specified. No other securities are permissible investments without the specific approval of the Board.

Investments and Transactions That Are Not Permitted

Equity Investments – The following are **not** permissible investments: common stock in non-public corporations, letter or restricted stock, derivative instruments, initial public offerings, buying or selling on margin.

Fixed-Income Investments – The following are **not** permissible investments: tax-exempt bonds; bonds, notes or other indebtedness for which there is no public market (private placements); direct placement of mortgages on real property.

Options and Futures – Transactions are not permitted in futures contracts nor in options contracts of any kind.

Socially Responsible Investing

In keeping with the mission and goals of the Organization, the assets of the Endowment Fund shall be invested in a socially responsible manner. The portion of Endowment Fund assets invested in publicly-traded common and preferred stocks, convertible bonds and preferred stocks, and corporate bonds shall be invested in companies listed in at least one of the Domini Social Index 400, the Calvert Social Index, the Citizens Index 300 or among the holdings of a mutual fund generally recognized as screening for socially responsible investments including, but not limited to, those offered by Calvert Group, Domini Social Investments, Citizens Funds, Green Century Funds, New Alternatives Fund, Parnassus Fund, and Pax World Fund Family. Any portion of the Endowment Fund assets invested in mutual funds shall be invested in mutual funds which are generally recognized for socially responsible investing including, but not limited to, those listed above.

Asset Mix

The investment objective of the Endowment Fund implies a balanced approach. The Investment Manager is authorized to utilize portfolios of equity securities (common stocks, preferred stocks, and convertible securities), fixed-income securities (debt instruments), and short-term investments (cash equivalents), or mutual funds comprised of these security types, according to the following asset allocation guidelines. These asset allocation guidelines may be modified from time to time by the Finance Committee.

	<u>Long-Term Target</u>	<u>Allowable Range</u>
EQUITY	60%	30% to 70%
FIXED INCOME	40%	30% to 70%
SHORT-TERM	0%	0% to 20%

Start Up Thresholds

The Manager may deviate from the above guidelines concerning Asset Mix until such time as the total market value of the Endowment Fund reaches a point where this level of asset mix is reasonable.

Asset Diversification and Quality

The asset quality standards outlined below apply at the time of initial purchase. The Manager and Finance Committee shall review the status of any holding whose quality drops below these standards and determine at that time whether the security should be retained.

Equity Securities – No more than 10% of the market value of any equity portfolio may be invested in the securities of any one issuer. The Manager shall also maintain reasonable sector allocations such that no more than 20% of any equity portfolio may be invested in the securities of any one market sector. A level of diversification by market capitalization appropriate to prevailing market conditions is also required. In developing the equity portfolio, the Manager may use mutual funds, pooled funds, convertible preferred stocks and bonds as equity investments.

Fixed-income securities – The fixed-income securities of a single issue or issuer are limited to no more than 20% of the market value of the fixed-income portfolio. These diversification requirements shall not apply to U.S. Treasury obligations, which may be held in unlimited amounts within the fixed-income portfolio. The quality rating of bonds and notes must be A or better, as rated by Standard & Poor's or Moody's. The

portfolio may consist of only traditional principal and interest obligations (no derivatives) with maturities of no greater than 10 years. Average maturity of the portfolio should not exceed 7 years.

Short-term investments – The quality rating of commercial paper must be at least A-1 as rated by Standard & Poor's, or P-1 as rated by Moody's. Any money market funds utilized must comply with the quality provisions for fixed-income securities or short-term investments.

Foreign Securities – The total value of investments in securities whose issuers are foreign corporations and investments in mutual funds comprised primarily of foreign securities shall be limited to 10% of the assets of the Endowment Fund.

Distribution of Unrestricted Income and Gain

The income and/or gain earned by the Endowment Fund is considered unrestricted revenue and may be distributed to the Organization as general support revenue for its programs. On at least an annual basis the Finance Committee of the Board shall recommend to the Board an amount to be transferred from the unrestricted income and/or gain of the Endowment Fund to the General Operating Fund of the Organization. At no time shall the permanently-restricted original contributions to the Endowment Fund be invaded. As a matter of prudence, no distribution of income and/or gain shall decrease the total market value of the Endowment Fund below 110% of the permanently-restricted original contributions balance. At the same time, an amount no greater than 10% of the total market value of the Endowment Fund may be distributed in a given calendar year.

Review Procedures

Review and Modification of the Investment Policies

The Finance Committee of the Board shall review these Investment Policies at least once a year to determine if modifications are necessary or desirable. Any proposed modifications must be approved by the Board and if adopted must be communicated promptly to the Investment Manager and other interested persons.

Meetings with the Investment Manager

The Investment Manager is expected to consult with the Finance Committee of the Board at least annually to review the Endowment Fund portfolio and investment results in the context of these Investment Policies. If cost or schedule prohibits a meeting, a telephone conference is an acceptable substitute for an in-person meeting.

Reporting Requirements

The Investment Manager is expected to provide the Finance Committee of the Board with the following reports.

Monthly – A written statement of all pertinent transaction details for each separately managed portfolio for the preceding month, including 1) the name and quantity of each security purchased or sold, with price and transaction date; 2) an analysis for each security of its description, percentage of total portfolio, purchase date, quantity, average cost basis, current market value, unrealized gain or loss, and indicated income and yield (%) at market; and 3) an analysis for the entire portfolio of the current asset allocation by investment category (equity, fixed-income, short-term investments).

Semi-Annually – A semi-annual summary of all transactions to date in the fiscal year, together with a report of investment performance for the portfolio to date.

Performance Measurement

The Finance Committee of the Board shall review at least annually the performance of the Endowment Fund portfolio relative to the objectives and guidelines described in the Investment Policies. The Finance Committee shall present its review to the Board at least annually as well.

Performance Benchmarks

The Investment Manager is expected to achieve total returns competitive with performance benchmarks appropriate to each asset class, as measured over a fair market cycle of three to five years. The specific indices used as benchmarks must be agreed upon by the Finance Committee and the Investment Manager. In the equity asset class, indices specific to the socially-responsible investment field should be considered.