

**IRVINE VALLEY COLLEGE FOUNDATION  
BOARD OF GOVERNORS**

**INVESTMENT POLICY**

**I. Investment Authorization**

In accordance with the Irvine Valley College Foundation (“Foundation”) Bylaws, Article V, Section 12 (C), the Board of Governors is authorized “to adopt and control the operation, budget and financial plan of the Foundation and conduct the financial affairs of the Foundation in a responsible manner.” In accordance with Article VII, Section 3 (B), the Finance Committee “shall oversee all financial, planned giving and investment activities of the Foundation.”

**II. Responsibility**

Board of Governors – By adopting this Investment Policy, the Board of Governors assigns responsibility as follows:

Finance Committee – Responsible for proposing investment policies to the Executive Committee, reviewing the implementation of the Investment Policy, researching, evaluating and selecting a suitable investment firm , and advising the Executive Director and Treasurer on financial matters.

Executive Committee – Reviews and approves changes in the Investment Policy as submitted by the Finance Committee. Submits such changes to the Board of Governors for final approval.

Executive Director – Responsible for day-to-day management of the Foundation portfolio, following this Investment Policy. Reviews status of Foundation portfolio and anticipated cash flow needs. Initiates additional purchases and/or sales of investments to meet liquidity needs of Foundation and notifies the South Orange County Community College District Office (SOCCCD) to make investments on behalf of the IVC Foundation, or makes the investments directly if this authority has been delegated by the SOCCCD. Provides periodic financial and investment reports showing balances, cash flows and investment performance.

Treasurer – Receives copies of trade confirmations and monthly account statements. Reviews investment activity for reasonableness and ensures compliance with the Investment Policy. Approves periodic financial and investment reports and presents them to the Board of Governors on a quarterly basis, as a minimum. Serves as Chair of the Finance Committee.

Investment Committee – May, or may not, be formed by the Treasurer to advise on or review investments. Shall be an advisory body with no decision making authority. In compliance with the Foundation Bylaws Article VIII, Section I, “All committees of the Board, (“Board Committees”) shall have a majority of members who are Governors.

### **III. Statement of Objectives**

The investment objectives of the Foundation are to have funds available to pay all obligations when due and to maximize investment return within reasonable and prudent levels of risk.

### **IV. Investment Policy and Asset Allocation**

A. Endowment Funds: Since the purpose of endowments is to provide scholarships and other benefits in perpetuity, endowment funds are invested with a long term perspective. The policy is to protect the principal, over the long term, and yet maximize the investment earnings so as to maximize the benefit provided by the endowment. Accordingly, funds are to be invested as follows:

1. Fixed Income Funds: These funds shall constitute 30% - 70% of the total Endowment Funds portfolio. Funds may be invested in government bond or corporate bond mutual or exchange traded funds with an average credit quality rating of "A" or higher and a minimum of \$250 million in assets each. Investments can be domestic and international funds. No more than 50% of the Fixed Income fund portfolio shall be invested in any single fund.
2. Equity Funds: These funds shall constitute 30% - 70% of the total Endowment Funds portfolio. Funds may be invested in domestic or international mutual or exchange traded funds composed of primarily large or mid capitalization companies which feature growth, value or blended investment styles. No more than 30% of the Equity portfolio shall be invested in a single fund, unless it is an S&P 500 index fund, in which case up to 50% of the Equity portfolio can be invested.
3. Cash or Cash-Equivalents: These funds shall constitute 0% - 10% of the total Endowment Funds portfolio. Funds may include money market, certificates of deposit, treasury bills and commercial paper. The purpose of these funds is to accumulate sufficient cash to meet needs during the year, such as endowment scholarships issued in a Scholarship Awards ceremony.

B. Non-Endowment Funds: Non-endowment funds are generally, but not always, used for short term needs throughout the year. Accordingly, sufficient funds are to be maintained in cash or cash equivalents to meet day-to-day operating needs (herein named "Operating Funds"). Excess funds are to be invested in "Investment Funds." The Foundation Executive Director will determine the amount of the Operating Funds on an on-going basis by projecting cash flows in consultation with key college departments/account sponsors, historical cash flow patterns and other factors. The

Operating Funds are to be sufficiently large so that the probability of a need to liquidate funds from the Investment Fund to meet operating needs is nominally less than 10%, as estimated by the Foundation Executive Director.

1. Operating Funds:

Funds are to be placed in FDIC insured checking accounts or in liquid money market accounts having a rating of "A" or higher by a nationally recognized rating service.

2. Investment Funds:

A. Fixed Income Funds: These funds shall constitute 30% - 70% of the total Investment Fund portfolio. Funds may be invested in government bond or corporate bond mutual or exchange traded funds with an average credit quality rating of "A" or higher and a minimum of \$250 million in assets. Investments can include both domestic and international mutual or exchange traded funds. No more than 50% of the Fixed Income Fund portfolio shall be invested in any single fund.

B. Equity Funds: These funds shall constitute 30% - 70% of the total Investment Fund portfolio. Funds may be invested in domestic or international mutual or exchanged traded funds composed of primarily large or mid capitalization companies which feature various investment styles such as growth, value and blended. No more than 30% of the Equity portfolio shall be invested in a single fund, unless it is an S&P 500 index fund, in which case up to 50% of the Equity portfolio can be invested.

## **V. Allocation of Returns and Disbursements**

A. Endowment Funds: The total returns on these funds (interest, earnings, and appreciation, as applicable) will be reinvested in each endowment account on a pro rata basis. Disbursements from these funds will be made in accordance with each endowment's direction. If no endowment direction is available(not our practice), an annual disbursement will be made to IVC scholarships, or other purposes as directed by the endowment. The approximate amount of this disbursement will be based on the annual rate of return less the annual national CPI, provided such amount is a positive amount.

The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 5 percent annually. Actual returns in any given year may vary from this amount.

The Foundation expects to appropriate for distribution each year 3 percent of endowment fund's average fair value over the prior 12 quarters the fiscal year in which the distribution is planned. In establishing this policy, the Foundation

considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 2 percent annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

B. Non-Endowment Funds: The total returns on these funds will be allocated to the Discretionary Fund of the Foundation. Disbursements from non-endowment funds will be made as directed by each fund sponsor.