Regional Access Project Foundation, Inc.

Investment Policy Statement

Adopted October 23, 2019

Purpose

This policy establishes investment objectives, policies, guidelines and eligible securities related to all assets held by the Regional Access Project Foundation ("RAP"), primarily for investment purposes ('institutional funds"). In doing so, the policy:

- clarifies the delegation of duties and responsibilities concerning the management of institutional funds.
- identifies the criteria against which RAP's investment performance will be measured.
- communicates the objectives to the Board, staff, investment managers, brokers, donors, and funding sources that may have involvement.
- confirms policies and procedures relative to the expenditure of institutional funds.
- serves as a review document to guide the ongoing oversight of the management of the organizations' investments.

This policy specifically applies to all assets held for long-term growth purposes, specifically investment accounts held at Wells Fargo and The Community Foundation serving Riverside and San Bernardino Counties brokerage and other specifically identified assets.

Where possible, RAP will endeavor to incorporate guidelines from California Government Code Section 53601.

Delegation of Responsibilities

The Board of Directors of RAP has oversight regarding all decisions that impact RAP's institutional funds. The Board has delegated supervisory responsibility for the management of our institutional funds to the Finance Committee. Specific responsibilities of the various bodies and individuals responsible for the management of our institutional funds are set forth below:

Responsibilities of the Board

The Board shall ensure that its fiduciary responsibilities concerning the proper management of RAP's institutional funds are fulfilled through appropriate investment structure, internal and external management, and portfolio performance consistent with all policies and procedures. Based on the advice and recommendations of the Finance Committee, the Board shall:

- select, appoint, and remove members of the Committee.
- approve investment policies and objectives that reflect the long-term investment-risk orientation of the institutional funds.

Responsibilities of the Finance Committee

Members of the Finance Committee are not held accountable for less than desirable outcomes, rather for adherence to procedural prudence, or the process by which decisions are made in respect to endowment assets. In consideration of the foregoing, the Committee is responsible for the development, recommendation, implementation, and maintenance of all policies relative to RAP's institutional funds and shall:

- develop and/or propose policy recommendations to the Board with regard to the management of all institutional funds.
- recommend long-term and short-term investment policies and objectives for RAP's institutional funds, including the study and selection of asset classes, determining asset allocation ranges, and setting performance objectives.
- determine that institutional funds are prudently and effectively managed with the assistance of management and any necessary investment consultants and/or other outside professionals, if any.
- monitor and evaluate the performance of all those responsible for the management of institutional funds.
- recommend the retention and/or dismissal of investment consultants and/or other outside professionals.
- receive and review reports from management, investment consultants and/or other outside professionals, if any.
- periodically meet with management, investment consultants and/or other outside professionals management, investment consultants and/or other outside professionals.
- convene regularly to evaluate whether this policy, investment activities, risk management controls and processes continue to be consistent with meeting the goals and objectives set for the management of institutional funds.

Responsibilities of Management

Management shall be responsible for the day-to-day administration and implementation of policies established by the Board and/or the Finance Committee concerning the management of institutional funds. Management shall also be the primary liaison between any investment consultants and/or other outside professionals that may be retained to assist in the management of such funds. Specifically, management shall:

- oversee the day-to-day operational investment activities of all institutional funds subject to policies established by the Board and/or the Finance Committee.
- contract with any necessary outside service providers, such as investment consultants, investment managers, banks, and/or trust companies and/or any other necessary outside professionals.
- ensure that the service providers adhere to the terms and conditions of their contracts; have no material conflicts of interests with the interests of RAP; and, performance monitoring systems are sufficient to provide the Finance Committee with timely, accurate, and useful information.

- regularly meet with any outside service providers to evaluate and assess compliance with investment guidelines, performance, outlook and investment strategies; monitor asset allocation and rebalance assets, as directed by the Finance Committee, and in accordance with approved asset allocation policies, among asset classes and investment styles; and tend to all other matters deemed to be consistent with due diligence with respect to prudent management of institutional funds.
- comply with official accounting and auditing guidelines regarding due diligence and ongoing monitoring of investments, especially alternative investments. Prepare and issue periodic status reports to the Board and the Finance Committee.

Specified Individuals

The following positions will be authorized to undertake investment transactions on behalf of the Finance Committee: Foundation Chair, Foundation Vice Chair, and Foundation Treasurer. All transactions must be signed and authorized by one of the three above listed positions as well as the Chief Executive Officer of RAP.

Investment Considerations

All individuals responsible for managing and investing RAP's institutional funds must do so in good faith and with the care that an ordinarily prudent person in a like position would exercise under similar circumstances. In making any decision relative to the expenditure of institutional funds, each of the following factors must be considered, and properly documented, in the minutes or other records of the applicable decision-making body:

- general economic conditions;
- possible effect of inflation or deflation;
- the role that each investment or course of action plays within the overall investment portfolio of the fund;
- expected total return from the income and appreciation of investments;
- other resources of the organization;
- the needs of the organization and the fund to make distributions and preserve capital; and,
- an asset's special relationship or special value, if any, to the organization's purposes.

Guidelines for Investing

The investment goal of the total return fund is to achieve a total return (income and appreciation) of 6% over a full market cycle (7-10 years). The following guidelines apply to the three main investment asset classes:

Money Market Funds and Certificates of Deposit: Allowable range: Minimum 5%; Maximum 50% of total assets

A quality money market fund will be utilized for the liquidity needs of the portfolio whose objective is to seek as high a current income as is consistent with liquidity and stability of principal. The fund will invest in "money market" instruments that have been rated by at least one nationally recognized

rating agency in the highest category for short-term debt securities. If non-rated, the securities must be of comparable quality. Certificates of deposit shall be purchased in amounts not to exceed FDIC insurance limits.

Equities: Allowable Range: Minimum 20%; Maximum 60% of total assets

The equity component of the portfolio will consist of high-quality equity securities traded on the New York, NASDAQ or American Stock exchanges, as well as high quality Real Estate Investment Trusts. The securities must be screened for above average financial characteristics such as price-to-earnings, return-on-equity, debt-to-capital ratios, etc.

No more than 5% of the equity portion of the account will be invested in any one issuer. As well, not more than 33% of the equity portion of the account will be invested in stocks contained within the same industry. No more than 5% of the portfolio will consist of investments in Real Estate Investment Trusts.

It is acceptable to invest in an equity mutual fund(s) adhering to the investment characteristics identified above, as long as it is a no-load fund, without 12(b)(1) charges, which maintains an expense ratio consistent with those other funds of similar investment styles as measured by the Lipper and/or Morningstar rating services. Preference will be given to exchange traded funds and index funds over mutual funds.

Prohibited equity investments include initial public offerings, restricted securities, private placements, derivatives, options, futures, and margined transactions.

Exceptions to the prohibited investment policy may be made only when assets are invested in a Mutual Fund(s) that periodically utilizes prohibited strategies to mitigate risk and enhance return.

Fixed Income: Allowable Range: Minimum 35%; Maximum 75% of total assets

Bond investments will consist solely of fixed income securities that have an investment-grade rating (BBB or higher by Standard & Poor's and Baa3 or higher by Moody's) that possess a liquid secondary market. If the average credit quality rating disagrees among the two rating agencies, the lower of the two scores will be used for determining eligibility.

No more than 5% of the fixed income portfolio will be invested in corporate bonds of the same issuer to the extent such bonds mature in more than six months. This rule specifically excludes bonds maturing in six months or less. As well, not more than 20% of the fixed income portfolio will be invested in bonds of issuers in the same industry. Moderate risk bonds, which are those with a BBB rating from Standard & Poors or a BaaX rating from Moody's, will not exceed 15% of the fixed income portfolio.

The maximum **average maturity** of the fixed income portfolio will be 10 years, with not more than 25% of the bond portfolio maturing in more than 10 years.

Prohibited securities include private placements, derivatives (other than floating-rate coupon bonds), margined transactions, and foreign denominated bonds.

Performance Measurements Standards

The benchmarks to be used in evaluating the performance of the two main asset classes will be:

- **Equities:** *S&P 500 Index*- Goal: exceed the average annual return of the index over a full market cycle (7-10 years)
- **Fixed Income:** *Lehman Brothers Government/Corporate Index*- Goal: exceed the average annual return of the index over a full market cycle (7-10 years).

It will be the responsibility of the Finance Committee of the Board of Directors to regularly review the performance of the investment account and investment policy guidelines, and report to the Board of Directors at least quarterly with updates and recommendations as needed.

Investment Management

The Finance Committee will be tasked with selecting an investment manager to actively manage its investments. The investment manager will be required to provide quarterly reports to the Finance Committee that provide an evaluation of the allocation of the invested assets, as well as the performance of the funds. The investment manager will meet with the Executive Committee and Finance Committee at least annually.

The CEO may authorize, without additional consent or approval, any transaction recommended by the investment manager in order to execute trades to further the investment goals of the investment or otherwise maintain the Organization's investments within the Guidelines for Investing.

Expenditure Considerations

The Board of Directors and the Finance Committee are responsible for the establishment of a balanced reserve fund spending policy to (a) ensure that over the medium-to-long term, sufficient investment return shall be retained to preserve and grow its economic value as a first priority; and (b) to provide funds for the annual operating budget, as necessary, in an amount which is not subject to large fluctuations from year-to-year to the extent possible.

Rebalancing

Once an asset allocation is implemented that matches the portfolio's risk tolerance, rebalancing at least annually should allow the maintenance of risk exposure at an appropriate level. Investment managers shall consult with the investment committee before rebalancing.

Monitoring

The Finance Committee shall review the investment manager reports on a quarterly basis and summarize its review for the Board of Directors. At least annually, the Finance Committee shall review the performance of the investments and report the same to the Board of Directors.

Expenditure of Institutional Funds

All decisions relative to the expenditure of institutional funds must assess the uses, benefits, purposes and duration for which the institutional fund was established, and, if relevant, consider the factors:

1. the duration and preservation of the institutional fund;

2. purposes of RAP and the fund;

3. general economic conditions;

4. possible effect of inflation or deflation;

5. expected total return from income and appreciation of investments;

6. other organizational resources;

7. all applicable investment policies; and

8. where appropriate, alternatives to spending from the institutional fund and the possible effects of those alternatives.

For each decision to appropriate institutional funds for expenditure, an appropriate contemporaneous record should be kept and maintained describing the nature and extent of the consideration that the appropriate body gave to each of the stipulated factors.

Donor Restrictions

In all instances, donor intent shall be respected when decisions are rendered concerning the investment or expenditure of donor restricted funds. If a donor, in the gift instrument, has directed that appreciation not be spent, RAP shall comply with that directive and consider it when making decisions regarding the management and investment of the fund. Any attempt to lift restrictions on any fund shall be conducted in full compliance with the law.

Reserve Fund Expenditures

Each year, the nonprofit is authorized to withdraw **up to 5%** of the total market value of the institutional funds (market value to be determined as of the last business day of the preceding year) for the organization's operating purposes. That spending percentage is applied to the three year average of the June market value.

Chairman Signature and Date: _____

Secretary Signature and Date: _____

Replacing Resolution 2016-02