KVCCF Investment Policy
Board Adopted: January 12, 2006
Board Revised March 13, 2013

I. Finance Committee Governance

A. Governance and Authority

The Bylaws of the Kennebec Valley Community College Foundation give the following authority to the Board of Trustees (hereinafter "Board") and Finance Committee:

"<u>General Powers of Trustees</u>: It shall be the duty of the Trustees and they shall have full authority to supervise the affairs and conduct the affairs of the Foundation and to exercise all the powers conferred upon it. They shall elect all officers designated in these By-Laws and may from time to time appoint such other Officers, agents and committees as they may deem proper. They shall have full authority over all Officers, agents or committees elected or appointed by them, and may prescribe their duties" KVCC Foundation By-Laws Article III (revised, 2011).

"Deposits. All funds of the Foundation shall be deposited from time to time to the credit of the Foundation in such banks, trust companies, or other depositories as the Board may select."
"The Finance Committee shall review the Foundation's annual operating budget and shall report on financial conditions of the Foundation at each regular meeting of the Foundation. It shall recommend the designation of an auditor for the Foundation and shall cause to be prepared and submitted to the Foundation an audited statement of the financial condition of the Foundation as of the close of the previous fiscal year.

B. Investment Management

"The Finance Committee, subject to the control of the Foundation, shall have charge of the investment of all funds of the Foundation, including the sale or exchange of securities and investment of the proceeds. The Committee may employ investment counsel and may delegate authority to purchase or sell securities for the account of the Foundation, subject to such limitations as the Committee may impose. The Committee shall report changes in investments to the Foundation at least annually. The Treasurer of the Board of Trustees shall chair the Finance Committee" KVCC By-Laws Article V (revised, 2011).

The Finance Committee shall be responsible for supervising the KVCC Foundation's investments and investment management, monitoring adherence to these policy guidelines and applicable law, rules, and regulations, and recommending changes to these policies as appropriate.

It is the Foundation's policy to utilize professional management services for the investment of pooled funds. No individual committee member may make decisions or act on behalf of the whole committee without the consent of the majority of the Committee.

It is expected that the Investment Policy will be followed, unless modifications have been authorized in writing.

The organization and any investment manager selected by the Committee shall manage investments in accordance with applicable regulations including the Maine Uniform Prudent Management of Institutional Funds Act and the Maine Uniform Prudent Investor Act.

II. General Investment Philosophy

A. Definitions

"Endowment" or "Permanently Restricted" Fund means a fund or part thereof that, under the terms of a gift instrument, is not wholly expendable by the institution on a current basis.

The Board has adopted the policy of establishing a minimum threshold of $10,000 along with a defined length of time of five (5) years from the original gift instrument and allocation date in order to reach endowment status. Subject to the gift instrument and intent of the donor, any fund failing to meet the minimum threshold of establishing an endowment fund (Article II, Section A.) may be disbursed in one year or combined with other funds in a general discretion scholarship or program fund that is appropriate to the intent of the donor.

"Gift Instrument" means a record or records, including an institutional solicitation, under which property is granted to, transferred to or held by an institution as an institutional fund.

"Historic Dollar Value" means the aggregate value in dollars of: each endowment fund at the time it became and endowed fund; each subsequent donation to the fund at the time the donation is made; and each accumulation made pursuant to a direction in the applicable gift instrument at the time the accumulation is added to the fund.

"Board Designated Fund" means a fund that the Foundation Board of Trustees designates as an endowment fund for charitable purposes and is not subject to donor restriction.

"Temporarily Restricted" otherwise referred to as "Program Related, " "Board Designated" or Non-endowed Scholarship" fund means an asset held to accomplish a charitable purpose of the institution and not primarily for investment.

"General" or "Unrestricted" Fund means a fund that is held by the Foundation for actual administrative and fundraising expenditures.

B. Management of Endowment and Other Funds

Recognizing that all Foundation Endowment Funds have their own unique identity, origin and purpose, it is essential that the Finance Committee and appointed Investment Managers maintain this identity while managing the funds. Specifically, this relates to the initial investment, subsequent allocations, capital gains (or losses), dividends, interest, expenses and fees associated with the funds, and planned disbursements according to the intent and purpose of the funds. This is not meant to preclude combining one or more funds into a large pooled income fund to maximize growth potential of assets. However, separate accounting of each entity must be maintained throughout the fund's existence.

All accounts, investments and underlying securities must be insured up to $10 million without any additional costs.

Gifts of Stock will be liquidated within 10 days of receipt, unless otherwise advised, and the proceeds will immediately become part of the investment portfolio. Upon the sale of stock, the Foundation will receive a statement of sale and transfer within 5 days.

III. Investment Objectives

The investment objectives for the endowment and other assets are to provide income to support scholarships and programmatic needs of the KVCC Foundation and Kennebec Valley Community College and to achieve growth over time. The goal is to realize an average annualized total investment return that is equal to or greater than, the sum of the Consumer Price Index, plus investment expense, plus distributions over any rolling twelve-quarter period.

IV. Asset Allocation

A. Diversification

The general policy shall be to diversify investments within both equity and fixed-income securities and/or funds to provide a balance that will enhance total return while avoiding undue risk concentration in any single asset class or investment category.

The Finance Committee believes the asset allocation indicated in the table below will achieve its long term investment objective. The asset allocation will be reviewed at least annually by the Finance Committee in consultation with the Investment Manager(s).

Major Asset Class	**Allocation Range**	
Equity	50%	70%
Fixed Income	20%	40%
Alternative Assets	0%	20%
Cash	0%	10%

The principal category of equity investments may be common stock mutual funds, with primary emphasis on high quality, investment grade, and dividend paying stocks in companies that are financially sound and that have favorable prospects for earnings growth. Investments in less than BBB rated municipal bonds must not exceed 10% of the portfolio.

Fixed –income investments may include short-term money market securities as necessary to meet foreseeable short-term liquidity requirements.

In the future, additional asset classes may be considered for addition to the Foundation's structure.

V. Spending Policy

A. Endowed / Permanently Restricted Fund Appropriations

Subject to the gift instrument and intent of the donor, the Board may appropriate for expenditure or accumulate so much of a fund as the Board determines to be prudent for uses, benefits, purposes, and duration for which the fund is established. In making the determination to appropriate or accumulate, the organization shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances.

The Foundation will maintain an annual spending level of not more than seven percent (7%) of the rolling twelve-quarter average market value. The typical annual spending percentage will be within the range of three to six percent (3%-6%) unless otherwise authorized by the Board. In no event may any distribution either (i) decrease the value of any donor-restricted gift below its historic dollar value or (ii) be made for a purpose other than that specified within the gift instrument or otherwise specified by the donor.

Percentage Calculation: The rolling twelve-quarter average market value is defined as the sum of the quarter-end market value of each of the preceding twelve (12) fiscal quarters, divided by twelve (12). This amount shall be available for expenditure in the current fiscal year. (For an endowment fund in existence for less than three years, the fair market value of the endowment fund will be calculated for the period the endowment fund has been in existence).

B. General / Unrestricted Fund Appropriations: Reimbursement of Fundraising Expenses Included in Board Approved Budget)

Fundraising services are provided by the College to the Foundation by its full-time Director of Resource Development and part-time Resource Development Specialist. The Foundation agrees to make reimbursement to the College for the equivalent of the salaries and related benefits of the full-time Director and one-quarter time Specialists positions. Additional fundraising expenses are anticipated to arise as a result of administrative expenditures.

Administrative fundraising expenses will be projected on an annual basis for the upcoming fiscal year. To realize projected annual fundraising expenses, the Foundation will assess funds with a quarterly management fee based on budgeted administrative costs. . It is the intention that the projected management fee will result in the actual amount of Foundation General Fund Expenses required to fulfill the Foundation's fundraising reimbursement obligations and may be adjusted by Board approval. The management fee will be transferred and held within the Foundation's checking account until invoices are approved and processed. Only actual expenses will be reimbursed. In the event that the management fee transferred should exceed the expenses to be reimbursed, the Foundation may re-allocate the overage at its discretion.

C. Temporarily Restricted, Board Designated, Program Related, and all other Expenses and Foundation Payments to the College

The Foundation Board of Trustees may authorize other reimbursement payments to the College for scholarship awards at Foundation discretion, and expenses authorized by the Foundation (such as appeals, academic support, certain program expenses, events, and other expenses which are not included in the expenses reimbursed by the approved fundraising expense management fee). Only actual expenses will be reimbursed or paid.

D. Spending Policy Evaluation

It shall be the responsibility of the Finance Committee to periodically review the spending policy against actual returns in order to recommend adjustments necessary to the Board for the preservation of capital and income of the endowment.

VI. Investment Management Evaluation, Ethics, and Conflict of Interest

A. Investment Results Monitoring

The Finance Committee will meet at least quarterly to review the investment results. The Investment Manager(s) will provide a monthly financial statement and performance summary. Investment Manager(s) will report investment performance on a quarterly basis in comparison to the performance benchmark approved by the Finance Committee. The performance benchmark shall be a weighted average of the following indices: S&P 1500 Index 60%; Barclay's U.S. Aggregate Bond Index 40%. The committee will regularly report on these matters to the full Board and/or the Executive Committee.

B. Investment Manager Evaluation

Investment Managers are expected to achieve an average annualized total investment return over any twelve rolling quarters that is comparable to the performance benchmark approved by the Finance Committee. In addition, Investment Managers are expected to achieve results that are comparable to other community college endowments. An Investment Manager may be removed or replaced by the Finance Committee at any time for any reason.

C. Ethics and Conflict of Interest

Committee members, Directors and employees of KVCC Foundation involved in the investment process shall refrain from personal business activities that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Annually, Board members are presented a Conflict of Interest statement to sign and make appropriate notations. All ethics rules and laws of The United States of America and The State of Maine hereby supersede this policy.