



**The Community Foundation of the Northern Alleghenies
Affiliates include the
Elk County Community Foundation and the McKean County Community Foundation.
Statement of Investment Policy and Guidelines**

Statement of Purpose

The Community Foundation of the Northern Alleghenies is a vehicle that will enable citizens of Elk and McKean County and surrounding areas to achieve their philanthropic expectations and in so doing strengthen the quality of life in the region. The Community Foundation of the Northern Alleghenies is prepared to assist those organizations and institutions designed to enhance the social welfare of the area. In carrying out this mission the Foundation provides matching money grants, seed money, and partnership grants to a host of educational, health care, cultural, youth development, social welfare, and community development needs.

The Foundation is a public supported charitable organization under Section 501 (c) (3) of the Internal Revenue Code. Its purpose is to be a vehicle to receive and accept gifts to be administered for charitable purposes primarily in and for the Elk and McKean County region of Pennsylvania.

The purpose of the Statement of Investment Policy and Guidelines is to assist the Trustee of the Community Foundation of Northern Alleghenies (the Trustees) in more effectively supervising and monitoring the investment activities of the Foundation by:

- Stating in writing attitudes, expectations, and goals for the investment of Foundation assets;
- Detailing the spending policy to meet the short-term and long-term objectives of the Foundation;
- Providing a basis for reviewing all investment management organizations;
- Encouraging effective communication between the Trustees and their investment managers; and
- Setting objectives against which the performance results can be measured.

The Trustees will review this Statement of Investment Policy and Guidelines at least annually, and they will approve all material changes to it.

The Foundation assets are to be managed in accordance with the policy guidelines expressed herein, or expressed by separate written instructions when the Investment Committee deems deviation prudent and desirable.

Roles and Responsibilities

Community Foundation of the Northern Alleghenies Trustees

The Trustees are responsible for approving this and future investment policy statements of the Foundation.

Community Foundation of the Northern Alleghenies Investment Committee

The Investment Committee (“Committee”) is responsible for determining investment policies and strategies, and selecting and monitoring the performance of the investment managers/mutual funds, investment advisors, and other fiduciaries.

The Foundation Staff

The primary responsibilities of the Foundation Staff include:

- Carrying out policies set by the Trustees and Committee
- Day to day operations
- Making, recording and auditing financial transactions
- Providing quarterly performance reports

General Objectives & Guidelines

I. Investment Goals

The broad-based investment goals of the Foundation are to:

- Protect the integrity of the Foundation’s asset base and to assist the Foundation in meeting its goals;
- Provide for the operating needs of the Foundation;
- At a minimum, preserve the inflation adjusted value of the Foundation assets after administrative costs and spending needs;
- Prudently invest assets in a high-quality, diversified manner;
- Achieve the optimal return possible within the specified risk parameters; and
- Adhere to the established guidelines.

II. Spending Policy

Beginning in calendar 2002, the annual spending policy, including expense disbursements for charitable purposes, of the Foundation’s assets is to be **4%, plus fees**

of the market value as of 12/31 of the previous year. However, the distribution will be

monitored to comply with IRS requirements. This amount will be determined annually and may vary depending on the needs of the Foundation.

The Foundation's assets will distribute all income generated from the portfolio not to exceed 4%, of the market value, plus its proportionate share of expenses. If income from the restricted assets does not meet a minimum of 4% plus fees, the drawdown will be generated on a total return basis, including, dividends and interest plus realized and unrealized gains. As a result, it is expected that principal may need to be spent if income levels are not sufficient to meet the 4% plus fees level. Expenses and payout may very dependent upon the distribution needs of a specific fund as negotiated by the donor and the Foundation.

III. Asset Allocation

Historical performance results and future expectations suggest that common stocks will provide higher total investment returns than fixed-income securities over a long-term investment horizon. However, one can expect an increase in portfolio volatility as the stock percentage is increased.

It is believed that the most significant decision to affect the overall volatility of results is that which controls the split among various asset classes, particularly the equity versus fixed-income ratio. Consequently, the Trustees have decided to control this ratio by setting up a long-term asset allocation target. The assets are viewed as having a long-term horizon with moderate liquidity needs, with the exception of short term pass through funds. These will be invested in money market funds. The Committee's goal is to maximize returns over the long-term and has therefore taken a long-term investment posture, which favors equity holdings.

Based on the investment goals and risk tolerances stated in this document, the following overall asset mix target is considered appropriate:

<u>Investment Category</u>	<u>Long-Term Target</u>	<u>Range</u>
Equity	60%	50%-70%
Fixed Income	40%	30%-50%
Cash	0%	0%10%

The long-term allocation will be reviewed annually to determine its appropriateness for the Foundation's long-term goals.

IV. Investment Policy Guidelines

A. Asset Class Diversification

It is the goal of the Foundation to be well diversified. Diversification reduces the risk to the Foundation while maintaining the return potential. Within the equity allocation, the Trustees seek appropriate diversification.

Prohibited Investments

Except as stated in any mutual fund prospectus, there shall be no investments in non-marketable securities, short selling, securities lending,

options trading, futures trading, illiquid assets, such as hedge funds, private equities, or private real estate or other specialized investment activity, unless authorized by the Trustees.

Equity Assets - Guidelines

Alternative Investments-

Liquid Alternative investments may be permitted such as mutual funds and exchange traded fund.

The following investment directions are intended to apply to the investment of the equity portion of portfolio assets.

1. Market Timing – Equity funds are designed to remain invested in common stocks. However, if attractive stocks cannot be found or in response to extraordinary market, economic, political or other conditions, the equity funds may invest a significant portion of assets in cash reserves but the Committee must approve holding more than 10% cash.
2. Diversification – To protect the portfolio against undo risk of large losses, reasonable precautions shall be taken to avoid excessive concentration. Also, each mutual fund will be prudently diversified, adhering to each fund’s respective prospectus guidelines.

B. Evaluation and Review

The objective of the evaluation and review process is to monitor the program of the Foundation assets in achieving the overall investment objectives. Performance will be measured and reviewed quarterly by the Trustees. Investment managers will present timely performance reports measured against the appropriate benchmarks. Particular attention will be directed toward determining whether:

- The total fund is achieving its stated objectives;
- The overall portfolio is performing satisfactorily in relation to both the objectives set forth in this Statement, as a primary consideration, and the stated benchmark composite index.
- The overall policies and objectives continue to be appropriate, reasonable, and achievable.

Mutual Funds

The guidelines listed below shall apply to the mutual funds chosen to implement the investment strategy. Although the Committee cannot dictate policy to mutual fund investment managers, it is the Committee’s intent to select and retain only mutual funds with policies that are similar to the Foundation, which shall be to

protect the assets of the foundation and to strive to maximize total return consistent with the conservative nature of the mutual fund portfolio. Any mutual fund retained is expected to comply with the Securities and Exchange Commission's disclosure requirements for mutual funds.

All mutual funds selected are expected to adhere to the following criteria:

- Each mutual fund must adhere to its stated philosophy and style.
- Performance objectives shall be as follows:
Managers will be measured against benchmarks developed by the Investment Manager and investment committee.
- If available, percentile ranking of portfolio's one-year return against peer group should be above 50.
- If available, percentile ranking of portfolio's three-year return against peer group should be above 50.
- If available, percentile ranking of portfolio's five-year return against peer group should be above 50.
- Each mutual fund manager shall have the full investment discretion with regard to market timing and security selection, subject to the rebalancing policy set forth in section V.

V. Rebalancing

The portfolio should be rebalanced back to its targeted asset mix when it is out the specified range, using one of two approaches:

- A. Utilize cash flow to realign the portfolio closer to its original target mix subject to the approval of the Investment Committee.
- B. The investment committee will monitor the portfolio regularly and shall act within a reasonable period of time to evaluate deviation from approved ranges.

Approved by the Board of Directors:	September 30, 2004
Amended by the Board of Directors:	March 14, 2007
Amended by the Board of Directors:	November 13, 2008
Review by the Investment Committee:	November 7, 2012
Approved by the Board of Directors:	November 7, 2012
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Reviewed & Approved by the CFNA with name change	December 6, 2017
Reviewed by the Investment Co.	June 25, 2018
Reviewed and approved by the CFNA board	Dec. 12 2018