

PENINSULA COLLEGE FOUNDATION INVESTMENT & SPENDING POLICY ADOPTED: May 30, 2019

The investment and spending policies of the Peninsula College Foundation, as detailed below, are designed to ensure prudent management of Foundation assets in order to serve the long-term best interests of Peninsula College.

I. Investment Objectives, Risk Tolerance, & Liquidity:

A. Investment Objectives

1. The primary investment objectives of the Foundation are to:
 - a) Provide adequate total returns to meet the funding needs of the Foundation.
 - b) Maintain sufficient liquidity to meet planned uses.
 - c) Preserve the real purchasing power of the principal.

B. Risk Tolerance

1. The Foundation seeks to obtain the best possible total return (earnings plus appreciation) on investments, commensurate with the appropriate level of risk. Portfolio managers may prudently allocate assets in a manner that they believe will achieve the investment objectives of the Foundation.
2. In order to ensure against loss of principal, non-endowed funds designated for a specific purpose will be invested in instruments designed to ensure against the loss of principal.

C. Liquidity

1. Liquidity needs are low for invested funds, but this should be periodically reviewed by the finance committee. Investing in marketable securities will ensure liquidity.

II. Allowable Investments

1. Investment strategies shall be limited to those listed below:
 - a) Cash Equivalents
 - i) US Treasury Bills, Notes, Bonds

- ii) Money Market Funds
- iii) FDIC Insured Certificates of Deposit
- b) Fixed Income Securities
 - i) US Government and Agency Securities
 - ii) Investment and Non-Investment Grade Corporate Notes and Bonds
 - iii) Mortgage backed bonds
 - iv) Investment grade preferred stock
 - v) Fixed income securities of foreign governments and corporations
 - vi) Collateralized mortgage obligations
- c) Equity Securities
 - i) Common Stocks
 - ii) Convertible notes, bonds, and convertible preferred stocks.
 - iii) American Depository Receipts (ADR's)
- d) Mutual funds
 - i) Mutual funds that invest in securities allowed in this statement.

III. Investment Manager Selection and Performance Evaluation:

A. Manager Selection Criteria

1. The investment firm shall be approved by the Foundation Board based upon recommendations from the Finance Committee. Particular emphasis will be placed on the investment firm's ethical and financial viability, organizational structure, and experience, in addition to their historical performance record in both up and down markets.
2. Most endowment funds are governed by state regulations, which embrace the Prudent Man Rule: that each investment be judged on its own merits and that speculative or risky investments must be avoided. Peninsula College Foundation abides by this rule, and adheres to Washington State UPMIFA rules on investment management and endowment fund spending.
3. It is expected that, as a minimum requirement, investment managers will comply with The Code of Ethics and The Standards of Professional Conduct

as established by the Association for Investment Management and Research (AIMR).

B. Performance Evaluation

1. The Finance Committee will meet regularly to review the investment firm's adherence to investment objectives and portfolio performance. In addition, the financial consultant shall meet with the Committee to review performance reports at least annually.
2. Performance shall be measured relative to the appropriate benchmarks on a total return, time-weighted basis and presented for the most recent three and five years. Investment results should be expressed net of fees.

IV. Endowment Awards and Fees:

The objective of the Foundation's awards policy is to preserve real purchasing power in perpetuity while providing ongoing operational support to designated college activities.

- A. The Foundation's awards policy is to spend four percent of a three-year moving average of quarterly market values. If an endowment fund falls below their principal amount, no awards may be made from the endowed funds.
- B. Any amounts from the current year's awards that remain unspent or unencumbered at the end of each year may be allocated to the restricted reserve, to be used in down markets.
- C. The Foundation will charge an annual administrative fee of two (2) percent of the market value of the endowment funds in addition to fees charged by investment managers.
- D. The Foundation may use or otherwise appropriate for expenditure all interest and realized gains earned on non-endowed restricted funds.

V. Non-Cash Contributions:

- A. With the exclusion of publicly traded securities, the transfer of ownership of any non-cash contribution to the Foundation, either real or personal property, is subject to approval by the Finance Committee, in accordance with the College and Foundation approved Gift Acceptance Policy (this policy is an addendum to the PC/PCF MOU).
- B. It is the intent of the Foundation to liquidate all non-cash contributions that are not suitable investments. Therefore, no contributions will be accepted that are subject to

donor restrictions in terms of usage or holding period, unless approved by the Finance Committee.

- C. Valuation of non-cash contributions and the preparation and filing of Internal Revenue Form 8283, or other required forms, for the purpose of obtaining a charitable tax deduction will be the responsibility of the donor.

VI. Execution of Policies and Procedures:

- A. Responsibilities for execution of this policy shall be delegated by the Foundation Board to the Finance Committee.
- B. Additional finance committee members may be selected from the community at large based on their recognized expertise in the financial services area. Members of the Committee are to be appointed by the President of the Foundation Board.
- C. The Investment Policy shall be reviewed annually by the Finance Committee.
- D. The Investment Firm and the Foundation endowment donors will receive an Investment Policy Statement any time amendments are made to this document.
- E. The current version of this policy will be posted on the Foundation website.