

1.5.5

INVESTMENT POLICY STATEMENT

For

**The Community Foundation
Serving Boulder County**

**Approved on June 25, 2004
Addendum approved July 22, 2005
Amendment approved November 8, 2006
Amendment approved February 22, 2008
Amendment approved May 2, 2008
Addendum approved May 28, 2010
Amendment approved July 23, 2010**

By Board of Trustees

Any change to this policy should be communicated in writing on a timely basis to all interested parties.

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EXECUTIVE SUMMARY

Type of Client:	Tax Exempt, Public Foundation
Time Horizon:	Long term (greater than 10 years)
Modeled Return:	6.25% average, annualized, real rate
Modeled Risk Level:	modeled loss at -10% for a single year (Statistical confidence level of 95%. Actual losses may still be greater than the modeled loss.)

Asset Allocation	Lower Limit	Strategic Allocation	Upper Limit
Cash & Equivalents	0%	5%	15%
Fixed-Income (Bonds)	20%	30%	40%
Alternative Assets	0%	5%	15%
Equities (Stocks)			
Domestic Large Cap	20%	30%	40%
Domestic Small Cap	5%	15%	25%
International*	5%	15%	30%

*(Emerging markets not to exceed 15% of total assets at any time)

Money Managers Private money managers, mutual and/or exchange-traded funds and fixed-income securities are expected to be used for implementation. Parts of the portfolio may be indexed or passively invested.

Evaluation Benchmark Portfolio return is expected to be comparable to a blended benchmark of returns for relevant indices as indicated in the Control Procedures section below.

BACKGROUND and PURPOSE

Mission Statement

The Community Foundation Serving Boulder County exists to improve the quality of life in Boulder County, now and forever, and to build a culture of giving.

This Investment Policy Statement (IPS) has been prepared for the Foundation, a tax-exempt Public Foundation under IRS Code 501(c)(3). The initial asset allocation strategy may change depending upon grants, operating expenses and future contributions.

Key Information

Name of Foundation:	The Community Foundation Serving Boulder County
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The purpose of this IPS is to assist the Foundation and Investment Advisor (Advisor) in effectively supervising, monitoring and evaluating the management of the Foundation's assets. The Foundation's investment program is defined in the various sections of this IPS by:

1. Stating in a written document the Foundation's attitudes, expectations, objectives and guidelines in the management of their assets.
2. Setting forth an investment structure for managing the Foundation's assets. This structure includes various asset classes, investment management styles, asset allocation and acceptable ranges that, in total, are expected to produce an appropriate level of overall diversification and total investment return over the investment time horizon.
3. Establishing formal criteria to select, monitor, evaluate and compare the performance of money managers on a regular basis.
4. Encouraging effective communications between the Foundation, Managers, and interested parties.
5. Complying with all applicable fiduciary, prudence and due diligence requirements experienced investment professionals would utilize, and with all applicable laws, rules and regulations from various local, state, federal and international political entities that may impact the Foundation's assets.

STATEMENT of OBJECTIVES

The objectives of the Foundation have been established in conjunction with a comprehensive review of current and projected financial requirements. The objectives are:

1. Maintain the purchasing power of the current assets and all future contributions. The objective is to maintain the level of services and programs in relation to the average cost increases. This requires establishing an equilibrium-spending rate of 5% (6.25%- 1.25% inflation).
2. Maintain a constant funding-support ratio. The desire of the Foundation is to maintain the level of programs and services currently provided. This can only be accomplished if sufficient total return is reinvested and new funds added to keep pace with cost increases and program expansions.
3. Maximize return within reasonable and prudent levels of risk.
4. Maintain an appropriate asset allocation based on a total return policy that is compatible with a flexible spending policy, while still having the potential to produce positive real returns.

Risk Tolerances

The Foundation recognizes and acknowledges some risk must be assumed in order to achieve the long-term investment objectives of the portfolio, and there are uncertainties and complexities associated with contemporary investment markets.

In establishing the risk tolerances for this IPS, the Foundation's ability to withstand short and intermediate term variability was considered. The Foundation's prospects for the future, current financial condition and level of funding in the portfolio suggest collectively some interim fluctuations in market value and rates of return may be tolerated with the portfolio in order to achieve longer-term objectives.

Time Horizon

The investment guidelines for the portfolio are based upon an investment horizon of greater than ten years; therefore interim fluctuations should be viewed with appropriate perspective. Short-term liquidity needs are expected to be minimal, as other funds outside the scope of this IPS have already been allocated. However, any unanticipated needs will be met from cash, maturing bonds, future contributions or rebalancing activities.

Expected Return

The objective is to earn a long-term real rate of return that is at least 6.25%, net of all investment fees, based on a risk profile consistent with a 60% equity 40% fixed income asset allocation.

SOCIALLY CONSCIOUS INVESTMENTS

The Foundation does not employ any socially conscious investment (SCI) criteria in the management of the Investment Pool. A Donor Advised Fund greater than \$250,000 may choose to invest in a socially conscious manner. The SCI Pool, which represents a portion of the Investment Pool, incorporates a broad range of social screening criteria in alignment with the Foundation's mission. The Foundation, in its SCI portfolios, favors investments in enterprises that practice good governance, contribute to a clean, healthy environment, treat people fairly, embrace equal opportunity, produce safe and useful products, and support efforts to promote world peace.

As social screening will affect the composition of a portfolio, the Foundation recognizes that socially screened portfolios are likely to have risk and return characteristics that are somewhat different from a comparable, unscreened portfolio. Nevertheless, the performance of any investment or investment pool being managed using SCI screening criteria is expected to be competitive with non-screened investments or pools with similar risk characteristics.

Proxy Voting

The Foundation considers the right to vote its proxies an important and valuable asset. Whenever possible, the proxies of companies held in Foundation portfolios managed using SCI criteria—whether the underlying investments are in mutual funds, with separate account managers, or directly in the shares of companies—will be voted by the Foundation or its authorized portfolio managers in accordance with the SCI criteria that governs the portfolio. The Foundation may choose to exercise its rights as an owner of corporate equity and file proxy resolutions for the purpose of encouraging more responsible behavior within one or more companies owned in Foundation portfolios, at the discretion of the Investment Committee and Board of Directors.

Community Investing

Community investments direct capital to communities underserved by traditional financial services, providing people who have difficulty accessing capital with opportunities to borrow, save and invest in their own communities. Community investments generally flow through community banks, credit unions, community loan funds and microenterprise development funds providing capital, creating jobs, and building low income housing. Community investments generally provide returns similar to interest earned on money market funds or short-term CDs (certificates of deposit). The Foundation may allow managers to allocate a small portion of an investment pool to community investments of one type or another. However, exposure to community investments inside of an SCI portfolio may not exceed three percent of the market value of the portfolio.

ASSET CLASS GUIDELINES

The Foundation believes that long-term investment performance, in large part, is primarily a function of asset class mix. The Foundation has reviewed the long-term performance characteristics of the broad asset classes, focusing on balancing the risks and rewards.

History shows that while interest-generating investments, such as bond portfolios, have the advantage of relative stability of principal value, they provide little opportunity for real long-term capital growth due to their susceptibility to inflation. On the other hand, equity investments, such as common stocks, clearly have a significantly higher expected return but have the disadvantage of much greater year-by-year variability of return. From an investment decision-making point of view, this year-by-year variability may be worth accepting, provided the time horizon for the equity portion of the portfolio is sufficiently long (five years or greater).

The following asset classes were selected:

- Cash and Cash Equivalents
- Fixed-Income (Dom. Governments, Corps, High Yield, & International.)
- Equities (Domestic Large & Small Cap and International)
- Alternative Assets (Real Estate, Commodities, & TIPs)

Rebalancing of Strategic Allocation

The percentage allocation to each asset class may vary as much as plus or minus 10% depending upon market conditions within the judgment of the investment managers. The upper and lower limits are not intended to impose absolute limits on asset allocation, but rather to suggest what ranges around the targets are considered normal. The allocations may at times drift outside the ranges due to portfolio performance or, in unusual cases, for tactical reasons. The limits suggest when portfolio rebalancing should be considered in order to bring the allocations closer to the IPS targets.

When necessary and/or available, cash inflows/outflows will be deployed in a manner consistent with the strategic asset allocation of the Portfolio. If the Foundation judges cash flows to be insufficient to bring the Portfolio within the strategic allocation ranges, the Foundation shall decide whether to effect transactions to bring the strategic allocation within the threshold range. The investment committee will review the allocation of the Portfolio quarterly.

DUTIES and RESPONSIBILITIES

Foundation Board of Trustees

As a fiduciary, the primary responsibilities of the Foundation are:

1. Prepare and maintain an investment policy statement.
2. Prudently diversify the accounts assets to meet an agreed upon risk/return profile.
3. Prudently select investment options.
4. Control and account for all investment, record keeping and administrative expenses associated with the accounts.
5. Monitor and supervise all service vendors and investment options.
6. Avoid prohibited transactions and conflicts of interest.

Investment Committee

The Investment Committee is a standing committee comprised of representatives from the Board, staff, *and* the Community. The Investment Committee serves at the pleasure of the Board of Trustees and makes recommendations to the Board which retains ultimate responsibility for investment recommendations. They are responsible for the oversight of all investment accounts and publicly traded assets. They are not responsible for private equity, partnerships, real estate and other illiquid assets or the money market pool. They shall act solely in the best interest of the Foundation and in concert with the mission of the Foundation. The Investment Committee's responsibilities include:

- a. Setting and revising investment policies.
- b. Developing investment objectives, asset allocation strategies and performance guidelines.
- c. Recommending Investment Consultants, Advisors, Money Managers and Custodians to the Board.
- d. Reviewing and evaluating investment results.
- e. Providing periodic performance reports to the Board.
- f. Responsible for oversight of all investment accounts utilizing publicly traded assets.

Investment Managers

As distinguished from the Board or Investment Committee, who are responsible for managing the investment process, investment managers are co-fiduciaries responsible for making investment decisions (security selection and price decisions). The specific duties and responsibilities of each investment manager are:

1. Manage the assets under their supervision in accordance with the guidelines and objectives outlined in their respective Prospectus or Investment Agreement.
2. Exercise full investment discretion with regards to buying, managing, and selling assets held in the portfolios.

3. If managing a separate account (as opposed to a mutual fund or a commingled account), to seek approval from the Foundation prior to purchasing and/or implementing the following securities and transactions:
 - ◆ Letter stock and other unregistered securities; commodities or other commodity contracts; and short sales or margin transactions.
 - ◆ Securities lending; pledging or hypothecating securities.
 - ◆ Investments in the equity securities of any company with a record of less than three years' continuous operation, including the operation of any predecessor.
 - ◆ Investments for the purpose of exercising control of management.
4. Vote promptly all proxies and related actions in a manner consistent with the long-term interest and objectives of the Accounts as described in this IPS. Each investment manager shall keep detailed records of the voting of proxies and related actions and will comply with all applicable regulatory obligations.
5. Communicate with the Foundation all significant changes pertaining to the fund it manages or the firm itself. Changes in ownership, organizational structure, financial condition, and professional staff are examples of changes to the firm in which the Foundation is interested.
6. Effect all transactions for the Portfolio subject "to best price and execution." If a manager utilizes brokerage from the Portfolio assets to effect "soft dollar" transactions, detailed records will be kept and communicated to the Foundation.
7. Use the same care, skill, prudence, and due diligence under the circumstances then prevailing that experienced investment professionals acting in a like capacity and fully familiar with such matters would use in like activities for like Portfolios with like aims in accordance and compliance with Uniform Prudent Investment Act and all applicable laws, rules, and regulations.

Custodian

Custodians are responsible for the safekeeping of the Portfolio's assets. The specific duties and responsibilities of the custodian are:

1. Maintain separate accounts by legal registration.
2. Value the holdings.
3. Collect all income and dividends owed to the Portfolio.
4. Settle all transactions (buy-sell orders) initiated by the Investment Manager.

5. Provide monthly reports that detail transactions, cash flows, securities held and their current value, and change in value of each security and the overall portfolio since the previous report.

INVESTMENT MANAGER SELECTION

The Foundation will apply the following due diligence criteria in selecting each individual investment option.

1. *Regulatory oversight:* Each investment manager should be a regulated bank, an insurance company, a mutual fund organization, or a registered investment adviser.
2. *Assets under management:* The manager should have at least \$75 million under management.
3. *Expense ratios/fees:* The manager's fees should be competitive with fees provided to similar non-profit organizations.
4. *Stability of the organization:* There should be no perceived organizational problems – the same portfolio management team should be in place for at least two years. (This may be waived in some circumstances; such as for funds managed by teams or for funds where prior performance histories of separate accounts are considered relevant.)

CONTROL PROCEDURES

Performance Objectives

The Foundation acknowledges fluctuating rates of return characterize the securities markets, particularly during short-term time periods. Recognizing short-term fluctuations may cause variations in performance, the Foundation intends to evaluate manager performance from a long-term perspective.

The Foundation is aware the ongoing review and analysis of the investment managers is just as important as the due diligence implemented during the manager selection process. The performance of the investment managers will be monitored on an ongoing basis and it is at the Foundation's discretion to take corrective action by replacing a manager if they deem it appropriate at any time.

Monitoring of Investment Managers

The Foundation has determined it is in the best interest of the Portfolio's participants that performance objectives be established for each investment manager. Manager results will be periodically evaluated and compared to appropriate indices (or peer-performance benchmarks) such as the following:

Asset Category	Primary Index	Investable Benchmark
Cash & Equivalents	30-Day Money Market Yield	
Equities		
Domestic Large Cap	S&P 500	iShare S&P 500
Small Capitalization	Russell 2000	iShare Russell 2000
International Core	MSCI EAFE	iShare EAFE
Fixed Income		
Short/Intermediate	Salomon 1-5 Yr. Treasury	iShares Lehman 1-3 Yr. Treas.
Core	Lehman Aggregate Bond	Vanguard Total Bond Market
Alternative Investments		
TIPS	Lehman Treas. Inflat. Notes	Vanguard Inflation Prot. Secs.

The risk associated with each manager's portfolio, as measured by the variability of quarterly returns (standard deviation), should not exceed that of the benchmark index or peer group without a corresponding increase in performance above the benchmark. It is understood that there are likely to be short-term periods during which performance deviates from market indices and managers should not be terminated for this reason alone.

Measuring Costs

The Foundation will periodically review all costs associated with the management of the Portfolio's investment program, including:

1. Expense ratios of each investment option against the appropriate peer group.
2. Custody fees: The holding of the assets, collection of the income and disbursement of payments.
3. Whether the manager is demonstrating attention to "best execution" in trading securities.

The Foundation will review this IPS at least every five years to determine whether stated investment objectives are still relevant and the continued feasibility of achieving the same. It is not expected that the IPS will change frequently. In particular, short-term changes in the financial markets should not require adjustments to the IPS.

The Community Foundation Serving Boulder County
Investment Policy Statement (IPS)

Addendum
1.5.2

(Repealed May 2010 – see addendum 1.5.4)

This Addendum is written to clarify certain details for the Community Foundation's IPS, adopted July 2005.

1. Regarding individual securities and limitations on holdings thereof:
 - a. It is currently the policy of the Foundation not to invest in individual equity securities.
 - b. Individual fixed income securities are acceptable investments within the following parameters:
 - i. Ratings should be "Investment Grade". A bond that whose rating is lowered from investment grade should be sold unless authorization is given by the Investment Committee to retain ownership.
 - ii. Non-rated securities should not be purchased without approval of the Investment Committee.
 - iii. No corporation should constitute more than 3% of assets if its rating is A1 or higher.
 - iv. No corporation should constitute more than 1% of assets if its rating is below A1.
 - v. No individual U.S. Treasury or U.S. Government Agency bond should constitute more than 5% of assets
 - vi. The average maturity of the bond portfolio should not exceed 10 years.
 - vii. No individual bond should exceed 20 years in maturity.
2. Direct investment in options or futures is not allowed. Mutual funds that utilize these strategies are allowed.

The Community Foundation Serving Boulder County
Investment Policy Statement (IPS)

Addendum
1.5.4

This Addendum is written to clarify certain details for the Community Foundation's IPS, adopted May, 2010.

Regarding individual securities and limitations on holdings thereof:

The Investment Manager may invest in individual securities, mutual funds and/or exchange-traded funds and fixed-income securities, including individual corporate bonds. The permissible capitalization range will typically be \$500 million or greater for investments in individual securities. All direct investments in equities shall be traded in the U.S. markets, on recognized exchanges and must have a consistently liquid market. Direct investments in foreign securities not listed on U.S. exchanges are not permitted. The average credit quality rating of bonds in the portfolio shall be at least "A-", as defined by either S&P or Moody's. For bonds with split ratings the lowest will be applied.

Concentration in any single security shall be limited to five percent of the total portfolio by cost. A manager's position may not reflect greater than five percent of the shares outstanding of any one company or controlled group. Concentration in any one industry, economic sector, geography, security type and maturity shall not be excessive relative to world markets.

Without prior Board written approval, the investment manager is prohibited from directly investing in commodities, futures, derivatives, private placements, private partnerships, limited partnerships, leveraged transactions, and real estate. Also limited to prior written approval are engaging in short sales, put options, or margin transactions.