

## INVESTMENT POLICY

Name:

This policy shall be called the Investment Policy

Purpose:

As an auxiliary organization of Humboldt State University, Humboldt State University Sponsored Programs Foundation seeks to provide guidance to those responsible for investing reserve funds and endowment funds held by HSU Sponsored Foundation.

The effective management of Sponsored Programs Foundation investments is the responsibility of the Board of Directors. To ensure investments are managed in accordance with generally accepted practices and procedures prudent for a non-profit auxiliary of the California State University; Humboldt State University Sponsored Programs Foundation has developed this policy in keeping with appropriate Federal and State regulations including CSU Board of Trustee regulations and the provisions of the California Corporation Code.

Effective Date:

This policy revised from the 03/98 edition shall be effective May 15, 2003.

Amendments:

This policy may be amended by a majority vote of the Board of Directors.

Policy Statement:

*Administration*

HSU Sponsored Programs Foundation's Board of Directors makes investment policies. Investment decisions are made by the HSU Sponsored Programs Foundation Finance Committee in consultation with the Sponsored Programs Foundation's management team and in consultation with outside management firms as necessary in the administration of this policy, ordinary care and prudence shall be exercised given the facts and circumstances prevailing at the time of the action or decision. All actions or decisions shall be made to further the Sponsored Programs Foundation's stated purpose of assisting the University in fulfilling its mission and goals.

*Fiduciary Responsibility*

HSU Sponsored Programs Foundation believes that it has a fiduciary responsibility that is consistent with CSU/HSU policies and principles and is in keeping with fiduciary standards, which will enable the Foundation to advance the University mission and goals. The HSU Sponsored Programs Foundation Board of Directors recognizes and accepts its fiduciary responsibility with respect to the investment of funds.

*Social Responsibility*

HSU Sponsored Programs Foundation believes that it has the responsibility to advance wherever possible socially and

environmentally responsible investments consistent with supporting the University's mission.

#### *General Prohibitions*

Investments are not made in the following: real property when the intent is speculative, futures, options, commodities or commodity contracts, fixed income securities with a rating less than Baa, margined or short positions, or high-risk ventures such as oil and mineral exploration. HSU Sponsored Programs Foundation does not invest in the State Cash Trust but does invest in the Local Agency Investment Fund.

The Sponsored Programs Foundation prohibits investment that would jeopardize the non-profit status of the Sponsored Programs Foundation. Assets or endowment funds shall not be hypothecated or pledged for any purpose, and shall not be loaned or invested in a manner inconsistent with the Sponsored Programs Foundation's investment policies

#### *Investment Categories*

HSU Sponsored Programs Foundation recognizes funds by categories and has specific requirements as to risk and expectations for each category. Annual income, risk tolerance, appreciation of principal, and regulatory/donor restrictions are areas that need to be considered. The fund categories and their descriptions are:

#### *Endowment Funds*

**Definition:** The types of Endowment Funds are defined as:  
Permanent Endowment - funds are those of which the principal must remain inviolate and in perpetuity, with only the income from investment of the principal being available for expenditure.

Term Endowment - funds are those by which donors have stipulated shall be released from endowment status upon the occurrence of a specific condition(s) or the passage of time.

Quasi-Endowment - funds are similar to endowments and are those, which the board of directors, at the request of the Sponsored Programs Foundation, rather than a donor, has determined to be retained and managed as though they were "for endowment." Such funds may be released at the discretion of the Board.

**Investment Objective:** The investment goal is to earn the maximum total return (interest/dividend earnings plus realized capital appreciation) on that principal that is consistent with the long-term preservation of the original principal. The management of these assets will be on a total return basis. While the Sponsored Programs Foundation recognizes the importance of the preservation of capital, it also adheres to the principle that varying degrees of investment risk are generally rewarded with compensating returns.

**Permitted Investments:** Diversification across industries and across investment vehicles when possible is to be used to control the risk of loss. To balance equity investments, investment in bonds, certificates of deposit, treasury bills, bond funds or money market funds shall be

permitted. Funds may be invested in managed investment funds as provided by The Investment Fund For Foundations (TIFF), a non-profit investment management firm, or managed funds of bank or brokerage companies as recommended by the Finance Committee and approved by the Board. Except as may be prescribed by law or regulations, the principal of individual endowment accounts shall be invested either singly or in the aggregate. If invested in the aggregate, all individual accounts will receive earnings from the Endowment Fund Account. Investment will be done on a pro-rata basis (based upon original principal) and will participate in realized capital appreciation on this pro-rata basis. Endowment funds shall not be commingled with other Foundation money for investment purposes in order to preserve and protect their character and function. If the management of endowment funds is to be through investment brokers, no less than two investment brokers shall be selected by bid, and firms so selected will be provided with written instructions relative to investment goals concerning both return and risk of loss. The HSU Finance committee shall review the performance of investment managers at six-month intervals.

Guide to Ongoing Management/Accounting: Accounting records shall include a written register on each endowment to assure accurate and complete documentation of all conditions under which such funds are accepted and used. The character of endowment funds shall be traced accurately to separate the principal of each endowment from the income earned therefore to be available for expenditure, reinvestment, or as designated reserves.

Performance Measurements: To constrain fluctuations in market values of investments, a balanced portfolio of debt (non-stock) and equity (stock holdings shall be maintained if debt and equity investments are utilized). The original principal invested in equities should not represent more than sixty percent of the total original value of all individual endowment accounts.

It shall be a goal for these investments managed by The Investment Fund for Foundations to meet or exceed their representative benchmark. The target mix and representative benchmark for those investments managed by the Investment Fund for Foundations shall be:

Asset Allocation	Primary Performance Benchmark
International Equity Fund (10%)	MSCI All-Country World
U.S. Equity Fund (50%)	Wilshire 5000 Index
Bond Fund (30%)	Lehman Aggregate Bond Index
Short-Term Fund (10%)	Merrill Lynch 182-Day Treasury Bill
Index	

Spending Policy: It shall be the policy in regard to endowment funds to permit a portion of earnings to be expended, with the remaining portion to be added to principal in order to protect the purchasing power of that principal, and to provide for those years when earnings might fall short of need. The first quarter of each calendar year, the HSUSPF Finance Committee will meet to determine the maximum endowment

expenditure rate for each endowment fund for the upcoming fiscal year and will normally be in the range of 4% - 5% based upon a trailing three-year market value of the investment.

#### *Trust Reserve Funds*

**Definition:** This category of fiduciary funds is held in trust and must be available for expenditure at any time.

**Investment Objectives:** No risk of principal while maintaining full liquidity. The goal for investing these funds is to earn the prevailing market interest rate that is consistent with the preservation of capital invested.

**Permitted Investments:** These investments should typically be made for amounts exceeding \$5,000 and for durations that can be determined with the advice of the project director. These funds may be pooled. It is understood that, from time to time, trust reserve funds may be invested in excess of deposit insurance. In those cases such balances will be in highly liquid accounts.

**Spending Policy:** The entire balance of each account is available for spending according to specific program directions and restrictions.

**Interest Income:** Interest income earned is credited to each Trust Reserve Account

#### *General Operations Reserve Funds*

**Definition:** This non-fiduciary category of funds constitutes the corpus of the HSU Foundation. The funds are held for the purposes identified in the HSU Sponsored Programs Foundation Reserve Policy and Indirect Cost Allocation Policy.

**Investment Objectives:** These funds can be invested like fiduciary funds, with the terms of investment being dependent upon the long-term plans of the corporation. Typically, the investment objective of any reserve fund will be that of total return (market appreciation plus interest/dividend earnings). Investment goals as stated in the Reserve Policy and Indirect Cost Allocation Policy will be used. Reserve levels will be subject to annual review by the Sponsored Programs Foundation's Board of Directors.

**Permitted Investments:** Return shall not be limited by safety. Low to moderate risk of invested principal will be permitted to allow for higher investment yields as compared to no-risk types of investments. These funds will not be pooled with any other fund, except in such cases where they are needed to achieve specified transaction levels, such as with the Local Agency Investment Fund.

**Spending Policy:** As stated in The Reserve Policy and Indirect Cost Allocation Policy, authority for expenditures will be with the Sponsored Programs Foundation's Board of Directors upon the recommendation of the Finance Committee. Loans made to the University or Sponsored Programs Foundation related programs and activities may be permitted, with terms of the loan, including payment terms and interest

rates be documented and presented to the appropriate committee with final approval by the Board of Directors.

Interest Income: Interest earned on reserve fund balances is credited to the General Operations Interest Income Account.

#### Sponsored Program Funds

Definition: Sponsored program funds are restricted grant and contract research funds that are financially administered by the Sponsored Programs Foundation.

Investment Objectives: No risk of principal while maintaining full liquidity. Typically, sponsored program fund balances are minimal in that most grant and contract accounts are administered on an expense-reimbursement basis.

Permitted Investments: These investments should be made for amounts and durations that should be determined by HSU Sponsored Programs Foundation cash flow needs and in consultation and if necessary, with the principal investigator/project director. Only highly liquid bank demand and money market accounts will be permitted.

Spending Policy: Fund balances are spent according to the terms of the grant and/or awarding agency.

Interest Income: Except for interest that may be earned on Federal grant and contract fund balances, interest income earned on sponsored program funds is credited to the general fund indirect in-lieu account. Interest may be credited to an individual project account but will be analyzed on a case-by case basis. Interest earned on Federal grant and contract fund balances, if any, is remitted to the Federal government according to government contract regulations.