

LIBRARY FOUNDATION of HILLSBORO

Investment Policy

General Statement of Objectives

The Library Foundation of Hillsboro investment portfolios (hereafter referred to as the “Fund”) are intended to provide perpetual financial support for the purpose of Library Foundation of Hillsboro, the organization.

The Library Foundation of Hillsboro (Foundation) receives, holds, and manages assets of various types, but principally endowment funds which are generally restricted in nature. It has been and will continue to be the policy of the Foundation to invest the funds for which it is responsible. Consistent with its legal obligations as a prudent investor of trust funds taking into account the following philosophy:

- A. Maximize overall return on the investment, in income and/or appreciation of principal, but at a minimum risk to the investment.
- B. Recognize the nature of the assets and the objectives of the specific funds being invested.
- C. Promote stability, flexibility, diversification and liquidity as appropriate.

As a general rule, endowment assets managed by the Foundation will be pooled for investment purposes except as donor or practical consideration (real estate) may preclude the pooling of investments. There may be circumstances under which maintenance of separately invested funds is desirable; in such cases the Finance Committee will make the decisions necessary to accomplish the overall investment objectives of the Foundation.

The Foundation may also have an account for unrestricted funds used for ongoing operations and expenses. That account shall be invested in an account that is liquid and has minimal risk.

Finance Committee

The Finance Committee (the “Committee”) is acting in a fiduciary capacity with respect to the Portfolio and is accountable to the Board of Directors for overseeing the investment of all assets owed by, or held in trust for, the Portfolio. The Committee is 2-3 Board Members approved by the Board and chaired by the Treasurer. In performing this role, the committee will:

- A. Establish and recommend to the Board each year the amount of income to be distributed from the Endowment fund for the support of the Library.
- B. When appropriate, select and recommend to the Board external investment managers, the renewal or continuation of whose appointment shall be subject to periodic formal review and approval of the Board.
- C. Receive and review reports and meet to review the performance of investment funds on a quarterly basis.
- D. Report to the Board, at least annually, on the status and performance of the Foundation's investments.

Subject to approval of the Board, the Finance Committee will select an external investment manager for the endowment fund. The investment manager will be fully responsible for the investment decisions relating to the fund, subject to the policies set forth by the Board. In general the investment manager will maintain a balanced, diversified fund and will report activity of the fund periodically, which will include periodic rates of return, a statement of asset value (at cost and at market) and a periodic transaction statement. The committee will meet with the investment manager at least semi-annually.

Portfolio Investment Policies

- A. The portfolio for the Fund is to be invested with the objective of preserving the long-term real purchasing power of assets while providing a relatively predictable and growing stream of annual distributions in support of the financial objectives for the Fund.
- B. The Foundation is a Type III Non-functionally Integrated Supporting Organization and the amount given to the library is based on the Functionally Integrated Test. The minimum amount to be given is the greater of (1) 85% of the Adjusted Net Income or (2) 3.5% of the Aggregate Fair Market Value of the organization's non-exempt use assets, which in the Foundation's case are the Permanently Restricted Net Assets.
- C. The distribution of the Fund's assets will be permitted to the extent that such distributions do not exceed a level that would erode the Fund's real assets over time.
- D. Periodic cash flow, either into or out of the Portfolio, will be used to better align the investment portfolio to the asset allocation as defined under the Portfolio investment policies.

Diversification Policy

Diversification across and within asset classes is the primary means by which the Committee expects the Portfolio to avoid undue risk of large losses over long time periods. To protect the Portfolio against unfavorable outcomes within an asset class due to the assumption of large risks, the Committee will take reasonable precautions to avoid excessive investment concentrations.

Rebalancing

The Finance Committee will periodically review the future cash needs of the Foundation for purposes of matching investment maturities with cash requirements. Endowment contributions are held until the end of the next quarter and then transferred to the Portfolio investments.

- A. The investment manager will use incoming cash flow (contributions) or outgoing money movements (disbursements) of the Portfolio to realign or keep the Portfolio within designated ranges as outlined under section: Portfolio Investment Policies.

Other Investment Policies

Unless expressly authorized by the Committee, the Portfolio and its investment managers are prohibited from:

- A. Purchasing securities on margin or executing short sales.
- B. Pledging or hypothecating securities, except for loans of securities that are fully collateralized.
- C. Purchasing or selling derivative securities for speculation or leverage.
- D. Engaging in investment strategies that have the potential to amplify or distort the risk of loss beyond a level that is reasonably expected, given the objectives or their Portfolio.

Monitoring Portfolio Investment and Performance

Investment objective of the fund is to exceed the return of a benchmark portfolio consisting of 60% S&P500 Index and 40% BARCAP Agg Bond Index as measured over rolling five years.

- A. In keeping with the Portfolio's overall long-term financial objective, the Committee will evaluate Portfolio and manager performance over a suitably long-term investment

horizon, generally across full market cycles or, at a minimum, on a rolling five-year basis.

- B. Investment reports shall be provided by the investment manager on a calendar quarterly basis or as more frequently requested by the Committee. Each investment manager is expected to be available to meet the Investment Committee once per year to review portfolio structure, strategy, and investment performance.
- C. The Finance Committee will regularly review this statement and each investment manager's adherence to it. It is the intent of this statement to be both sufficiently specific to be meaningful and flexible enough to be practical.

Investment Policy Changes

The Finance Committee will review the Investment Policy at least annually. If a professional manager is engaged, the Finance Committee will review the policy with such manager at least once a year. Proposed changes in policy will be presented to the Board for review and approval.

Policy adopted by Foundation Board January 27, 1993

Policy change proposed April 1997

Policy change adopted by Foundation Board June 25, 1997 (note: change in title from Investment Committee to Finance Committee)

Finance Committee review June 7, 2000

Policy change adopted by Foundation Board June 28, 2000 (note: change in time distribution is recommended from annual meeting to annually)

Policy change adopted by Foundation Board August 27, 2015

Policy change adopted by Foundation Board August 23, 2018

Policy reviewed by Foundation Board September 26, 2019