

Statement of Investment Policy **Angela Merici and John Henry Newman Foundation, Inc.**

This statement of investment policy documents specific policies and procedures that support a prudent and systematic program for the investment of all funds under the control of the Board of Directors of Angela Merici and John Henry Newman Foundation, Inc. (AMJHN Foundation, Inc.).

Definition of Funds

1. **Unrestricted Funds** include unrestricted earnings from investments, and money donated without restrictions by donors.
2. **Designated Funds** include unrestricted funds designated by the Board of Directors to be held in reserve for specific purposes or use. Use of these funds shall receive prior approval of the foundation President and the foundation Treasurer. The designated use of these funds can be changed by a majority vote of the Board of Directors.
3. **Temporarily Restricted Funds** include contributions and gifts made by donors who place time restrictions on the funds and/or designate their use for one or more specific projects. Such funds and any income derived from the use of investments of those funds may only be used for the purpose designated by the donor unless the donor or the donor's agent releases the funds for other uses.
4. **Permanently Restricted Funds** include contributions and gifts made by donors who permanently restrict the use of the funds and may designate the use of the income generated from the contribution. The original contribution, or gift (known as the "corpus") must not be spent.

Scope

This investment policy applies to all funds under the control of the Board of Directors of Angela Merici and John Henry Newman Foundation, Inc.

Objective

The primary investment objectives shall be to insure safety, liquidity, growth and return on investments entrusted to the Board of Directors of Angela Merici and John Henry Newman Foundation, Inc. The Uniform Prudent Investor Act, as adopted by the Legislature of the State of California, shall govern all investment decisions. The Uniform Prudent Investor Act states "...investments will be made with the exercise of that degree of judgment and care, under the circumstances then prevailing, which persons of

prudence discretion and intelligence exercise in the management of their own affairs, not for speculation; but for investment, considering the probable safety of their own capital as well as the probable income to be derived...”

Unrestricted Funds stem from donations that may be used for any purposes acceptable to the Board of Directors by a majority vote. These funds shall be deposited in a checking account at a bank or other financial institution where funds are federally insured. Funds in excess of current operating needs shall be deposited in an interest bearing account, money market fund, or short term CD’s with the objective of maintaining safety and liquidity.

Designated Funds are used for specific purposes. Investment of these funds should be in line with the nature of the designation. Reserve funds should be invested with the purpose of maintaining safety and liquidity, such as interest bearing accounts, money market funds, or CD’s. Designations with an extended time period should be invested with the purpose of maintaining safety of principal and liquidity at the time funds are required, such as US Treasury Bonds or longer term CD’s. Funds, such as monies set aside with the intent to generate income for scholarships, should be invested similar to the endowment fund.

Temporarily Restricted Funds are similar to unrestricted and designated funds and should be treated accordingly depending on the nature of the restrictions.

Permanently Restricted (Endowment) Funds shall be invested with the objectives of safety of corpus, growth, and return and may be invested in any number of authorized investment tools that meet these objectives. The investment goal of these funds is to generate sufficient total return on assets to permit (a) distribution of five percent (5%) of assets annually, and (b) allocation to the donated funds of an additional percentage equal to inflation plus one percent (1%) for real growth. See spending policy below for calculation of actual payout.

Delegation of Authority

The authority to invest Angela Merici and John Henry Newman Foundation, Inc. funds rests with the President and the Treasurer of Angela Merici and John Henry Newman Foundation, Inc. within the guidelines of this policy. Such authority may be delegated by the President and the Treasurer to an Investment Management Committee selected by the Board of Directors of Angela Merici and John Henry Newman Foundation, Inc.

Investment Management Committee

An investment management committee shall be appointed by the President and Treasurer of Angela Merici and John Henry Newman Foundation, Inc. The committee shall consist of the President, and Treasurer of AMJHN Foundation, Inc. and two at-large members of the investment community with significant investment acumen.

The Committee will be responsible for managing the investments of AMJHN Foundation, Inc. The chairperson of the committee, selected from among the committee members by a vote of the committee members, will be responsible for making reports to the Board of Directors of AMJHN Foundation, Inc. on the results of the investment program.

Endowment Fund Spending Policy

The Board of Directors has implemented a total return (income plus appreciation) spending policy. The policy is designed to provide a meaningful and growing payout to Cardinal Newman High Schools-while preserving the endowment's assets on an inflation-adjusted basis. At the beginning of each year the investment management committee will recommend to the Board of Directors a distribution figure for the endowment guided by the following formula:

$$\text{Total Return} - \text{Fees} - \text{Inflation Rate} - 1\% \text{ Growth Reserve} = \text{Payout}$$

The Inflation-adjusted return (interest + dividends + net capital appreciation) is based on the annual invested funds multiplied by the past years Consumer Price Index plus a 1% reserve for growth. The cumulative total of the annual "Inflation-Adjusted Required Return" is added to the Permanent Restricted Funds received (CORPUS) to arrive at the Permanent Restricted Funds on an Inflation-adjusted Basis (PRFIAB). The actual payout computation would require a 1-year lag period. The PRFIAB balance would be compared to the June 30 market value for both the prior and current year prior to any payout recommendation. If the current and prior year's market value is greater than the computed PRFIAB balance the investment management committee can recommend to the Board of Director a spending amount up to a max 5% return of average assets.

Fees include investment charges.

The inflation rate is for the past year based on the Consumer Price Index.

A one-percent reserve is set aside for growth.

At no time may the historic dollar value of a fund be invaded.

As mentioned above, the payout goal is five percent (5%) of assets annually. The portfolio of invested assets will include a mix of common stocks, debt obligations, and cash equivalents with the following parameters:

<u>Asset Class</u>	<u>Target</u>	<u>Range</u>
Equities	65%	55-75%
Fixed Income	32%	22-42%
Cash/Cash Equivalents	3%	0-6%

Authorized Investment

The following types of investments are approved for use by the Board of Directors of AMJHN, Inc. The Investment Management Committee may also select investment managers, consultants, or custodians to assist:

1. Money Market Accounts.
2. Certificates of deposit. Such certificates shall be federally insured, with a maximum amount of \$100,000 invested in a single certificate or account.
3. Debt Obligations:
 - With the exception of direct obligations of the United States Government, no one holding shall exceed 10% of the target allocation for debt obligation.
 - Corporate debt securities rated Aaa, Aa, or A by Moody's or AAA, AA, or A by Standard and Poor's.
 - Direct obligations of the U.S. Treasury and agencies of the U.S. Government.
 - Mortgage-backed securities issued or guaranteed by agencies of the U.S. Government.
 - Collateralized mortgage obligations that are rated Aaa or AAA.
 - Asset-backed securities rated Aaa or AAA.
 - Commercial paper rated Prime-1 or Prime-2 (Moody's) or A-1 or A-2 (S&P)
4. Mutual Funds.
5. Individual equity securities:
 - Only stocks that are broadly classified as institutional grade are eligible. Private placements and letter stocks are not appropriate.
 - No single common-stock investment, at time of purchase, may represent as much as 6% of the target allocation for common stocks.
 - No industry, at time of purchase, may represent more than 25% of the target allocation for common stocks.

Purchases of securities on margin, short sales transactions, use of highly leveraged derivative securities, options and futures, commodities, and special purpose funds (LBO's, Venture Capital, etc.) are prohibited. There shall be NO ownership of securities that would be repugnant to the current moral position of the Roman Catholic Church. If there is any question as to the qualification of a specific security, the investment manager is encouraged to contact the Chief Financial Officer of the Diocese of Santa Rosa.

The Committee will make a prudent investigation of any donated securities prior to liquidating said securities to take advantage of any dividend or other income producing opportunities. Donated securities that do not meet the guidelines of this policy shall be liquidated upon receipt.

Authorized Broker/Dealer & Banks

Only firms registered with the National Association of Securities Dealers shall be used for the purchase or sale of Securities, including those funds invested in mutual funds and pooled funds.

Investment Performance Goals

The Board of Directors of AMJHN, Inc. discourages investing for the purpose of trading or speculation, but buys with the intent to hold investments to maturity (equities excluded). Fluctuations in market rates or changes in credit quality may produce situations where securities may be sold at a normal loss in order to mitigate future erosion of principal.

Reporting Requirements

Investment advisors shall provide monthly reports and shall meet at least twice a year with the finance and investment committee to review the portfolio and to compare portfolio performance with appropriate indices (e.g., S&P 500, EAFE, Russell 2000, Barclays Govt-Corporate Intermediate Index, Barclays Govt-Corporate Index, Lehman Barclays Aggregate Index). Investment advisors shall make an annual report to Board of Directors. The chairperson of the Investment Management Committee, at least semi-annually, shall provide a detailed summary of the status of the investment program. The report shall be placed on the Board of Directors agenda for review and comment.

This statement of Investment Policy is intended to provide guidance to the Board of Directors of AMJHN, Inc., the Investment Management Committee, Staff and Investment Manager (s) in prudent custody and management of financial assets of Angela Merici and John Henry Newman Foundation, Inc. The Statement of Investment Policy shall be reviewed periodically and amended or updated by action of the Board of Directors.