

COLORADO STATE SCIENCE FAIR, INC.
OVERALL ENDOWMENT and SPECIALLY RESERVED FUNDS POLICY

I. INTRODUCTION

The purpose of this Overall Endowment and Specially Reserved Funds Policy (Policy) is to establish procedures and objectives for supervising, implementing, evaluating, and monitoring the long-term investments of the Colorado State Science Fair, Inc. (CSSF). Note that there will be separate Fund Creation and Policy Statements for each individual fund established for the CSSF included as an Attachment to this Policy.

The CSSF is a tax-exempt organization under Section 501(c)(3) of the United States Internal Revenue Code.

It is the policy of the CSSF to treat all financial assets of the Organization, including those funds that are legally unrestricted, as though they are held by the CSSF in a fiduciary capacity for the purpose of accomplishing the organization's tax-exempt mission. As such, an overall sense of stewardship is stressed. The investment standards of the CSSF shall be those of a prudent investor as required by the Uniform Prudent Management of Institutional Funds Act (MIFA) and the Generally Accepted Accountability Principles (GAAP).

https://en.wikipedia.org/wiki/Uniform_Prudent_Management_of_Institutional_Funds_Act

The primary intent of the CSSF Board of Directors is to hold investment funds, subject to this Policy, for long-term investment in order to achieve maximum earnings and growth. The CSSF Board of Directors may also authorize, subject to the constraints of this Policy, withdrawal and expenditure of said investment funds in future years for purposes it deems necessary to implement the five-year CSSF Strategic Plan adopted in November 2015. Authorization examples may include capital expenditures (i.e. software, equipment, leasehold, etc.), product development and/or launch, new program services start-up, operational funding, or similar purposes.

This Policy will be reviewed at least annually, and, if appropriate, can be amended by the CSSF Board of Directors to reflect changes in the capital markets, CSSF objectives, or other factors relevant to the CSSF.

II. DUTIES AND RESPONSIBILITIES

The CSSF Board of Directors:

1. Serve as fiduciaries, who are responsible for directing the monitoring and investment management of CSSF assets.
2. Select a Treasurer who will serve as Chairperson of the Finance Committee (Committee).
3. Approve or veto Finance Committee recommendations including:
 - a) Changes to the investment model including investment of funds with a community foundation or the hiring or firing of any other Investment Advisors, Investment Managers or Consultants.
 - b) Changes to this Policy.

Finance Committee:

1. Review the performance of CSSF investments at least quarterly and report to the Board, on at least a semi-annual basis.
2. Maintain a record of activities and actions regarding this Policy.
3. Notify the CSSF Board of Directors of any improprieties or significant changes in portfolio value or market conditions.
4. Make decisions within the parameters of this Policy.
5. Make recommendations for CSSF Board of Directors approval of investment fund withdrawals.
6. The Committee is authorized to evaluate and recommend an Investment Advisor and/or Investment Manager, which may be a community foundation, to assume the investment management function. In that regard, the Committee may recommend to the CSSF Board of Directors agreements to delegate investment authority to, pay compensation to, and receive reports from one or more Investment Advisors and/or Investment Managers.
7. The Committee will oversee the management of CSSF long-term financial assets:
 - a) In compliance with the CSSF mission and purpose.
 - b) In compliance with the ethical and integrity standards set forth in the CSSF bylaws and policies.
 - c) To ensure that the CSSF is in compliance with the UPMIF, GAAF and other applicable laws and regulations.
 - d) To earn the highest possible total rate-of-return consistent with prudent standards for preservation of capital and maintenance of liquidity given a dynamic investment environment.

III. INVESTMENT OBJECTIVES

The CSSF's investment objectives are to preserve, protect, and grow CSSF assets, as well as the maintenance of sufficient liquid reserves to meet obligations arising from planned activities. To accomplish these goals, the CSSF will:

1. Seek to achieve a long-term rate of return on investments that results in growth of CSSF assets sufficient to offset or exceed inflation, required annual contributions to the CSSF operating budget, investment management fees, expenses, and taxes, over a full market cycle.
2. Diversify the portfolio among various asset classes with the goal of reducing volatility of return, and among various issuers of securities to reduce non-systematic, single issuer, principal risk, which may be achieved by the option of placing funds with a community foundation whose investment policy embodies this criterion of diversification. Maintain liquidity in the portfolio sufficient to meet CSSF obligations as they arise over time.
3. Control administrative, investment, and management expenses.
4. Ensure that the terms and requirements of each individual investment fund are enforced according to the requirements outlined in each Fund Creation Statement and Policy.
5. Ensure that investments will be made in environmentally sustainable and socially responsible companies, funds or organizations as disclosed during fund research by evaluating ESG (Environmental, Social and Corporate Governance) performance ratings available through reputable equity and bond strategic investment organizations and by additional due diligence research by the Finance Committee.

IV. PERFORMANCE REVIEW AND EVALUATION

Should the CSSF Board of Directors retain an investment advisor, the Investment Advisor will review and evaluate investment performance quarterly in the context of the current investment environment and the long-term investment horizon of the CSSF. This performance evaluation shall be conducted with the Committee via written report not less than quarterly and at least annually in person. Performance evaluation will be done at the total portfolio level, for each asset class, and for each fund. The Investment Advisor's review shall include analysis of volatility and risk characteristics of the portfolio and its components. The performance review at the fund level will evaluate total fund performance versus the overall Policy benchmark. The performance review at the asset class level will evaluate asset class performance versus the benchmark. If the CSSF places funds with a community foundation for investment, the foundation shall provide similar performance information. Should the CSSF Board of Directors elect not to retain an outside Investment Advisor, the Committee shall perform these functions.

V. TYPES OF FUNDS

A. Endowment Funds

1. "Endowment Fund" shall mean any fund held by the CSSF which was created by a donor or designated by the Board as an endowment for the exclusive use, benefit or purpose of the CSSF and which is not permitted or is not intended to be wholly expended by the CSSF.
2. Endowment Funds. It is expected that Endowment Funds will fall into one of two categories as follows:
 - a. A "Donor Restricted Endowment Fund" is a fund created by a donor for one or more designated specific purposes and the earnings on the fund are designated to one or more specific purposes.
 - b. "Donor Unrestricted Endowment Fund" is a fund created by a CSSF Board of Directors designation and/or donor without designating a specific purpose.

B. Specially Reserved Fund

A "Specially Reserved Fund" is a fund created and designated by the CSSF Board of Directors as a Specially Reserved Fund, with or without a designated purpose, to be invested and managed in a manner similar to an endowment fund but with respect to which the CSSF Board of Directors retains the right to use the entire principal as well as income and appreciation in value for the benefit or purposes of the CSSF. A fund created by the CSSF Board of Directors as a Specially Reserved Fund shall be deemed to allow the CSSF Board of Directors to utilize the entire principal unless otherwise specifically provided by the CSSF Board of Directors when the Fund is created.

C. Listing of Funds

Each Endowment Fund and Specially Reserved Fund governed by this Policy with a separate Fund Creation and Policy Statement shall be included as an Attachment to this Policy. In the case of Endowment Funds, each Attachment list shall identify each fund, the creator of the fund, the date of creation, the document creating the fund, the category of the fund based on the categories set forth above, the fair value in dollars of the fund at the time it first became an Endowment Fund and any special provisions relating to the fund including an initial length of accumulation prior to the start of withdrawal. In the case of a Specially Reserved Fund, the Attachment shall identify the fund, the date of creation, the document or CSSF Board of Director's meeting minutes creating the fund, the fair value in dollars of the fund at its creation and any special provisions relating to the fund.

VI. Investment, Withdrawal and Distribution of Funds

A. Investment of Endowment and Specially Reserved Funds.

1. **Combining Funds for Investment.** Any or all of the Endowment and Specially Reserved Funds may be combined and invested in a common pool and any such common pool may be managed by such investment managers or community foundation as the Committee may select with the approval of the CSSF Board of Directors. In such case, all income and expenses and appreciation and depreciation in value of the common pool shall be allocated proportionally to the various Endowment and Specially Reserved Funds in the common pool. Asset values of each Endowment and Specially Reserved Fund in a common pool shall be determined at each fiscal quarter end.
2. **Investment for Total Return.** Generally, it is expected that Endowment and Specially Reserved Funds will be invested with a view to “Total Return” which will seek to optimize the return from both income and appreciation in value of assets and will not look solely to the return measured by traditional income such as dividends, interest and rents.
3. Long-term fund Investments will be made in environmentally sustainable and socially responsible funds, companies or organizations per the guidelines described in Section III Investment Objectives.
4. For long-term investment of these funds, the portfolio will include 50-75% stocks and 25-50% bonds.

B. Withdrawals

1. **General:** The Committee shall review, at least annually as part of the annual CSSF budget process, the financial needs of the CSSF and recommend to the CSSF Board of Directors, amounts for withdrawals and distributions from the various Endowment and Specially Reserved Funds consistent with any applicable provisions, or donor restrictions, governing any Endowment and Specially Reserved Fund. The CSSF Board of Directors will have the ultimate authority to decide the amounts of such withdrawals and distributions, with individual fund restrictions, and must adhere to the procedure below in order to affect such withdrawal.
2. **Procedure:** The CSSF Board of Directors shall authorize withdrawal of Investment Funds, by majority vote conducted in conformance with CSSF by-laws and policies, by adopting a resolution that states the purpose of the withdrawal, the amount of the withdrawal from each fund and requires the signature of the Board President, Board Treasurer and CEO to make the withdrawal. Any withdrawals from the various Endowment and Specially Reserved Funds not in accordance with this procedure are prohibited.

C. Distributions

Distributions Based on 3-year Moving Average Asset Values. The Committee may recommend annual distributions from each Endowment and Specially Reserved Fund in amounts up to 4% to 6% of the average of the market values of the assets of the Endowment or Specially Reserved Fund as of the end of the preceding three fiscal years of the CSSF. If funds are placed with a community foundation, the distribution percentage may be based on the distribution calculation method of that community foundation. However, in no event, may distributions from an Endowment Fund reduce the asset value of the fund below the amount of the Fund at the date of its creation (unless the instrument creating the fund permits distributions of original principal value or provisions for fund growth) and, in no event may distributions be made from net appreciation of an Endowment Fund if the instrument creating the fund indicates the donor’s intention that all or portions of the net appreciation may not be expended.

In the event a Fund has not been in existence for three CSSF fiscal years, the average market value of the Fund shall be based on the market values of the specific fund on the date the fund was created and as of the end of each CSSF fiscal year, if any, since the specific fund was created.

In adopting this Policy, the CSSF Board of Directors understands that, initially, withdrawals of 4% to 6% of average market value of an Endowment or Specially Reserved Fund may not be possible unless there is enough preexisting appreciation in the fund to permit such distributions.

1. Distributions from Donor Restricted Endowment Funds. Distributions from a Donor Restricted Endowment Fund will be made only for the designated purposes of that fund as stipulated in the Fund Creation Statement and Policy and only to the extent allowed for the designated purposes as stipulated in each Fund Creation Statement and Policy.
2. Distributions from Donor Unrestricted Endowment Funds. Distributions from any Donor Unrestricted Endowment Fund in excess of the amount needed for current purposes of the Association may be added by the CSSF Board of Directors to a Specially Reserved Fund.
3. Distributions from Specially Reserved Funds. The CSSF Board of Directors may, at any time, direct distributions from any Specially Reserved Fund to fund particular needs of the CSSF.

Adopted by the Board of Directors of the Colorado State Science Fair Inc.