

**JAFCO's Children's Foundation, Inc.**  
**Statement of Investment Policy**

Adopted by the Board of Trustees of  
JAFCO Children's Foundation, Inc.  
\_\_\_\_\_2012  
Effective July 1, 2012

**Definitions:**

The following definitions apply to this Investment Policy Statement.

1. *JAFCO* collectively means the JAFCO Children's Foundation, Inc., Jewish Adoption and Foster Care Options, Inc. and JAFCO Respite and Family Resource Center for Children with Developmental Disabilities, Inc.
2. *Foundation* means JAFCO Children's Foundation, Inc.
3. *JAFCO, Inc.* means Jewish Adoption and Foster Care Options, Inc;
4. *JAFCORFR* means JAFCO Respite and Family Resource Center for Children with Developmental Disabilities, Inc.
5. *Supported Charitable Organizations* means JAFCO, Inc. and JAFCORFR.
6. *Act* means the Florida Uniform Prudent Management of Institutional Funds Act, contained at section 617.2104 of the Florida Statutes, 2011.

**Statement of Purpose:**

JAFCO values our donors and the donations we receive from them. This Investment Policy Statement (IPS) affirms our commitment to our donors and to the children we serve by protecting our financial assets by using qualified, ethical and professional money managers, avoiding high risk investments and ensuring strict oversight of this best practice policy by Investment Committee (Committee) of the Board of Trustees of the Foundation. The Foundation's assets include restricted and unrestricted institutional funds, endowments and other assets as contemplated in this IPS (generally "Foundation Assets"). The investment portfolio represents the Foundation Assets and financial resources set aside to financially assist the Supported Charitable Organizations consistent with the articles and bylaws of the Foundation, as may be amended from time to time. We believe that the future stability of JAFCO depends upon adherence to this IPS, which is a dynamic working document. The tools, analysis, and decision-making process should remain consistent, subject to the Act, and state and federal rules and regulations, while the actual strategies and implementation should adjust to the realities of the financial markets and the specific environment in which the Foundation functions.

The Foundation's IPS includes the following:

1. A statement in writing that reflects the Foundation's attitudes, expectations, objectives, and guidelines for the management of the Foundation's assets.
2. A description of an investment structure for managing the Foundation's Assets. The structure will include direction for allowing key elements: various assets classes, various investment styles, asset allocation ranges, diversification, time horizon, and investment return expectations.
3. Written criteria regarding the selection, monitoring, evaluation, and comparison of the performance results achieved by the investment manager(s) on a systematic basis.
4. A process that encourages and requires effective communication between the Foundation, Investment Advisor (as described more fully on Page 5 of this IPS), and Interested Parties.
5. Clear policies that set forth the applicable fiduciary requirements that experienced investment professionals would utilize in the exercise of prudent management, consistent with all applicable state and federal laws, rules and regulations that apply to the Foundation.

## **Statement of the Objectives**

The Foundation Assets are to be invested in a diversified portfolio composed of equity, fixed income, cash equivalent securities, and other investments that are deemed appropriate by the Foundation Board, consistent with applicable federal and state rules and regulations. At all times, the Foundation shall consider its charitable purposes and the purposes of Foundation Assets. Management and investment decisions of the Foundation Assets must be made not in isolation but rather in the context of the portfolio of investments as a whole and as part of an overall investment strategy having risk and return objectives reasonably suited to the Foundation Assets and for charitable foundations.

The investment portfolio should be balanced to achieve capital appreciation, capital preservation and income. .

### ***Risk Tolerance***

It is the desire of the Foundation to maximize the investment return with reasonable and prudent levels of risk. Risk, for the purpose of quantification, has been identified as long-term erosion of capital, a high degree of fluctuation in the value of the portfolio over a market cycle.

### ***Performance Expectations***

## **GIFT AGREEMENTS<sup>1</sup>**

Notwithstanding anything to the contrary contained in this IPS and unless prohibited by law, at all times, the Foundation Board must adhere to the intent of the donor as expressed in a gift agreement, which will override many of the rules concerning the management and investment of a Foundation Asset.

## **Duties and Responsibilities of Foundation Board Members**

As fiduciaries, the primary responsibilities of the Foundation Board are to:

- Prepare, maintain, and revise, as appropriate, this Investment Policy Statement.
- Owe a duty of loyalty to the Foundation and the Supported Charitable Organizations.
- Prudently diversify the Foundation Assets to meet an agreed upon risk profile.
- Select investment options in good faith with the care an ordinarily prudent person in a like position would exercise under similar circumstances.
- Control and account for all investment, record keeping and administrative expenses associated with the investment portfolio.
- Monitor and supervise all service vendors and investment options
- Avoid prohibited transactions and conflicts of interest.
- Report to the operating Boards of each of the Supported Charitable Organizations.

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<sup>1</sup> A gift agreement or instrument constitutes any agreement, including solicitations by the Foundation or the Supported Charitable Organizations, which establishes an institutional fund. An endowment fund is created when a donor, in a gift agreement or instrument, requires that all or a portion of the gift be retained for perpetuity or a specified period of time and/or provides a direction or authorization to use only residuals of the principal.

In managing and investing the Foundation Assets, the Foundation Board:

1. May incur only costs that are appropriate and reasonable in relation to the Foundation Assets, the Foundation's purposes, and the skills available to the Foundation; and
2. Shall make a reasonable effort to verify facts relevant to the management and investment of the Foundation Assets.

### **Investment Requirements for all Foundation Assets**

Except as otherwise provided by a written gift agreement, in managing and investing Foundation Assets, the follow factors, if relevant, must be considered.

- General economic conditions;
- Possible effect of inflation or deflation;
- Expected tax consequences, if any, of decisions or strategies;
- Role of each investment or course of action within the overall investment portfolio;
- Expected return from income and appreciation of investments;
- Other resources of the Supported Charitable Organizations;
- Needs of the Foundation, o make distributions to Supported Charitable Organizations and to preserve capital;
- An asset's special relationship or special value, if any, to the charitable purposes of the Supported Charitable Organizations; and
- The donor's written intent and purposes.

### **Special Rules related to Endowments**

#### *Expenditure Guidelines*

Subject to the donor's intent in a written gift agreement, the Foundation may appropriate for expenditures or accumulate so much of an endowment fund as the Foundation Board determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established. When establishing spending policy and appropriating endowments for expenditures, the Foundation, shall consider:

- General economic conditions;
- Possible effect of inflation or deflation;
- The duration and preservation of the endowment fund;
- The purposes of the Foundation and the endowment fund;
- Expected return from income and appreciation of investments;
- Other resources of the Foundation and Supported Charitable Organizations;
- The Foundation's investment policy.

#### *Modification of Endowments*

The Foundation Board is permitted to modify or release from restriction all or a portion of endowment funds so long as the Foundation funds are used for the charitable purposes of the Foundation and the Supported Charitable Organizations provided that (a) the donor consent in writing to release or modify the restriction of all or a portion of the endowment fund or (b) if donor consent cannot be obtained (e.g. death, disability, inability to identify donor)..

If donor consent cannot be obtained, the following outlines the thresholds and methods if the endowment has become (a) impracticable, (b) wasteful, (c) impairs the management, investment, or use of the fund, or (d) modification will further the purpose of the fund:

1. The Board has the authority to release or modify endowment funds under \$100,000;
2. The Board has the authority to release or modify endowment funds between \$100,00 and \$250,000 with written notice to the Attorney General; provided the endowment fund is older than 20 years; and
3. Otherwise, the local circuit court, (a) upon application by the Foundation and the Supported Charitable Organizations, if applicable, and (b) written notice to the Attorney General, has the authority to release the restrictions on the endowment fund.

### **Statement of 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 or 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).

Except with documented consideration that the debt is consistent with the Foundation's charitable purposes, the Foundation will not incur debt. A short-term line of credit arrangement, less than 30 days, used to facilitate ease in distribution is not considered a debt. This activity would support smooth transitions for the Foundation. Long-term loan arrangements that potentially interfere with the intent of the Foundation are prohibited.

### **Delegation of Management/Investment**

Subject to any specific limitation set forth in a gift agreement or by law, the Foundation Board acting in good faith with the care standard of a prudent person may prudently delegate in good faith delegate to an agent (Investment Advisor, Investment Manager or similar professional advisors) the management and investment of all or a part of the Foundation Assets. In connection with the delegation, the Foundation Board will establish the scope and terms of delegation and periodically (but not less than annually) review and supervise the agent in order to monitor the agent's performance and compliance with the scope and terms of the delegation. Each agent shall be provided with a copy of the Investment Policy Statement and shall sign acknowledge in writing its receipt along with a statement that it understands and agrees to comply with the provisions of IPS.

#### ***Investment Advisor***

The Foundation may retain an objective, third party Investment Advisor to assist the Foundation in managing the overall investment process of the Investment Assets; provided that the delegation does not conflict with any limitation in a gift agreement. The Investment Advisor will be responsible for guiding the Foundation through a disciplined and rigorous investment process to enable the Foundation to meet their responsibilities as outlined above. The Investment Advisor owes a duty to the Foundation to exercise reasonable care to comply with the scope and terms of the delegation.

### ***Investment Managers***

As distinguished from the Foundation Board and the Investment Advisor, who are responsible for managing the investment process, the Investments Managers are responsible for making investment decisions (security selection and price decisions). The specific duties and responsibilities of each Investment Manager are to:

1. Manage the assets under supervision in accordance with the guidelines and objectives outlined in their respective service agreements.
2. Subject to the provisions of section 1 above and section 3 below, exercise full investment discretion with regards to buying, managing and selling assets held in the portfolio.
3. If managing a separate account (as opposed to a mutual fund or a commingled account), seek approval from the Foundation Board prior to purchasing and/or implementing the following securities and transactions.
  - Securities lending; pledging or hypothecating securities.
  - Investments for the purpose of exercising control of management.
  - Investments in the equity securities of any company with a record of less than three years continuous operation, including the operation of any predecessor.
  - Letter stock and other unregistered securities; commodities or other commodity contracts; and short sales or margin transactions.
4. Vote promptly all proxies and related actions in a manner consistent with the long-term interest and objectives of the portfolios 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 to the Foundation Board 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 an Investment Manager utilizes brokerage from the portfolio assets to effect ‘soft dollar’ transactions, detailed records will be kept and communicated to the Foundation Board.
7. Use the same reasonable care and caution as a prudent investor would; as defined in the Act -the duties of investing by a fiduciary.
8. In managing a separate account, acknowledge fiduciary responsibility by signing and returning a copy of this IPS.

### ***Control Procedures***

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 is at the Foundation's discretion to take corrective action by replacing a manager if they deem it appropriate at any time.

On a timely basis, but not less than quarterly, the Foundation or its designee(s) will meet to review and assess:

1. The manager's adherence to the portfolio's investment guidelines;
2. Material changes in the manager's organization, investment philosophy and/or personnel; and,
3. Any legal, SEC and/or other regulatory agency proceedings affecting the manager.

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 performance will be evaluated in terms of an appropriate market index (e.g. the S&P 500 stock index for large-cap domestic equity manager) and the relevant peer group (e.g. the large-cap growth mutual fund universe for a large-cap growth mutual fund). Exhibit A contains the , index and benchmarks for the different classifications of assets that the Foundation may use in evaluating investment performance of its assets.

### ***Persons with Special Skills***

A person that has special skills or expertise, or is selected by the Foundation in reliance upon the person's representation that the person has special skills or expertise, has a duty to use those skills or that expertise in managing and investing institutional funds.

### **Measuring Costs**

The Foundation may incur only the costs that are appropriate and reasonable in relation to the Foundation Assets, the Supported Charitable Organization's purposes and skills available. The Foundation will review, at least annually all costs associated with the management of the Portfolio's investment program, including:

1. The expense ratios of each investment option against the appropriate peer group.
2. Custody Fees: The holding of the assets, collections of the income and disbursement of payments.
3. Whether the manager is demonstrating attention to the "best execution" in trading securities.
4. Commission or fee structure.

### **Investment Policy Review**

The Foundation will review this IPS at least annually to determine whether stated investment objectives are still relevant and the continued feasibility of achieving the same. Subject to state rules and regulations, 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.

Date Approved: \_\_\_\_\_, effective July 1, 2012

JAFCO Children's Foundation, Inc.

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EXHIBIT A

ASSET CLASS	INDEX	BENCHMARK
<b>EQUITY</b>		
Large-Cap:		
Blend	S&P 500	Large-cap blend
Growth	Russell 1000 growth	Large-cap growth
Value	Russell 1000 value	Large-cap value
Mid-Cap	S&P 400	Mid-cap blend
Small Cap	Russell 2000	Small cap blend
Int'l Equity	MSCI EAFE	Foreign equities
<b>FIXED INCOME</b>		
Intermediate-term	Lehman Bros Gov't/Credit Intermediate	Intermediate-term bond
Short-term	Lehman Bros 1-3 yr Gov't	Short-term note
Money Market (Cash)	90-day T-Bill	Money Market database
<b>ALTERNATIVES</b>		
Gold and Silver	Spot Price	
Managed Futures	Dow Jones/UBS Commodity Index	