

Investment Policy Statement

The Arts & Recreation Foundation of Overland Park

Approved on April 17, 2012

By The Arts & Recreation Foundation of Overland Park (ARFOP)

***This investment policy statement should be reviewed and updated at least annually.
Any change to this policy should be communicated in writing on a timely basis to all
interested parties.***

BACKGROUND

The Arts & Recreation Foundation of Overland Park (ARFOP) is dedicated to the enrichment of the community through support of the arts, the Deanna Rose Children's Farmstead and the Overland Park Arboretum and Botanical Gardens. The Board of Trustees has authorized the President and/or Treasurer to act on the Foundation's behalf regarding the implementation of this investment process. The Foundation is a tax-exempt 501 (c) 3 entity.

The Arts & Recreation Foundation of Overland Park has been a client of Joe Johnson, Investment Advisor, now with Bukaty Companies O'Renck Wealth Management, since 2006. Bukaty Companies O'Renck Wealth Management manages ARFOP's invested funds in a Corporate account.

The investment goal is moderate risk tolerance as different assets within the portfolio have different time horizons and risk tolerances. ARFOP periodically provides the Investment Advisor with information which identifies the portion of the investment account that is longer term from the portion that is shorter term. The longer term portion of the investment reflects the underlying donor intention as long term investment. Otherwise, invested funds will be considered shorter term.

ARFOP desires the portfolio generate reasonable returns while maintaining a moderate position to maintain assets. The portfolio is moderate in its allocation. The portfolio will be diversified across multiple asset classes. The portfolio design consists of equity and bond no-load mutual funds.

PURPOSE

The investment policy is the cornerstone of the investment management process:

1. It establishes the criteria for matching long-term objectives to an appropriate investment plan.
2. It provides a frame of reference that will help keep ARFOP (Investor) and Joe Johnson (Investment Advisor) focused on long-term objectives. This focus is especially valuable during periods of market volatility when there may be a temptation to react to short-term factors.
3. It establishes the criteria against which progress can be measured.
4. It establishes criteria to select, monitor, evaluate and compare the performance of money managers on a quarterly basis.
5. It sets forth an investment management structure that includes various asset classes, asset allocation and acceptable ranges that, in total, are expected to produce an appropriate level of overall diversification and total investment return over the investment time horizon.
6. Complies with all applicable fiduciary, prudence and due diligence requirements experienced investment professionals would utilize, and with all applicable laws, rules and regulations from various local, state, federal and international political entities that may impact your investable assets.

INVESTMENT OBJECTIVES

The objective for the Moderate strategy is to provide long-term capital appreciation through a combination of growth and income while optimizing returns given an investor's ability to withstand short-term market fluctuations.

This investment policy describes the prudent investment process the Investment Advisor deems appropriate for The Arts & Recreation Foundation of Overland Park's situation.

Return Requirements

The return objectives follow these guidelines:

Return focus: The Arts & Recreation Foundation of Overland Park desires to achieve long-term total returns that are in excess of average returns for a Moderate portfolio. A Moderate portfolio is defined as consisting of the following allocations to the broad asset classes listed below:

Investment Grade Bonds (Vanguard Total Bond Market)	60%
U.S. Large Company Stocks (Vanguard 500)	30%
U.S. Small Company Stocks (iShares Russell 2000)	5%
Foreign Stocks (Vanguard Total International Stock)	5%

Relative to inflation: Long-term growth of assets above the CPI (consumer price index) is important. In an extended period of rising inflation, a moderate portfolio of this type is at some risk of not keeping pace with inflation.

Distribution requirements: Distribution requirements are on an as-needed basis.

Risk Tolerance

The investment time horizon for The Arts & Recreation Foundation of Overland Park is diverse by virtue of having designated longer term invested funds and the balance as shorter term invested funds. The diversified nature of the moderate strategy conforms to both the long-term and short-term requirements of the portfolio.

In managing portfolio risk, the Investor and Investment Advisor's objective will be to meet the performance guidelines outlined below. While there is no guarantee these objectives are always met, they serve as minimum target during major market declines.

Minimum 12-month performance: Losses of 10% are tolerable. Though it is believed that it is unlikely this minimum loss threshold would be breached in a typical market cycle, losses in excess of 10% do occur, and significant breaches of this loss threshold can be expected during extreme bear markets.

Minimum 36-month performance: The probability of a nominal loss over a three-year period is low. The Investor understands this objective cannot be guaranteed.

PERFORMANCE CONSTRAINTS

Liquidity

Liquidity is the ease (speed) at which assets can be sold at a fair price. The primary reason for maintaining liquidity in the portfolio is to ensure that cash can be raised rapidly to take advantage of new investment opportunities. The following guidelines are appropriate:

Cash Flow Requirements: The short-term assets will likely be used to fund projects or meeting operating needs in the near-term.

Primary Goal: Growth. Some assets are considered in the accumulation phase but preservation is of significant importance.

Allocation Requirements: Illiquid investments are not used in this strategy.

Time Horizon

The time horizon for these long term invested funds is over 5 years.

ASSET ALLOCATION

ARFOP’s investment strategy will involve under and overweighting various asset classes based on our assessment of the risk and return potential specific to each asset class at any point in time. Based on our analysis, the following allocation guidelines are designed to achieve the objectives outlined above. Equity positions may incorporate diversification by market cap and style. The Portfolio will not hold individual stocks or bonds.

<u>Asset Class</u>	<u>Range</u>
<u>Fixed Income</u>	<u>20-90%</u>
<ul style="list-style-type: none"> • Cash • Investment Grade Bonds • Foreign Bonds-Emerging Markets • High-Yield Bonds 	0-25% 20-80% 0-25% 0-25%
<u>Equities</u>	<u>10-80%</u>
<ul style="list-style-type: none"> • Domestic Large-Cap Equities • Domestic Small/Mid-Cap Equities • Foreign Equities-Developed Markets • Foreign Equities-Emerging Markets 	5-30% 0-35% 0-20% 0-15%
<u>Alternative Investments</u>	<u>0-25%</u>

Rebalancing of Strategic Allocation

When necessary and/or available, cash inflows/outflows will be used in a manner consistent with the strategic asset allocation of the Portfolio. If there are no cash flows, the allocation of the Portfolio will be reviewed quarterly.

If the Investment Advisor judges cash flows to be insufficient to bring the Portfolio within the strategic allocation ranges, the Investment Advisor shall notify ARFOP's Treasurer and decide whether to effect transactions to bring the strategic allocation within the threshold ranges.

DUTIES AND RESPONSIBILITIES

Investor

The Investor must provide the Advisor with all relevant information on financial condition, net worth, and risk tolerances and must notify the Advisor promptly of any changes to this information. The Investor should read and understand the information contained in the prospectus of each mutual fund in the Portfolio selected.

Investment Advisor – The Bukaty Companies O’Renick Wealth Management (BCOWM)

The Arts & Recreation Foundation of Overland Park has retained an objective, third-party Advisor to assist them in managing the investments. BCOWM will be responsible for guiding them through a disciplined and rigorous investment process. As a fiduciary to The Arts & Recreation Foundation of Overland Park, the primary responsibilities of BCOWM are:

1. Prepare and maintain this investment policy statement.
2. Provide sufficient asset classes with different and distinct risk/return profiles so they can prudently diversify the Portfolio.
3. Prudently select investment options.
4. Control and account for all investment expenses.
5. Monitor and supervise all investment options.
6. Avoid prohibited transactions and conflicts of interest.

Investment Managers

As distinguished from BCOWM, who is responsible for managing the investment process, investment managers are responsible for making investment decisions (security selection and price decisions). The specific duties and responsibilities of each investment manager are:

1. Manage the assets under their supervision in accordance with the guidelines and objectives outlined in their respective Prospectus.

2. Exercise full investment discretion concerning buying, managing, and selling assets held in the portfolios. In good faith, BCOWM will attempt to correspond with the trustees before any major investment modifications are made however this does not override BCOWM's discretionary authority.
3. Vote promptly all proxies and related actions in a manner consistent with the long-term interest and objectives of the Portfolio.
4. Communicate to The Arts & Recreation Foundation of Overland Park 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 Arts & Recreation Foundation of Overland Park is interested.
5. Use the same care, skill, prudence, and due diligence under the circumstances then prevailing that experienced investment professionals acting in a like capacity and fully familiar with such matters would use in like activities for like Portfolios with like aims in accordance and compliance with the Uniform Prudent Investor Act and all applicable laws, rules, and regulations.

Custodian – Charles Schwab

Custodians are responsible for the safekeeping of the Portfolio's assets. The specific duties and responsibilities of the custodian are:

1. Maintain separate accounts by legal registration.
2. Value the holdings.
3. Collect all income and dividends owed to the Portfolio.
4. Settle all transactions (buy-sell orders) initiated by the Investment Manager.
5. Provide monthly reports that detail transactions, cash flows, securities held and their current value, and change in value of each security and the overall portfolio since the previous report.

INVESTMENT MANAGER SELECTION

BCOWM will apply the following due diligence criteria in selecting each money manager or mutual fund.

1. *Regulatory oversight:* Each investment manager should be a regulated bank, an insurance company, a mutual fund organization, or a registered investment adviser.
2. *Correlation to style or peer group:* The product should be correlated to the asset class of the investment option.
3. *Performance relative to a peer group:* The product's performance should be evaluated against the peer group's median manager return, for 1-, 3- and 5-year cumulative periods.

4. *Performance relative to assumed risk:* The product's risk-adjusted performance (Alpha and/or Sharpe Ratio) should be evaluated against the peer group's median manager's risk-adjusted performance.
5. *Minimum track record:* The product's inception date should be greater than three years.
6. *Assets under management:* The product should have at least \$100 million under management for equity funds and \$50 million for fixed income funds.
7. *Holdings consistent with style:* The screened product should have no more than 40% of the portfolio invested in —unrelated|| asset class securities. For example, a Large-Cap Growth product should not hold more than 40% in cash, fixed income and/or international securities.
8. *Expense ratios/fees:* The product's fees should not be in the bottom half (most expensive) of their peer group.
9. *Stability of the organization:* There should be no perceived organizational problems – the same portfolio management team should be in place for at least three years.

CONTROL PROCEDURES

Performance Objectives

The Arts & Recreation Foundation of Overland Park realizes fluctuating rates of return characterize the securities markets, particularly during short-term periods. Recognizing that short-term fluctuations may cause variations in performance, BCOWM intends to evaluate manager performance from a long-term perspective.

The Arts & Recreation Foundation of Overland Park 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 is monitored on an ongoing basis and it is at BCOWM'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 annually, BCOWM will meet with The Arts & Recreation Foundation of Overland Park to review whether each manager continues to conform to the search criteria outlined in the previous section; specifically:

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.

BCOWM has determined it is in the best interest of The Arts & Recreation Foundation of Overland Park 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).

<u>Asset Class</u>	<u>Index</u>	<u>Peer Group</u>
Large-Cap Equity Blend Growth Value	S&P 500 Russell 1000 Growth Russell 1000 Value	Large-Cap Blend Large-Cap Growth Large-Cap Value
Mid-Cap Equity	S&P 400	Mid-Cap Blend
Small-Cap Equity	Russell 2000	Small-Cap Blend
International Equity	MSCI EAFE	Foreign Stock
Fixed Income Intermediate-term Bond	Barclay Gov't/Credit Intermediate	Intermediate-Term Bond
Money Market	90 day T-Bills	Money Market Database

A manager may be placed on a Watchlist and a thorough review and analysis of the investment manager may be conducted, when:

1. A manager performs below median for their peer group over a 1-, 3- and/or 5-year cumulative period.
2. A manager's 3-year risk adjusted return (Alpha and/or Sharpe) falls below the peer group's median risk adjusted return.
3. There is a change in the professionals managing the portfolio.
4. There is a significant decrease in the product's assets.
5. There is an indication the manager is deviating from his/her stated style and/or strategy.
6. There is an increase in the product's fees and expenses.
7. Any extraordinary event occurs that may interfere with the manager's ability to fulfill their role in the future.

A manager evaluation may include the following steps:

1. A letter to the manager asking for an analysis of their underperformance.
2. An analysis of the holdings and portfolio characteristics to determine the cause for underperformance or to check for a change in style.
3. Discussion with the manager to gain insight into organizational changes and any changes in strategy or discipline.

The decision to retain or terminate a manager cannot be made by a formula. It is BCOWM's confidence in the manager's ability to perform in the future that ultimately determines the retention of a manager.

Measuring Costs

BCOWM will review with The Arts & Recreation Foundation of Overland Park at least annually all costs associated with the management of the Portfolio's investment program, including:

1. Expense ratios of each investment option against the appropriate peer group.

PERFORMANCE MONITORING

Portfolio appraisals and performance reports are supplied to ARFOP quarterly. Performance numbers are compared with a benchmark and appropriate indexes. The benchmark for the strategy outlined above consists of the following allocations listed below:

Index	Benchmark Allocation
Barclays Aggregate Bond Index	60%
S&P 500 (U.S. Large Company Stocks)	30%
Russell 2000 (U.S. Small Company Stocks)	5%
EAFE Index (developed markets)	5%

INVESTMENT POLICY REVIEW

BCOWM will review this Investment Policy with The Arts & Recreation Foundation of Overland Park at least annually to determine whether the stated investment objectives are still relevant. Frequent change to the Investment Policy is not expected. In particular, short-term changes in the financial markets should not require adjustments to the Investment Policy.

We have reviewed the above Investment Policy Statement.

Signature	Print Name	Date
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Signature	Print Name	Date
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