

GRANT COUNTY COMMUNITY FOUNDATION, INC.
GENERAL INVESTMENT POLICY
Adopted by the Board of Directors on June 14, 2017

Mission Statement

The Grant County Community Foundation, (herein referred to as the Foundation) seeks to connect donors who care with causes that matter.

Investment Philosophy Statement

The investment and spending policies of the Foundation are designed to ensure prudent management of Foundation assets in order to serve the long-term best interests of the community. It is recognized that these assets constitute a public trust, and the Foundation accepts a high degree of fiduciary responsibility and accountability for them.

Investment policies are intended to reflect the unique needs and preferences of the community while providing a level of investment sophistication required to preserve the purchasing power of both the principal and income in perpetuity. The preservation of principal and the provision of a reasonable and growing income are primary considerations. The Foundation incorporates the "prudent investment rule" in all its investment considerations. All investments must comply with the guidelines of quality, marketability, and diversification as mandated by the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and other controlling Kansas statutes.

General Policy

1. The Foundation's Board of Directors shall appoint a Finance/Investment Committee (herein referred to as the Committee) composed of five to seven Board members, with the Foundation's treasurer a member. Outside advisory members with investment experience may be asked to serve, to aid the committee with advice and financial expertise. Quarterly meetings will be held to review investment performance and report any recommendations to the Foundation board.
2. The Committee shall make regular reviews of all financial transactions including monthly accounting, fiduciary controls, investment policies, strategies and procedures for compliance with the Foundation's by-laws, Board approved guidelines and any IRS or audit requirements for a nonprofit Foundation.

3. The Committee will submit an annual budget to the Executive Committee for final approval and use in the upcoming calendar year. Future cash flow needs will be projected in comparison to income and operational reserve funds. If necessary, budget adjustments will be made during the year to prevent a cash flow crisis.
4. With Board approval and adequate asset size, the Committee may hire an investment consultant to assist in monitoring the investment performance and allocation strategy of the investment manager. To avoid conflict of interest, investment managers will not be members of the Committee or the Foundation board.
5. The Committee will report investment performance returns on Foundation assets at regular monthly board meetings. A detailed investment performance report will be reviewed with the Board on a quarterly basis.
6. Portfolio managers and /or trustees of Foundation assets shall be approved by the Board of Directors based upon recommendations from the Committee. Particular emphasis will be placed on a firm's ethical and financial viability, organizational structure, and experience of key personnel, in addition to their historical performance record in both up and down markets.

Spending Policy

The objectives of the Foundation's spending policy are to allocate total earnings from the portfolio between current spending and reinvestment for future earnings, and to provide predictable and growing stream of income to beneficiaries of Foundation grants. Achievement of these dual objectives will ensure that the fund preserves purchasing power in perpetuity while providing ongoing operational support to designated charitable activities. The Committee will make a recommendation to the board annually for the allocation of earnings to be applied for grants from permanent endowed funds.

1. The long-term annual spending rate goal for the Foundation is five percent. The Foundation will use a five-year moving average of quarterly market returns to determine the percentage available for granting. That percentage may be adjusted at the discretion of the Committee depending upon market conditions.
2. In the early stages of fund accumulation, however, the committee may adopt an interim spending policy of spending a percentage of the average market value for the previous year. The spending policy establishes the resources available that may be used for both operating and grant budgets of the Foundation for the following year. A general guideline of four to five percent of fair market value on December 31st is to be considered for grants. It is the intent of the Foundation to make conservative grant allocations from earnings so endowed funds grow

to exceed the general inflation index. Once established, budgets should be reviewed at mid-year for possible adjustment up or down to account for new contributions or adverse market conditions.

Any amounts from the current year's budget that remain unspent or unencumbered for operations or grants at the end of each year may be carried forward for future years provided the earnings are sufficient for that distribution.

Distribution Policy

The Foundation uses multiple grant periods with the majority of grants awarded for the benefit of Grant County, Kansas. Donor advised funds experience greater flexibility and will be considered by the Board on an individual basis.

New donor funds not invested in the endowed investment pool for 12 months may distribute a portion of the interest and dividends earned for that time period, less the annual fee. The fund minimum must be reached in order to provide a grant and invasion of principal will not be permitted. The minimum grant amount for a fund is \$250.

Earnings declared for grants should be transferred to the nonpermanent fund investment pool with a designation of grants payable for dispersion under the grant committee's direction. Any interest earned on grants payable account will be credited to the Foundation for operational expense.

Investment Policy

1. General Investment Principals

- A. Investments shall be make solely in the interest of the Foundation.
- B. Investment of the fund shall be so diversified as to minimize the risk of large changes in market value.
- C. Short-term fluctuations in value shall be considered secondary to long-term results.
- D. Cash should be managed at all times by investment in short-term cash equivalent reserves to provide safety, liquidity and return.

- E. The Foundation's assets will be monitored by the Committee appointed by the Board of Directors, with the Board of Directors having final approval of Committee recommendations.
- F. No member of the Foundation's Board of Directors or the Committee shall obtain any remuneration or make other personal financial gain from the investment decision made by the Committee.

2. Investment Objectives

- A. The Foundation has been entrusted with the investment management of charitable gifts that will be used for the long-term best interests of the community. The Foundation seeks to provide a stable total return for grant making, while maintaining the purchasing power of the Foundation's assets over the long term. To meet both current and future philanthropic needs, the Foundation adopts the following investment objectives:
 1. Long-term growth of capital, without undue exposure to risk.
 2. Consistent annual total returns net realized and unrealized gains/losses, dividends and interest.)
 3. Long-term total returns that cover spending for operations and grants, while exceeding inflation.
- B. Changing environments will require flexibility in meeting these objectives. It is intended that the performance objectives set forth in this policy will be achieved by the investment managers over a moving three to five year period, net of investment management fees. The Foundation reserves the right, however, to evaluate performance and may make changes in investment managers based upon a short term time horizon.

3. Investment Guidelines

- A. The Foundation acknowledges that asset allocation decisions could be the single most important determinant of portfolio risk and return. The Foundation will establish long-term allocation ranges and will from time to time review those ranges. The investment managers will review investment performance on a quarterly basis with the committee. All assets must comply with the guidelines of quality, marketability, and diversification as mandated by the Uniform Prudent Management of Institutional Funds Act and other controlling Kansas statutes.
- B. No restrictions will be placed on the selection of individual investments, except for unusual circumstances and future established guidelines; provided, that no investments shall be

made of letter stock, private placements, real estate, short positions, call, puts, options, commodities or primary derivatives, without specific prior authorization by the Foundation.

- C. In the event of severe economic or market conditions, which would negatively impact the Foundation's investment portfolio, the investment manager may immediately deviate from the stated asset allocation structure. Any such decision should be promptly communicated and explained in writing to the Committee.

4. Asset Category Guidelines

- A. After reviewing the goals and objectives of the Foundation and considering the potential risks and investment total return, the following is an acceptable range of portfolio weight for investment in the designed major asset categories.

<u>Asset Category</u>	<u>Target Allocation</u>	<u>Acceptable Range</u>
Cash	0%	0% to 1%
Fixed Income	36%	19% to 70%
Stocks	54%	30% to 80%
Alternative	10%	0% TO 13%

5. Alternative Assets

- A. The purpose of alternative asset investment is to provide diversification and capital appreciation.
- B. Investing in a mutual fund with hedge fund exposure is permissible under the Investment Policy Statement, provided that the fund provides daily liquidity.
- C. Investments in private placements, tangible real estate, mineral exploration, futures contracts, commodities and currency other than currency hedging performed within international mutual funds in order to attempt to reduce volatility are prohibited.
- D. Gifts of real estate will not be subject to the Foundation's asset allocation guidelines. But the Committee will annually review the income potential and value of real estate gifts and measure that against potential long-term returns offered by investments in the equity, fixed income and alternative asset markets.
- E. While investments in tangible real estate are prohibited, investments in Real Estate Investment Trusts (REIT's) and mutual funds investing in REIT's are allowed.
- F. Commodity mutual funds may be used, as an exception to the above, as a tool to provide portfolio diversification when deemed appropriate by the investment manager.

6. Stock Assets

- A. Investments in securities of a single stock must not exceed five percent of the Portfolio's market value.
- B. Mutual funds and exchange traded funds for both domestic and international securities are allowed.

7. Bond Assets

- A. No individual bond issues may be purchased with more than 16 years maturity.
- B. Investments in securities of a single issuer (with the exception of the U.S. Government and its fully guaranteed agencies) must not exceed five percent of the Portfolio's market value.
- C. Only individual corporate debt issues that meet or exceed a credit rating of BAA from Standard & Poor's and/or a BBB rating from Moody's may be purchased.
- D. Preferred stocks must be rated BBB or better by Moody's and/or Standard & Poor's at the time of purchase.
- E. High Yield Bond Funds and Preferred Stock Funds may be used, as an exception to above, as a tool to broaden portfolio diversification when deemed appropriate by the investment manager. High Yield Bond Fund and Preferred Stock holdings will be limited to each being no more than 5% of the portfolio.
- F. Mutual funds and exchange traded funds for both domestic and international securities are allowed.

8. Reporting Requirements

- A. Managers are required to inform the Committee, within a reasonable timeframe, of any change in firm ownership, professional personnel, organizational structure, account structure or fundamental investment philosophy.
 - 1. Monthly communication will include a listing of transactions, asset allocation, and inventory of assets.
 - 2. Quarterly communication will consist of a summary of monthly reports, performance reported on total return and presented for the most recent quarter, year-to-date, and trailing year, three years and five years.
 - 3. Annual communication will include a commentary of the investment manager's outlook recommendations as to changes in goals and guidelines in light of changes in the market, review of key investment decisions and the rationale for these decisions, review of all management fees and other fees and expenses.

9. Investment Review

- A. The Committee will meet on a quarterly basis to review the reports and the investment manager's adherence to the investment objectives, guidelines and portfolio performance. The Committee will also review the quarterly distribution and cash flow needs of the Foundation for the ensuing year to assure proper coordination of investment performance and make any desired changes at any time.
- B. The Committee will meet on an annual basis to review past investment policy, examine the current investment policy, and review the asset allocation of the Foundation assets to determine if any changes are required.
- C. A personal interview with the investment management team will be conducted at least annually as well as a meeting to review individual reports.

10. Performance Goals

- A. Overall for the Fund, the total return performance goals (including dividends, interest, appreciation, and net of fees) over a market cycle (typically 3-5 years) are:
 - 1. Exceed the inflation rate as measured by the C.P.I. by 5%.
 - 2. Exceed the performance of an index composed of 60% of the S&P 500 Index, 40% of Barclays Capital Aggregate Index.
- B. The Committee recognizes that during certain economic and market cycles that the above performance goals may not be attainable.

Approved: June 14, 2017

Chairman: Cynthia L. Davis
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