Investment Policy Statement

PURPOSE

The purpose of this policy is to guide the Weld Community Foundation, its Board of Directors, its Investment Committee, and its investment managers in effectively and prudently managing, monitoring, and evaluating the Foundation's investment portfolio. The investment portfolio consists of all funds managed by the Investment Committee.

DIVISION OF RESPONSIBILITIES

Board of Directors

The Board of Directors is ultimately accountable for the portfolio, but has determined that the portfolio is more likely to achieve return objectives if oversight and management are delegated to the Investment Committee. As a result, the Board of Directors has delegated to the Investment Committee full power and authority to make decisions related to investments of the Foundation, consistent with the investment policy approved and adopted by the Board.

Members of the Committee shall be elected by the Board to serve a three year term, and may be removed by the Board at any time. The Chair of the Board and the President of the Foundation shall be ex officio (non-voting) members of the Committee.

Members of the Committee who are not directors shall not be eligible for re-election after serving three consecutive full three-year terms without an interruption of at least one year.

The Chair of the Committee shall be elected by the Board to serve a one year term, beginning January 1. As long as the Board re-elects the Chair, he/she shall be exempt from the term limitations above.

Investment Committee

The Investment Committee shall consist of not less than six nor more than nine voting members, at least two of whom shall be Directors. Members who have been term-limited may be nominated annually by the Chair of the Committee to remain on the committee as ex officio (non-voting) members. Members of the committee shall be persons knowledgeable about investments and investment practices.

Subject to approval by the Board, the Investment Committee is charged by the Board of Directors with the responsibility for formulating the Foundation's overall investment policies. The Investment Committee is also charged with establishing investment guidelines in furtherance of those policies; overseeing the investment assets of the Foundation; monitoring the management of the Foundation's assets for compliance with the investment policies and guidelines; and for meeting performance objectives over time.

The Committee will review the implementation of this Investment Policy at least annually, making recommendations for changes to the Board as needed, and will monitor the achievement of the Policy's objectives.

The Committee is responsible for selecting and managing relationships with investment managers, custodians, and other professionals engaged to assist in the Foundation's investments. The Committee may delegate investment and management authority in accordance with written agreements between the professionals and the Foundation.

In exercising its responsibilities, the Committee will act in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances. This would include but not be limited to selecting, continuing or terminating investment professionals, establishing the scope and terms of any delegation, and monitoring performance and compliance with the scope and terms of the delegation and with this policy.

The Committee will provide relevant information to the investment managers concerning the Foundation's resources and any special considerations pertaining to any particular assets of the Foundation.

The Committee will meet at least quarterly. The Chair of the Investment Committee may also call special meetings of the Investment Committee as needed.

A majority of the Committee's voting members shall constitute a quorum for the transaction of business, and the act of a majority of the voting members of the Committee present at any meeting at which a quorum is present shall be the act of the Committee. For purposes of establishing a quorum and voting members, a voting Committee member actively participating via telephone or teleconference shall be considered present at the meeting.

STANDARDS FOR PRUDENT INVESTING

In investing and managing the portfolio, the Committee will consider both the purposes of the Foundation and the purpose of any specific institutional fund.

Management and investment decisions about an individual asset will be made not in isolation but rather in the context of the portfolio as a whole and as part of an overall investment strategy having risk and return objectives reasonably suited to the Foundation.

In managing the portfolio, the Committee will incur only those costs that are appropriate and reasonable in relation to the portfolio or any specific institutional fund, the purposes of the Foundation, and the skills available to it and will use reasonable efforts to verify facts relevant to the management and investment of the portfolio or any specific institutional fund.

Except as a donor's gift instrument otherwise requires, and consistent with Colorado's Uniform Prudent Management of Institutional Funds Act (UPMIFA) guidance, the following factors will be considered, if relevant, in managing and investing the investment portfolio, including the requirements for any specific institutional funds:

- general economic conditions;
- the possible effect of inflation or deflation;
- the expected tax consequences, if any, of investment decisions or strategies;
- the role that each investment or course of action plays within the Foundation's overall investment portfolio;
- the expected total return from income and the appreciation of investments;
- other resources of the Foundation;
- the needs of the Foundation and a given institutional fund to make distributions and to preserve capital; and
- an asset's special relationship or special value, if any, to the purpose of the Foundation.

RETURN OBJECTIVE

The Foundation's long-term investment objective is to preserve the real value of its permanent funds. This means that the Foundation seeks a total rate of return that supports the Foundation's grantmaking, expenses, investment fees, and inflation. The Foundation will normally measure whether it has achieved that objective over a rolling three-year and five-year period.

The long-term horizon of the Foundation's investment portfolio allows for a large allocation to equity-oriented strategies where the potential for long-term capital appreciation exists. Other assets, including but not limited to hedging, derivative, or diversification strategies, may also be used to reduce risk and overall portfolio volatility.

The investment portfolio will be diversified across asset classes and fund managers. Asset classes may include but not be limited to, domestic equities, international equities, fixed income securities, mutual funds, exchange traded funds (ETF's), real estate investment trusts (REIT's), emerging markets, and alternative equity. Alternative investments are allowed subject to the limitations outlined in Appendix A to this policy, and should be selected to ensure a reasonable expectation of liquidity. Alternative investments include the following strategies: real estate, private equity, natural resources, precious metals, commodities, currencies, interest rates, and any other strategies that may emerge in the future that meet with Committee and Manager approval.

Permanent funds will be invested in one or more of the Foundation's investment pools. These pools, with their asset allocations, are described in Appendix A to this policy.

Expendable funds generally will be invested in a portfolio of cash equivalent securities in order to preserve the fund's principal. However, the Foundation will consider recommendations from authorized fund representatives to invest expendable fund assets in one or more of the investment options available for permanent funds.

STANDARDS FOR RISK TOLERANCE

The Investment Committee has determined that investment managers should avoid unnecessary risk in investing the Foundation's assets. To achieve that goal, investment managers will observe the following limits:

- Maintain the overall portfolio to be prudently diversified;
- Hold no more than 5% of market value in the securities of a single issuer, exempting U.S. Government Securities, and do not allow equity exposure to any one Global Industry Classification Standard Sector to exceed 20% of the market value of the total portfolio;
- Investments in small cap companies (less than $2 billion in total market capitalization) should comprise no more than 10% of the total market value of the portfolio, and should be consistent with the long term objectives of the Foundation.
- For fixed asset investments, maintain an overall weighted average credit rating of "A" or better by Standard & Poor's, or A2 or better by Moody's. Split rated securities will be governed by the lower rating. At least 75% of the bond portfolio shall consist of issues that carry an S&P rating of A- or better (Moody's A3 or better). The portfolio should not hold any bonds that are rated below investment grade (unless designated as a high yield fund and approved by the Investment Committee). If such parameters are exceeded, the manager must provide timely notification to the Investment Committee;
- Not lend any Foundation securities;
- Not purposely use derivative securities. This term includes items commonly regarded as such by securities industry standards and includes, but is not limited to, structured notes (other than conservative structured notes that are principal guaranteed, unlevered, and of short-to-immediate maturity); lower class (as defined by FFIEC) tranches of collateralized mortgage obligations; collateralized debt obligations; principal only or interest only strips; inverse floating rate securities; futures options; short sales; and margin trading.

STANDARDS FOR INVESTMENT MANAGERS

The Foundation will enter into a written investment agreement with any investment manager it retains, including investment managers recommended by donors. The agreement must provide that:

- The Foundation is the sole owner of assets held in the fund;

- All such assets are and must remain under the Foundation's sole control;
- The manager's actions and performance will be overseen by the Investment Committee;
- The manager will adhere to the Foundation's asset allocations, risk tolerance, and rebalancing requirements;
- The manager will not purchase securities on margin or sell securities short without the advance approval of the Investment Committee or its designee;
- The manager will rebalance as necessary to fall within the described target ranges for the investment pool or fund under management. The manager will review the need for rebalancing at least quarterly.
- The manager agrees to fees that are reasonable and consistent with what the Foundation pays other money managers for similar services;
- The agreement may be terminated at any time and assets will be transferred to the Foundation, or as directed by the Foundation, immediately upon termination.

Funds will be invested in accordance with state law regarding prudent investing.

The manager and/or custodian will provide monthly statements to the Investment Committee or its designee, which shall include the current market value of the assets; the cost basis and date of acquisition; income received; distributions made; fees paid; securities transactions; and periodic statements of performance. The statement shall also include gains and losses, both realized and unrealized. The Investment Committee or its designee may request additional information from time to time as it deems necessary to measure performance. Any equity holdings that have declined 20% or more from original cost shall be reported quarterly to the Investment Committee, and the manager will indicate whether the position has been sold, added to, or maintained, along with the manager's rationale.

Investment managers are expected to compile a report at least quarterly, and to meet with the Investment Committee periodically, to review its portfolio, investment performance, and compliance with this policy.

The manager must agree to distribute to the Foundation such sums as the Foundation may request from time to time, including the Foundation's administrative fee for any fund under separate management and distributable income.

The Foundation will not pay any investment professional or any other party for referring a donor to the Foundation and no existing funds of the Foundation will be transferred to such a person as compensation for a referral.

Investment managers will advise the Foundation promptly of any event that is likely to adversely affect the management, professionalism, integrity or financial position of the manager's firm or its progress toward the goals and objectives of this policy.

Investment managers shall not invest any part of the Foundation's assets through transactions that involve self-dealing or an actual or perceived conflict of interest.

INDIVIDUALLY MANAGED ACCOUNTS

At the Foundation's discretion, and with its advance approval, the assets of a particular component fund of the Foundation may be managed by an investment manager recommended by the fund's donor or advisor provided the value of the fund meets minimum criteria established by the Foundation and the investment manager satisfies the Foundation's criteria (refer to the Charitable Investment Partnership policy). Any such manager must acknowledge and agree to comply with this Investment Policy by signing a copy of this document. The manager must adopt and follow the asset allocations for one of the Foundation's investment pools. Manager performance will be reviewed on the same basis as the Foundation's other investment managers.

Investment Committee approval of a donor's recommended manager is contingent on the execution of a written agreement that meets the Standards for Investment Managers. Upon the death of the fund's original donor, the agreement between the Foundation and the investment manager may continue for a period of up to three years if the donor has so requested in writing, and the Foundation has agreed to an extension of the agreement. Any additional extensions of the agreement must be approved by the Investment Committee.

Donors and fund advisors may not act as investment managers and the Investment Committee will not approve any investment manager who is a member of the donor's family or any investment firm controlled by the donor or investment advisor either individually or together with members of the person's family.

PERFORMANCE EVALUATION

The Investment Committee will review each investment manager on an ongoing basis and evaluate the manager based on the following criteria:

- The manager should consistently meet or exceed the benchmark or benchmarks that match the pool or fund under management as outlined in Appendix A;
- The manager will measure and report investment returns for the current quarter, year-to-date, and over a rolling three-year and five-year historical period;
- Investment returns are measured net of fees;
- Performance is reviewed quarterly and prepared by the Foundation's Finance Officer.

CUSTODIANS

Each custodian will:

- Provide monthly transaction reports and monthly asset reports no later than the tenth business day following month end;
- Provide the Foundation, and its investment managers, special reports as reasonably requested;

- Communicate immediately any concerns regarding portfolio transactions or valuation, or material changes in personnel, procedures or organizational structure.

LIQUIDITY

Under normal circumstances, at least 30% of the investment portfolio's net assets will be held in vehicles utilizing lockups of 12 months or shorter. As a general rule, at least 60% of the investment portfolio's net assets will be held in vehicles utilizing lockups of 60 months or shorter, recognizing that private partnership cash flows are unpredictable. Lockup is defined as an expected period until all or substantially all of the value from an investment vehicle can be received in cash in the portfolio.

EXCESS BUSINESS HOLDINGS

The Pension Protection Act of 2006 amended section 4943 of the Internal Revenue Code to limit ownership of closely-held business interests in a donor advised fund. A fund's holdings, together with the holdings of disqualified persons (donor, advisor, members of their families and businesses they control) may not exceed any of the following:

- 20% of the voting stock of an incorporated business;
- 20% of the profits interest of a partnership, joint venture, or the beneficial interest in a trust or similar entity;
- Any interest in a sole proprietorship.

These limitations do not apply if the donor-advised fund holds an interest that does not exceed two percent of the voting stock and two percent of the value of the business.

Donor-advised funds receiving gifts of interests in a business enterprise have five years from the receipt of the interest to divest holdings that are above the permitted amount, with the possibility of an additional five years if approved by the Secretary of the Treasury. To prevent a violation of these rules, it is the Foundation's policy to divest itself of such holdings within five years from the date the Foundation acquired the asset. If that is not possible, the asset will be transferred to a new or existing fund that is not an advised fund.

Because they are not "business enterprises," the rule will not apply to most gifts of real property, although undeveloped land may become a business enterprise under some circumstances. Interests in investment partnerships and LLCs—including family partnerships, hedge funds, REITs, and so forth—are excluded from the definition of business enterprise as long as 95 percent or more of the entity's income is from passive sources. Examples of other property gifts that are excluded because they are not business enterprises include: oil and gas interests (non-working); life insurance; tangible personal property (as long as it is not inventory); and remainder interests in personal residences and farms.

SPENDING POLICY

The Foundation sets its annual spending policy for permanent funds by applying a percentage, determined annually by the Board of Directors based on the recommendation of the Investment Committee, to a fund's average net balance (refer to Appendix B). Average net balance is based on a rolling 16 quarter-end market value as determined by the Investment Committee. In determining the applicable percentage, the Investment Committee considers the Foundation's history, spending policies in place at other community foundations, and the foundation's responsibility to preserve the purchasing power of its permanent funds over time.

If a fund has not been in existence for 16 quarters, then average net balance is based on the number of quarters the fund has been in existence. All new permanent funds must be invested for 4 full quarters before any spending is allowed; however the Foundation will permit a donor to make a contribution as a pass-through contribution to a new fund, for grant-making purposes.

Funds at the Foundation that are not subject to this spending limitation shall include, but not be limited to, non-permanent funds, pass-through funds, non-endowed donor advised funds, and permanent funds where there is an agreement to the contrary.

REPORTING

In order to ensure that the Board of Directors and the Committee are able to fulfill their duties with respect to prudent management of the portfolio, the Foundation's President or designee will provide detailed reports at least quarterly to the Committee. Such reports shall include, though not be limited to, performance of the Foundation's investment portfolio, actions taken with respect to the investment portfolio, and expected changes in investments.

The Chair of the Committee will report on the status of the investment portfolio, and any actions taken, to the Board of Directors at least quarterly.

CONFLICTS OF INTEREST

Any actual or potential conflicts of interest possessed by a member of the Investment Committee must be disclosed and resolved pursuant to the Foundation's Conflict of Interest Policy.

Adopted by the Board of Directors: February 4, 2017
DATE

APPENDIX A – INVESTMENT POOLS

The Foundation may maintain four investment pools with varying risk and return objectives.

STRATEGY	RECOMMENDED FOR	TARGET ASSET ALLOCATION	RANGE		RISK
Income	Short-term projects	100% money market, CD's, cash equivalents			Minimal
Moderate Growth	Board recommended for all endowment funds	30% fixed income* 65-70 % equities 0-5% alternative	25% 40% 0%	60% 75% 10%	Moderate
Sustainable Investing (ESG strategy)	Fund representatives seeking investments that are considered socially responsible	30% fixed income* 65-70 % equities 0-5% alternative	25% 40% 0%	60% 75% 10%	Moderate
Aggressive Growth	Fund representatives seeking to maximize returns but willing to accept higher volatility and substantial risk	0% fixed income* 75-100% equities 0-25% alternative	0% 50% 0%	35% 100% 25%	Aggressive

*Fixed income shall include cash reserves & cash equivalents.

On an annual basis, portfolio returns will be compared utilizing the following benchmarks:

<u>Fixed Income Benchmarks</u>:

a. Barclays U.S. Intermediate Govt./Credit Bond Index
b. Barclays 5 yr. Municipal Bond Index

<u>Equity Benchmarks</u>:

a. Standard & Poor's 500 Index
b. Russell 3000 Index
c. MSCI Europe, Australia, Far East Index (EAFE)

<u>Blended Index Return</u> **

a. 30% S&P 500 Index
b. 20% Russell 3000 Index
c. 15% MSCI EAFE Index

d. 35% Barclays U.S. Intermediate Govt./Credit Bond Index

** Blended Index is defined by this Foundation, as this Index represents a benchmark comparison to the Foundation's historical investment portfolio.

APPENDIX B

Weld Community Foundation

ANNUAL DETERMINATION OF SPENDABLE AMOUNT

The amount that can be expended annually from permanent funds is determined annually by the Board of Directors based on the recommendation of the Investment Committee. This amount applies to endowed funds and to funds that may not meet the technical legal requirements of an endowed fund but that are intended by the donor to be of long duration. The Foundation's spending policy is designed to allow the assets of an endowed fund to be invested on a "total return" basis to maintain and, if possible, increase the purchasing power of the fund, while at the same time providing a relatively steady and predictable level of funding for grantees.

The Board has determined that the spendable amount for 2023 shall be 5% of the average net balance of a permanent fund. If the fund is under historic dollar value (HDV), the spending rate will be reduced as follows:

Under HDV by:	Spending Rate:
>0 - 5%	4.0 %
>5 - <10%	3.0%
≥10%	2.5 %

The fund will be managed in accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and thus the Board and Investment Committee took into consideration the following variety of factors in determining what level of spending from permanent funds is prudent:

- The Foundation's purposes and those of the funds;
- The duration and preservation of its permanent funds;
- General economic conditions and market trends;
- Recent investment performance (by incorporating a total return investing approach), as well as the expected total return from income and the appreciation of investments;
- The possible effect of inflation or deflation;
- The Foundation's other resources; and
- The Foundation's investment policy.