



## Investment Policy Statement

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### PURPOSE

The purpose of this policy is to guide the Weld Community Foundation, its Board of Directors, its Investment Committee, and its investment advisors 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 advisors, 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.

At least every five years, the Committee will determine if it should proceed with requesting proposals for a new investment advisor.

The Committee will provide relevant information to the investment advisors 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, emerging markets, and alternative investments. 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, private debt, hedge funds, natural resources, precious metals, commodities, currencies, other real assets, and any other strategies that may emerge in the future that meet with Committee and Advisor 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

Risk is inherent in pursuit of long-term investment objectives. The Foundation's prospects for its future and current financial conditions and other factors suggest that it can tolerate some interim fluctuations in market value and rates of return in order to achieve longer term objectives. Risk tolerance for the investment portfolio may be further quantified and periodically appended to this Investment Policy in a separate Asset Allocation Statement. As fiduciaries, investment advisors will be accountable for recommending investments for the Foundation assets while taking on a prudent level of risk.

#### STANDARDS FOR INVESTMENT ADVISORS

The Foundation will enter into a written investment agreement with any investment advisor it retains, including investment advisors 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 advisor's actions and performance will be overseen by the Investment Committee;
- The advisor will adhere to the Foundation's asset allocations, risk tolerance, and rebalancing standards;
- The advisor will at all times exercise its fiduciary responsibility when recommending investment strategies, asset allocations, and investment products;
- The advisor will rebalance as necessary to fall within the described target ranges for the investment pool or fund under management. The advisor will review the need for rebalancing at least quarterly.
- The advisor agrees to fees that are reasonable and consistent with what the Foundation pays other advisors 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 investment advisor and/or custodian will provide monthly portfolio-level 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.

The investment advisor is 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 investment advisor 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.

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

Investment advisors 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/advisor 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 as outlined in Appendix A. Manager performance will be reviewed on the same basis as the Foundation's other investment managers/advisors.

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 advisor on an ongoing basis and evaluate the advisor based on the following criteria:

- The advisor should consistently meet or exceed the benchmark or benchmarks that match the pool or fund under management as outlined in Appendix A;
- The advisor 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 or designee 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.

**APPENDIX A – INVESTMENT POOLS**

The Weld Community Foundation may maintain four investment pools with varying risk and return objectives. Currently there are no funds at the Community Foundation invested in the Sustainable/ESG investment pool.

STRATEGY	RECOMMENDED FOR	ASSET ALLOCATION	ALLOWABLE RANGE		RISK
Income	Short-term projects	100% money market, CD's, cash equivalents			Minimal
Moderate Growth	Board recommended for all endowment funds	Fixed income* Equities Alternatives	15% 40% 0%	40% 75% 21%	Moderate
Sustainable Investing (ESG strategy)	Fund representatives seeking investments that are considered socially responsible	Fixed income* Equities Alternatives	15% 40% 0%	40% 75% 21%	Moderate
Aggressive Growth	Fund representatives seeking to maximize returns but willing to accept higher volatility and substantial risk	Fixed income* Equities Alternatives	0% 50% 0%	35% 100% 25%	Aggressive

\*Fixed income shall include cash reserves & cash equivalents.

On a quarterly basis, portfolio returns will be compared utilizing the following benchmarks:

Fixed Income Benchmarks:

- a. Bloomberg Capital U.S. Intermediate Govt./Credit Bond Index

Equity Benchmarks:

- a. Standard & Poor's 500 Total Return Index
- b. Russell 2000 Index (changed from the Russell 3000 Index effective 1-1-2025)
- c. MSCI Europe, Australia, Far East Index (EAFE)

'Legacy' Blended Index Return \*\*

- a. 30% S&P 500 Index
- b. 20% Russell 2000 Index
- c. 15% MSCI EAFE Index
- d. 35% Bloomberg Capital U.S. Intermediate Govt./Credit Bond Index

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



### 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 2026 shall be 4.5% 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:

<u>Under HDV by:</u>	<u>Spending Rate:</u>
0 - 5%	<u>3.5 %</u>
5 - 10%	<u>2.5 %</u>
≥10%	<u>2 %</u>

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.