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 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.

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, investing, and spending from the investment portfolio, including the requirements for any specific institutional funds:

- the Foundation's purposes and those of the funds;
- the duration and preservation of its permanent funds;
- general economic conditions and market trends;
- 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;

- recent investment performance (by incorporating a total return investing approach), as well as 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;
- 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's Board of Directors has set a spending policy for permanent funds by applying a fixed 4.50% 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. The Investment Committee will review the spending policy no less than every three years and may periodically make a recommendation to the Board of Directors to modify the fixed spending rate.

In determining the applicable spending percentage, the Investment Committee considers the Foundation's long-term expected total return of the investment portfolio, its prior 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. At the same time, the foundation desires to provide a relatively stable and predictable level of funding for grantees.

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 the spending rate 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.

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.

APPENDIX B – WELD COMMUNITY FOUNDATION SPENDING POLICY

1. **Purpose**
   The purpose of this spending policy is to ensure a stable, predictable flow of income to support the charitable, educational, and scientific purposes of the Weld Community Foundation (the "Foundation") while maintaining the purchasing power of the permanent endowment funds over the long term.

2. **Fixed Spending Rate**
   The Foundation shall calculate the annual available-to-spend amount based on a fixed rate of 4.5% of the fund's average net balance. This rate is reviewed periodically and is intended to align with the long-term expected total return of the portfolio (investment income plus appreciation) net of inflation and fees.

   The amount that can be expended from permanent funds is determined periodically 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.

3. **Calculation Methodology (Rolling Average)**
   To minimize the impact of short-term market volatility on grantmaking budgets, the 4.5% spending rate shall be applied to a 16-quarter (4-year) rolling average of the net balance of the permanent fund.

   - **Calculation Date:** The market value is determined as of September 30th of the preceding year.
   - **Formula:** (16-Quarter Avg. Market Value) x 4.5% = Annual Spendable Amount

4. **Application of Spending**
   The spendable amount, as calculated, is made available at the beginning of the next fiscal year. This amount is allocated to individual component funds on a pro-rata basis.

5. **Underwater Funds**
   In accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA), if a fund's market value falls below its historic dollar value (the HDV is generally the original gift amount), the spending from that specific fund, despite the general fixed-rate policy is as follows:

   If the fund is under historic dollar value (HDV), the spending rate will be reduced as follows:

Under HDV by:	Spending Rate:
0 - 5%	3.5%
5 - 10%	2.5%
≥10%	2.0%

6. **Policy Review**
   The Investment Committee will review this policy no less than every three years to ensure it remains consistent with the Foundation's investment performance and long-term goals.