



**Investment Policy Statement
And
Operating Guidelines**

I. PURPOSE

The purpose of this statement is to establish clear goals and guidelines regarding the management of the assets of Yampa Valley Community Foundation (Foundation).

The Foundation shall manage and invest its institutional funds in accordance with the **Colorado Uniform Prudent Management of Institutional Funds Act (UPMIFA)**, as codified in **C.R.S. § 15-1-1101 et seq.** In doing so, the Foundation will consider the charitable purposes of each fund and the overall mission of the Foundation. Investments of these funds shall be made by the Investment Committee (Committee) with the approval of the Board of Trustees (Board) in accordance with the goals and restrictions stated herein. All investment decisions shall be made in good faith and with the care that an ordinarily prudent person in a similar position would exercise under comparable circumstances. In doing so, the Investment Committee is authorized to retain investment professionals within the structure of these guidelines.

This statement will establish reasonable expectations, objectives, guidelines, and measures used to evaluate investment performance in the investment of the Foundation's assets. This Statement is not a contract and is intended to be a summary of an investment philosophy that provides guidance for the Investment Committee and the Board. Periodically, this statement should be reviewed and revised, if necessary, to ensure that it continues to reflect the Board's attitudes, expectations, and objectives.

II. ROLES AND RESPONSIBILITIES

A. BOARD OF TRUSTEES

The Board of Trustees retains its fiduciary responsibility for the investment strategy and the retention of its investment advisor. Its duties and responsibilities include the following:

- Exercising a duty of care to facilitate the prudent stewardship of the Foundation's assets and to extend that duty of care by evaluating the relationship between investments and the Foundation's charitable purpose.
- Establishing an Investment Policy to provide the Foundation with direct oversight of the investment advisor and the Foundation's investment strategy.
- Retaining an investment advisor to provide the Foundation with an investment strategy that is within the parameters of this policy, implements the strategy, determines asset allocation, selection of investment managers, and provides the Board with reports to monitor the Foundation's portfolios.
- Monitor and supervise all service vendors and investment options.
- Avoid prohibited transactions and conflict of interest.

The Board of Trustees recognizes the Foundation's fiduciary responsibility is not limited to achieving the Foundation's stated investment objectives. The Board of Trustees may consider all relevant facts and circumstances, including an asset class investment and its relationship to the Foundation's charitable purpose. The ultimate responsibility to balance investment and non-investment objectives resides with the Board of Trustees.

B. INVESTMENT COMMITTEE

The Investment Committee is a standing committee comprised of representatives from the Board and industry professionals from the community. The Committee shall act solely in the best interest of the Foundation and in concert with the mission of the Foundation. Its members assist the board in its fiduciary responsibility by being subject matter experts on the topics of finance and capital markets. The Committee's responsibilities include the following:

- Annually reviewing the Board’s Investment Policy Statement and Operating Guidelines and providing the Board with its recommendations or modifications as needed.
- Developing investment objectives, asset allocation strategies, and performance guidelines for the Foundation’s portfolios.
- Recommending investment advisors to the Board.
- Reviewing the investment managers selected by the Advisor for the Foundation’s portfolios.
- Reviewing and evaluating investment results.
- Providing periodic performance reports to the Board.
- At least quarterly, the Committee will host a meeting to review the Foundation’s portfolios with the investment advisor.
- Recommendations to the Board represent a consensus of the Committee.
- The Committee will periodically review total costs associated with the management of the portfolios.

C. INVESTMENT ADVISOR AND ASSET MANAGEMENT

With a recommendation from the Committee, the Board retains an investment advisor to allocate and invest its assets according to this policy.

- The investment advisor is registered with the SEC (Security Exchange Commission).
- Recommends investment policy statement modifications to the Committee for its consideration.
- Advising the Committee on the target asset allocation(s) to meet the investment objectives for the Foundation’s portfolios within the guidelines of this IPS.
- Selecting investment managers considered appropriate for implementing the Foundation’s portfolios.
- Providing the Committee with relevant reports on a quarterly basis, so the Committee can effectively monitor the Foundation’s portfolios.
- Providing the Board, Committee, and staff with educational opportunities consistent with the management of nonprofit organizations.
- Monitoring the allocation and rebalancing of the portfolios back to its target.
- Exercising full investment discretion with regards to buying, managing, and selling assets held in the portfolios.
- Notifying the Investment Committee regarding any material change in investment management personnel or ownership of investment management company.

III. MONITORING AND CONTROL

A. STANDARDS FOR PRUDENT INVESTING

In investing and managing the portfolios, the Committee will consider both the mission and purpose 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 mission of the Foundation, the portfolios as a whole and as part of an overall investment strategy having risk and return objectives reasonably suited to the Foundation.

In managing the portfolios, 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 C.R.S. 15- 1-1101, et.seq., the following factors must be considered, if relevant, in managing and investing the investment portfolios, 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 portfolios.
- The expected total return from income and the appreciation of investments.
- Other resources of the Foundation.
- Needs for liquidity, regularity of income, and preservation or appreciation of capital.
- An asset's special relationship or special value, if any, to the purpose of the Foundation.

B. FREQUENCY OF REVIEW

In addition to quarterly review of target allocations the Investment Committee will review the Investment Policy and Operating Guidelines in its entirety at least every two years or whenever assets in the pool have either increased or decreased by a factor of two from the date of the last review.

The Foundation recognizes that all investments go through cycles and, therefore, there will be periods of time in which the investment objectives are not met or when specific asset classes or managers fail to meet their expected performance targets. Recognizing that good years help to make up for bad ones, the Foundation acknowledges the principle that asset classes and/or managers must be given an opportunity to make up for poor periods. Unless there are extenuating circumstances, patience will often prove appropriate when performance has been disappointing.

The Foundation also recognizes that a diversified portfolio will never match the performance of the best performing asset classes or managers in a given year. Furthermore, assets or managers performing above long-run expectations in one period often perform below long-run expectations in other periods. The Foundation does not intend to "chase performance," by choosing asset classes or managers solely on the basis of recent performance.

On an overall portfolio basis, the Foundation establishes a goal of achieving the stated investment return objectives over a three-to-five-year period of time. A shorter time frame would contradict the principle that asset classes and/or managers should generally be given the opportunity to overcome poor performance with subsequent excellent performance.

C. REPORTING

Foundation staff shall provide the Investment Committee with a report each quarter that lists all assets held by the Foundation, values for each asset and all transactions affecting assets within the portfolio, including additions and withdrawals.

The Investment Committee shall receive no less frequently than on a quarterly basis and provide the

following management reports:

- Portfolio performance results over the quarter to date, year to date, last year, 36 months and 60 months (or life of the pool if less).
- Performance results of each individual manager for the same periods.
- Performance results of comparative benchmarks for the same periods.
- Performance shall be reported on a basis that uses GIPS® guidelines in the calculation of investment performance returns.
- End of quarter status regarding asset allocation—current versus target.
- Any recommendations for changes of the above management reports.

D. MEETINGS AND COMMUNICATION

As a matter of course, the Investment Committee shall meet on a quarterly basis to review the performance of the portfolios, any material changes in the Foundation's outlook, and the economic outlook. The Executive Director or the Chairman of the Investment Committee will communicate any findings or recommendations to the Foundation's Board of Trustees.

The Foundation is committed to transparency and full disclosure regarding its investment activities and will make available any of the reports outlined above to its donors upon request.

E. MONITORING OF INVESTMENT ADVISOR

The Foundation has determined it is in the best interest of the portfolio's participants that performance objectives be established for each investment advisor. The advisor's results will be periodically evaluated and compared to appropriate indices. The performance of the investment advisors will be monitored on an ongoing basis, and it is at the Foundation's discretion to take corrective action by replacing an advisor if they deem it appropriate at any time.

The risk associated with each advisor's portfolio, as measured by the variability of quarterly returns (standard deviation), should not exceed that of the benchmark index or peer group without a corresponding increase in performance above the benchmark. It is understood that there are likely to be short-term periods during which performance deviates from market indices and advisors should not be terminated for this reason alone.

IV. INVESTMENT OBJECTIVES

The Foundation’s assets shall be invested for the sole interest and exclusive benefit of the Foundation. The Foundation maintains several portfolios, and each has its own risk profile, time horizon, and investment objectives. Each portfolios’ investment objective is listed below:

Portfolios	Purpose	Investment Objective	Time Horizon	Risk Profile
Short-Term Investment Pool	Immediate grantmaking needs	Capital Preservation	0-18 months	Very Conservative
Near-Term Investment Pool	Near-Term grantmaking needs	Capital preservation and moderate growth	2 -5 years	Moderate
Long-Term Investment Pool	Long-Term grantmaking needs for the community as well as investments that provide local impact to the community	Long-Term Growth to support Foundation’s annual spending and mission	Perpetuity	Moderate Aggressive to Aggressive

Short-Term Investment Pool

The aim of the Foundation’s Short-Term Investment Pool is to provide a holding vehicle for funds that will be granted over the next 18 months or have been allocated to projects with budgets fixed in nominal terms. As such it is not structured to maintain purchasing power over the long-term or generate real returns.

Due to the objectives of the Short-Term Investment Pool, the only permitted investments are Certificates of Deposits (CDs) and Money Market Funds. The nature of the Short-Term Investment Pool requires it to be highly liquid with an extremely low risk tolerance.

Near-Term Investment Pool

The Near-Term Investment Pool is designed to meet the near-term grantmaking needs of the Foundation. The investment objective of the Near-Term Investment Pool is 3%.

The nature of the Near-Term Investment Pool also requires it be highly liquid securities.

Long-term Investment Pool

The Long-Term Investment Pool is intended to meet the grantmaking (spending) needs of the Foundation. The Board is willing to forego a portion of current income and accept moderate fluctuations in the Fund value in order to achieve a moderate amount of long-term growth in assets. The investment goals for these assets shall be to achieve an average annual rate of return that, after the distribution of the Foundation’s Spending Policy plus 2%, and an administrative charge, provides a net positive return, measured on a five-year rolling window, which is in line with appropriate benchmarks.

Due to the relatively long-term investment horizon, the Board has determined that up to 15% of the assets in the Long-Term Investment Pool can be invested in illiquid, long-term investments.

Such investments may include, but shall not be limited to, deferred annuities, private real estate investment trusts, limited partnerships, and bank certificates of deposit with extended maturities. Such investments may also include “Local Impact Investments” that are of various structures and maturities as recommended by the Impact Investment Committee and approved by the Board of Trustees.

The 15% illiquidity constraint is meant to reflect the Committee’s target asset allocation for illiquid assets. The Committee acknowledges that private investment exposure could increase meaningfully beyond the 15% baseline exposure in the event of severe market stress and/or material outflows from the Long-Term Investment Pool.

Advised Managed Funds

Asset allocations are recommended by the donor of the fund and approved and monitored by the Investment Committee. For further information refer to the Foundation’s Advised Managed Fund Policy.

V. ASSET CLASS GUIDELINES

Subject to the limitations stated herein, the Committee is given full investment discretion consistent with the investment objectives and guidelines of the Fund and shall have full discretion regarding the selection of fixed-income securities, cash equivalents, real estate, equities and other publicly traded securities in order to assure full flexibility in the management of the Foundation’s assets.

Cash and Equivalents

The Committee may invest in commercial paper, repurchase agreements, Treasury Bills, certificates of deposit and money market funds to provide income, liquidity for expense payments, and preservation of the account’s principal value. All such assets must represent maturities of one-year or less at time of purchase. Commercial paper assets must be rated A-I or P-I by Standard & Poor’s and Moody’s, respectively. The Committee may not purchase short-term financial instruments considered to contain speculative characteristics (uncertainty of principal and/or interest). The Committee also may not invest more than 10% (ten percent) of the account’s market value in the obligations of a single issuer, with the exception of the U.S. Government and its agencies.

Fixed Income Securities

The Committee may invest in appropriately liquid preferred stocks, corporate debt securities, mortgage-backed securities, and collateralized notes and obligations of the U.S. Government and its agencies. The average credit ratings for all corporate fixed income securities in each portfolio must be of investment grade BBB or better quality, both at the time of purchase and thereafter. Investments in securities of a single issuer, with exception of the U.S. Government and its agencies, must not exceed 20% of the portfolios’ fixed income market value.

Global Equities

In keeping with our general philosophy, the Board expects the Committee to maintain the equity portfolios at a risk level approximately equivalent to that of the equity market as a whole as represented by the Russell 3000 Index and the All-Country World Index (ACWI) ex-US. Equity holdings may be selected from the New York, American and Regional Stock Exchanges, and over the counter markets. These holdings may include American Depository Receipts (ADRs).

Alternative Investments

The Investment Committee may consider alternative investment vehicles as a way to reduce the risk of the overall portfolio. Prior to investment in such strategies consideration must be given to liquidity, transparency, fees, regulatory oversight, the use of leverage, and other potential liabilities.

Real Estate Investments

The Board must approve any and all direct real estate investments prior to any investment. This provision does not apply to publicly traded real estate investment trusts (REIT's) or to publicly traded companies engaged in the business of real estate activities.

Impact Investments

The Board must approve any and all Impact Investments as recommended by the Impact Investment Committee. The Investment Committee recognizes that these investments are designed to support the charitable mission of the Foundation through the creation of local community impact and are expected to provide a nominal return. The Impact Investment Committee will provide a quarterly performance report to the Investment Committee and its investment advisor. The Investment Committee will ensure that the aggregate level of Impact Investments within the Long-Term Pool are within the asset allocation parameters included within this IPS.

Disallowed Securities

Investment in private placements and letter stock are not allowed unless specifically approved by the Foundation's Board of Trustees.

The Foundation shall not invest in any asset or investment vehicle that is reasonably expected to generate Unrelated Business Taxable Income (UBTI) as defined under Section 512 of the Internal Revenue Code. This includes, but is not limited to, investments in limited partnerships, private equity, hedge funds, or other entities that may produce UBTI.

VI. Investment Guidelines

At all times, the Committee and its Advisor shall define a target asset allocation for each portfolio consistent with its objectives and within the asset allocation bands described in the table below. The target asset allocation shall be documented as a Schedule to the IPS. As the target allocation is modified, it shall be updated in the Schedule without requiring a re-approval of this IPS from the Board.

The Advisor will recommend the target asset allocations to the Committee and the Committee will ratify any material change to the allocation targets. The quarterly reports shall document the target allocations and compare them to the actual allocations.

Asset Allocation Bands						
Asset Class	Short-Term Pool		Near-Term Pool		Long-Term Pool	
	Min%	Max%	Min%	Max%	Min%	Max%
Global Equities	0%	0%	0%	30%	50%	80%
Global Fixed Income	0%	0%	50%	100%	5%	50%
Real Assets	0%	0%	0%	5%	0%	5%
Alternative Investments	0%	0%	0%	20%	0%	15%
Cash and Cash Equivalents	0%	100%	0%	20%	0%	10%
Local Impact Investments	0%	0%	0%	0%	0%	5%

Benchmarks

Asset Class	Benchmark
Public Investments	
US Equities	Russell 3000 Index, S&P 500 Index, Russell 2500 Index
Non-US Equity	MSCI All Country World Index (ACWI) ex -US. MSCI ACWI ex-US SMID Cap, MSCI EM Index
Global Fixed Income	Bloomberg Barclays Global Aggregate Bond, Bloomberg Barclays US Aggregate Index
Real Assets	FTSE EPRA/NAREIT Global, Bloomberg Commodity Index
Hedge Fund Strategies	HFRI Fund of Funds Composite Index
Cash and Cash Equivalents	3-Month U.S. Treasury Bills
Private Investments	
Public Equity	Cambridge PE Index
Private Debt	Cliffwater Direct Lending Index
Hedge Fund Strategies	HFRI Fund of Funds Composite Index

Private Real Estate	NCREIF Property Index
Infrastructure	DJ Brookfield Global Infrastructure Gross TR Index
Commodities	S&P Global Natural Resources

Rebalancing of Strategic Allocation

The percentage target allocation to each asset class may vary as much as plus or minus 10% points depending upon market conditions within the judgment of the investment advisors. The upper and lower limits are not intended to impose absolute limits on asset allocation, but rather to suggest what ranges around the targets are considered normal. The allocations may at times drift outside the ranges due to portfolio performance or, in unusual cases, for tactical reasons. The limits suggest when portfolio rebalancing should be considered in order to bring the allocations closer to the target allocation in the Schedule I. When necessary and/or available, cash inflows/outflows will be deployed in a manner consistent with the target asset allocation of the portfolios. If the Foundation judges cash flows to be insufficient to bring the portfolios within the target allocation ranges, the Foundation shall decide whether to effect transactions to bring the target allocation within the threshold range. The Committee will review the allocation of the portfolios quarterly.

VII. SPENDING POLICY

The annual spending policy for endowed funds shall be computed using a simple average of the fair market value of the fund for the previous 12 quarters multiplied by the 4.5% spending policy percentage. Funds with a specific spending policy outlined in their fund agreement would not be affected by this calculation.