



INVESTMENT POLICY STATEMENT

I. Purpose and Scope of Investment Policy

The purpose of this Investment Policy Statement (IPS) is to outline the investment policies, objectives, and guidelines for managing the assets of the Central Kansas Community Foundation (the "Foundation"). It governs all assets under Foundation ownership or control, whether direct or indirect, unless specifically waived by executed agreement. The IPS aims to ensure prudent management of funds to support the Foundation's mission of strengthening core community values, providing assistance to those in need, and enhancing the community for its residents.

The IPS defines responsibilities, establishes investment objectives, provides guidance to investment managers, sets a basis for evaluating results, and complies with all applicable laws, including the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

Any changes to this IPS shall be made in writing as recommended by the Finance and Investment Committee (the "Committee") and approved by the Central Kansas Community Foundation Board of Directors (the "Board").

II. Division of Responsibilities

Board of Directors

The Board is ultimately accountable for ensuring the prudent investment and management of the Foundation's investment assets. To provide an appropriate level of oversight and management, the Board has delegated to the Committee full power and authority to make decisions related to the investments of the Foundation consistent with the investment policy approved and adopted by the Board.

The Board shall elect the Chair and other members of the Committee, who shall serve at the pleasure of the Board.

Finance and Investment Committee

The Committee is responsible for formulating the Foundation's overall investment policies and implementing investment guidelines and practices in furtherance of those policies. This responsibility includes:

- Determining investment strategy,
- Selecting a qualified Investment Management Consultant,
- Selecting a qualified Custodian(s),
- Approving Independent Investment Managers,
- Establishing the scope and terms of investment management delegation,
- Monitoring the performance and compliance of all investment managers within the scope and terms of the delegation, and the progress towards investment objectives,
- Communicating on a regular basis with investment managers to provide relevant information and any special considerations pertaining to the Foundation's assets,
- Complying with all applicable laws and regulations and investing in accordance with applicable fiduciary and prudent investor standards.

The Committee shall consist of no fewer than five or more than nine members, of which the majority must be Foundation Board Members. Foundation staff, and on occasion, outside advisors may be invited to participate in Committee business.

The Committee shall meet at least quarterly and at such other times as directed by the Committee Chair and/or Foundation Chair.

At least annually, the Committee shall present to the Board of Directors a performance report and review of the IPS. Any changes to this Investment Policy Statement shall be made in writing, as recommended by the Committee, and approved by the Board.

Chief Executive Officer (CEO)

The CEO is authorized to sign all appropriate contracts, open accounts, and give any other authorizations needed by the Investment Consultant or Independent Investment Managers to carry out the terms of this Policy Statement. The CEO may delegate certain authorizations to additional Foundation staff with Board approval.

III. Fiduciary Duty and Standards of Prudent Investing

In seeking to attain the investment objectives set forth in this IPS, the Committee shall exercise prudence and appropriate care in accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

As summarized for the purposes of this IPS, the UPMIFA states that the Committee is under a duty to the Foundation to manage the funds as a prudent investor would, in light of the purposes, scope, objectives and other relevant circumstances.

This standard requires the exercise of reasonable care, skill, and caution while being applied to investments not in isolation, but in the context of the portfolio as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the Foundation.

The Committee must also conform to fundamental fiduciary duties of loyalty and impartiality. This requires the Committee to act with prudence in deciding whether and how to delegate authority, in the selection and supervision of agents, and incurring costs where reasonable and appropriate.

IV. Delegation of Authority

To ensure prudent management of the Foundation's investment assets and fulfill its fiduciary responsibilities, the Board delegates certain investment-related duties to qualified *Investment Managers*, designated as either the Investment Management Consultant or an Independent Investment Manager. A qualifying Investment Manager must be a registered investment advisor under the Investment Advisors Act of 1940 and shall perform the duties set forth hereunder consistently with the fiduciary obligations imposed under the act.

Investment Management Consultant

The Investment Management Consultant (the "Consultant") serves as the primary investment manager in managing the pooled portfolios constituting the majority of the Foundation's investment assets. Unless criteria for a segregated investment portfolio are met and approved by the Committee, all assets shall be pooled and managed by the Consultant.

The Consultant shall also provide investment advice to the Committee consistent with the objectives, policies, guidelines, and constraints as established in this IPS. The Consultant will assist in the development and periodic review of the IPS, and be the primary source of investment education and oversight. The Committee expects the Consultant to be proactive in advising and making recommendations to the Committee regarding these and other investment matters.

Independent Investment Managers

The Foundation offers donors the option for their new fund contributions to be segregated from the pooled assets and maintained with an Independent Investment Manager. The assets may be segregated if the initial gift is greater than \$200,000 and they wish to maintain the fund's management under an investment manager with which they have an established history. The segregation of investment assets is subject to approval of the Committee.

Asset Class Investment Managers

Asset Class Investment Managers may be employed by the Investment Managers to carry out investment strategies which best represent a class objective. The Investment Managers are responsible for conducting a rigorous process to identify managers for asset class strategy implementation, monitoring manager performance and compliance with the IPS, and reporting findings to the Committee on a regular basis.

Asset Class Investment Managers must also be a registered investment advisor under the Investment Advisors Act of 1940 and meet the same fiduciary obligations as Investment Managers.

Custodian(s)

The Custodian will physically (or through agreement with a sub-custodian) maintain possession of securities, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement into and out of Foundation accounts.

Authorizations

Investment Managers shall supervise and direct investments as specified in this IPS. Supervision is continuous, with limited discretion. Limited discretion means the Investment Manager is responsible for assessing the appropriateness of asset allocation strategies, but does not have discretion to change the strategy without the Committee's approval.

The Committee shall not reserve any control over investment decisions, except for specific limitations described in the IPS. Investment Managers will be held responsible and accountable to achieve the objectives herein stated.

The Investment Managers are authorized to:

- Develop and implement investment strategies consistent with the Foundation's objectives, risk tolerance, and spending policy as outlined in this IPS.
- Select, retain, and terminate Asset Class Investment Managers necessary to execute the investment program.
- Make ongoing investment decisions on a discretionary basis within the investment and governance parameters outlined in the IPS.
- Execute trades and transactions on behalf of the Foundation, including but not limited to purchases, sales, and exchanges of securities and funds.
- Rebalance portfolios within established asset allocation ranges to maintain alignment with strategic targets.
- Monitor performance, risk metrics, and compliance with the IPS, and report findings to the Committee on a regular basis.

Additional Fiduciary Responsibility

All investment actions and decisions of an Investment Manager must be based solely on the interest of the Foundation. Investment managers, as fiduciaries, must provide full and fair disclosure to the Committee of all material facts regarding any potential conflicts of interest. Additionally, each Investment Manager shall advise the Committee promptly of any event that is likely to adversely impact to a significant degree the management, professionalism, integrity, or financial position of the manager's firm.

Each Investment Manager shall sign on an annual basis a written acknowledgement of the receipt of the Foundation's current IPS and their agreement to abide by it with respect to the assets for which they are the investment manager.

The Committee retains the right to change or replace Investment Managers or other service providers at any time it is deemed appropriate.

V. Investment Objectives

Investment objectives are determined according to the time duration of charitable needs, ranging from short-term to long-term. To match investment objectives with needs, three investment pools shall be used to provide varying risk-reward profiles:

1. **Short-Term Pool** – Primary objective is the preservation of capital with minimal exposure to volatility. The pool is appropriate for short-term project, pass-through, and operating reserve funds or other situations where funds are expected to be withdrawn in the near-term with little or no advance notice.
2. **Strategic Short-Term Pool** – Primary objective is to provide income generation and stability with moderate capital appreciation. The pool is appropriate for non-endowment funds with an undefined time horizon seeking a more conservative risk profile than that of the Balanced Pool.
3. **Balanced Pool** – Primary objective is to provide a relatively stable and sustainable inflation-adjusted annual payout to support the Foundation’s defined spend rate for permanently endowed funds. Increased capital volatility is tolerated as necessary to achieve long-term investment results sufficient to meet the objective.

The Balanced Pool also provides an investment option to donors of non-endowment funds seeking a longer-term risk-reward investment profile. Donors may request their non-endowed assets be placed in the Balanced Pool during an annual option period, recognizing the pool’s greater volatility may impact the available amounts for distribution at any given time.

Segregated portfolios managed by an Independent Investment Manager shall adhere to the same investment objective as the Balanced Pool.

Consistent with each investment portfolio’s objectives, the pools and segregated portfolios shall be managed according to the following principles:

- **Preservation of Capital** – investment managers shall make reasonable efforts to preserve capital within the volatility and risk parameters established for the portfolio.
- **Risk Mitigation** – investment managers are to make reasonable efforts to control risk and ensure that the risk assumed is commensurate with the portfolio’s investment style and objectives.
- **Adherence to Investment Discipline** – investment managers are expected to adhere to the investment and management style established for the portfolio.

Socially Responsible Investing

The Foundation accepts donor requests for screening investments concerning socially responsible investing (SRI). Unless SRI is specified by the donor, contributions will be placed in the appropriate investment pool described above. Donor requests that fall outside recognized standard SRI screens will be evaluated separately by the Committee.

VI. Investment Guidelines and Restrictions

Acceptable assets consist of cash equivalents, fixed-income securities, equities, mutual funds and exchange-traded funds. Prohibited assets consist of private placements, options, venture capital, guaranteed investment contracts, repurchase agreements, hedge funds, and futures contracts.

Prohibited transactions include short sales, margin transactions, and any other transaction prohibited by law or regulation. Investment Managers are prohibited from engaging in any transaction in which they

or their employees have a conflict of interest, or any transaction that could cause a problem with the Foundation's tax-exempt status.

To ensure marketability and liquidity, equity transactions may only be executed through the following major stock exchanges: the New York Stock Exchange, the American Stock Exchange, and NASDAQ.

Any variance from the guidelines and restrictions described above can only be made upon the recommendation of the Committee and the approval of the Board.

Alternative Investments

Any proposed investment in illiquid or less-regulated assets, such as private equity or credit, real estate, commodities, and infrastructure must be approved by the Committee.

Excess Business Holdings

Ownership of closely held business interests in a Donor-Advised Fund is limited through the Pension Protection Act of 2006. The Foundation complies with these limitations as outlined in its policy titled *Procedure & Guidelines for the Establishment and Operations of Donor Advised Funds*.

VII. Asset Allocation

Asset allocation targets and allowable ranges are set forth in **Appendix A** for each of the Foundation's pool portfolios and the segregated portfolios. The targets are established by taking into consideration each portfolio's investment objective, time horizon, risk tolerance, performance expectations and asset class preferences.

From time to time, based on changing economic circumstances and various relative investment opportunities as perceived by the Committee and its advisors, it may be desirable to make changes to the target allocations. Subsequent target allocation changes will be approved by the Committee and the IPS updated accordingly.

Investment Managers are responsible for rebalancing each portfolio to the asset allocation targets according to a methodology approved by the Committee.

VIII. Spending Policy

The Foundation's spending policy is set forth in **Appendix B**, including minimum fund balance requirements.

IX. Performance Reporting

The Committee shall review the performance of all investments on an ongoing basis against objectives, benchmarks, and guidelines. Monthly performance reports shall be submitted to the Committee by all Investment Managers. The Committee shall meet with the Consultant at least quarterly, and Independent Investment Managers at least annually, to receive reports and other materials necessary to evaluate the performance of the manager relative to the objectives and parameters set forth in this IPS.

X. Cash Management and Liquidity

The Foundation shall maintain sufficient liquidity to meet its operational needs, grant distributions, and unforeseen expenditures while minimizing opportunity costs through prudent cash management. Liquidity balances shall be comprised of cash equivalents, including overnight sweep accounts, money market funds, short-term U.S. Treasury securities, and FDIC-insured certificates of deposit with maturities not exceeding 90 days.

The CEO and Foundation staff are responsible for monitoring and managing cash balances within local collection and operating financial accounts, and for the transfer of funds between the accounts and investment portfolios. Investment Managers will maintain additional liquidity as outlined in the **Appendix B** asset allocations to ensure access to funds without disrupting long-term investment strategies.

The Committee shall review at least annually the Foundation's cash management procedures as contained in the Foundation's *Cash Management and Accounting Procedures Policy*.

Appendix A – Performance Measures and Asset Allocations

I. Balanced Pool

The primary objective of the Balanced Pool is to provide a relatively stable and sustainable inflation-adjusted annual payout to support the Foundation’s defined spend rate for permanently endowed funds.

Performance Measures

For performance evaluation purposes, the Committee shall compare trailing 5-year annualized returns of the Balanced Pool to the following benchmarks:

- **Equity Biased Growth Reference Point** – Produced by Morningstar as a “Moderate Allocation,” this benchmark consists of portfolios seeking to provide both capital appreciation and income by maintaining a relatively higher equity exposure. These portfolios are dominated by domestic holdings and have 70-85% of assets in equities and the remainder in fixed income and cash.
- **Institutional Client Custom D Portfolio Blend** – A daily calculated reference point using the Balanced Pool’s actual allocation to the asset classes multiplied by the return of the Consultant’s “Peer Group Universe” for each asset class, and then blended across all asset classes. This calculation creates a Segment Blended Benchmark to measure the management effectiveness of the Balanced Pool.

To assist the Committee in gauging the minimum level of success of the return on investments, the Foundation shall employ as its trailing 5- year annualized minimum return target the following formula:

$$\text{Nominal Net of Fee Time-Weighted Return - CPI} = \text{Spending Rate} + \text{Average Administrative Fee}$$

The probability of success of achieving the minimum return target increases as the length of the evaluation period increases. It is anticipated there will be periods of time when the 5-year trailing calculation will be below the minimum return target. Tolerance of these periods is necessary in order to remain aligned with the long-term strategy and not make changes at inopportune times.

Asset Allocation Targets

Investment management of the Balanced Pool portfolio shall be handled in accordance with the asset allocation targets set forth in the following table. Acceptable ranges for each asset class are defined by the Consultant’s rebalancing policy, generally set at a 30% limit from the target allocation.

Mason Investment Management Services (MIMS)
D Asset Allocation Strategy

Recommended Asset Allocation	Model-D
Safety	
Cash	1.00%
Total Safety	1.00%
Income Assets	
Short Term Bond	4.00%
Intermediate Term Bond	8.50%
Inflation Protected Bond	4.00%
International Bond	5.50%
Total Income Assets	22.00%
Growth Assets	
Large-Cap Value	17.00%
Large-Cap Growth	11.00%
International Large Cap Value	7.00%
International Large Cap Growth	5.00%
Real Estate	7.00%
Total Growth Assets	47.00%
Aggressive Assets	
Small-Cap Value	11.00%
Small-Cap Growth	1.00%
Small Blend	2.50%
Global Small-Cap Growth	3.00%
International Small Cap	4.50%
Energy/Natural Resources	8.00%
Total Aggressive Assets	30.00%
Total Portfolio	100.00%

Mason has the authority to make allocation adjustments to the above targets. Overall aggregate equity and bond targets will be similar to those above.

Authorized Signer

Note: it is normal for the portfolios to deviate to some degree from target percentages.

II. Segregated Independent Investment Manager Portfolios

The primary objective of segregated Independent Investment Manager portfolios is the same as for the Balance Pool in providing a relatively stable and sustainable inflation-adjusted annual payout to support the Foundation's defined spend rate for permanently endowed funds.

Performance Measures

For performance evaluation purposes, the Committee shall compare trailing 5-year annualized returns of the Balanced Pool to the following benchmark:

- **Equity Biased Growth Reference Point** – Produced by Morningstar as a “Moderate Allocation,” this benchmark consists of portfolios seeking to provide both capital appreciation and income by maintaining a relatively higher equity exposure. These portfolios are dominated by domestic holdings and have 70-85% of assets in equities and the remainder in fixed income and cash.

Asset Allocation Targets

<u>Asset Class</u>	<u>Strategic Target</u>	<u>Acceptable Range</u>
Cash Equivalents	2%	0 - 5%
Fixed Income	28%	15 - 45%
Equity	70%	55 - 80%
Alternative Investments	0%	0 - 10%
Total	<u>100%</u>	<u>100%</u>

III. Strategic Short-Term Pool

The primary objective of the Strategic Short-Term Pool is to provide income generation and stability with moderate capital appreciation.

Performance Measures

For performance evaluation purposes, the Committee shall compare trailing 3-year annualized returns of the Strategic Short-Term Pool to the following benchmark:

- **Conservative Reference Point** – Produced by Morningstar as a “Moderately Conservative Allocation,” this benchmark consists of portfolios seeking to balance modest growth with income. These portfolios are dominated by domestic holdings and have 30-50% of assets in equities and the remainder in fixed income and cash.

Asset Allocation Targets

Investment management of the Strategic Short-Term Pool portfolio shall be handled in accordance with the asset allocation targets set forth in the following table. Acceptable ranges for each asset class are defined by the Consultant's rebalancing policy, generally set at a 30% limit from the target allocation.

Mason Investment Management Services (MIMS)
B Asset Allocation Strategy

Recommended Asset Allocation	Model-B
Safety	
Cash	2.00%
Total Safety	2.00%
Income Assets	
Short Term Bond	14.00%
Intermediate Term Bond	20.00%
Inflation Protected Bond	7.00%
International Bond	5.50%
Total Income Assets	46.50%
Growth Assets	
Large-Cap Value	14.00%
Large-Cap Growth	7.00%
International Large Cap Value	4.00%
International Large Cap Growth	3.00%
Real Estate	6.50%
Total Growth Assets	34.50%
Aggressive Assets	
Small-Cap Value	5.00%
Small-Cap Growth	0.75%
Small Blend	1.50%
Global Small-Cap Growth	1.50%
International Small Cap	2.25%
Energy/Natural Resources	6.00%
Total Aggressive Assets	17.00%
Total Portfolio	100.00%

Mason has the authority to make allocation adjustments to the above targets. Overall aggregate equity and bond targets will be similar to those above.

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Note: it is normal for the portfolios to deviate to some degree from target percentages.

IV. Short-Term Pool

The primary objective of the Short-Term Pool is the preservation of capital with minimal exposure to volatility.

Performance Measures

For performance evaluation purposes, the Committee shall compare annual returns of the Short-Term Pool to the following benchmark:

- 90-Day Treasury Bill Rate

Asset Allocation Targets

Asset Class	Strategic Target	Acceptable Range
Cash Equivalents	100%	75 - 100%
Fixed Income	0%	0 - 25%
Total	100%	100%

Appendix B – Spending Policy

The Foundation's Spending Policy defines the annual spend rate for permanent endowment funds and provides minimum balance guidelines for all fund types.

I. Endowment Fund Spend Policy

Spend Rate and Amounts

Annual distributions for the current calendar year are determined based on each fund's Market Value relative to its Historic Gift Value as of September 30th of the previous year. The applicable spend rate is determined from the surplus or deficit position of the fund as shown in the following tiered rate table. The rate is then applied to the average market value of the fund smoothed for volatility over the prior 20 quarters to calculate a spendable amount.

CKCF Spend Rates		
Endowment Funds	Rec	Max
Surplus > 20%	5.0%	5.0%
Surplus 10 - 20%	4.0%	5.0%
Surplus 0 - 10%	3.0%	4.0%
Deficit 0 - 10%	3.0%	4.0%
Deficit 10 - 20%	2.0%	3.0%
Deficit > 20%	- %	2.0%
CKCF New Fund 1st Year Spend Rates		
Endowment Funds	Rec	Max
Surplus > 5%	4.0%	5.0%
Surplus 0 - 5%	3.0%	4.0%
Deficit 0 - 5%	3.0%	3.0%
Deficit > 5%	- %	2.0%
Surplus/(Deficit) is determined at time of anticipated spend.		

For funds with less than 20 quarters of activity, the available prior quarters are used in calculating the average market value. The averaging formula may be adjusted for unique circumstances upon consideration and approval of the Committee.

The Committee will monitor the surplus/(deficit) balance status of the Foundation's endowment funds with the intent to eventually phase out the tiered rate approach and move toward a single sustainable spend rate consistent with long-term investment performance.

A minimum fund balance of \$10,000, or a reasonable plan to meet and exceed the minimum, is required to establish and maintain an endowment fund in good standing. Funds with a 20-quarter average balance of less than \$10,000 may not distribute to a charitable cause until the threshold is exceeded. The minimum grant amount per recipient is \$500, which may require an average balance greater than the minimum fund balance.

New endowment funds established before September 30th of a year may first distribute to charitable cause in the following calendar year (Year 1). Funds established after that date may first distribute to charitable cause in the subsequent year (Year 2), subject to the following paragraph.

At any time, a donor may choose to make a gift to the Foundation with the specific instruction that the gift be used as a grant in the name of an endowment fund and not applied to the endowment principal balance. This option may be appropriate when short-term investment market conditions are not sufficient to generate earnings for distribution, particularly early in the life of a fund.

II. Non-Endowment Fund Spend Policy

Non-endowment funds are not subject to annual spend rates and distributions may be made at any time. A minimum fund balance of \$5,000, or a reasonable plan to meet the minimum, is required to establish and maintain a non-endowment fund in good standing. The minimum grant amount per recipient is \$500.

III. Quasi-Endowment Fund Spend Policy

Quasi-endowment funds are not subject to annual spend rates and distributions may be made at any time. A minimum fund balance of \$10,000, or a reasonable plan to meet the minimum, is required to establish and maintain a quasi-endowment fund in good standing. The minimum grant amount per recipient is \$500.

IV. Minimum Fund Balance Resolution

If a fund is not in good standing with a plan to resolve within a reasonable period of time, the fund will be merged into a similar or unrestricted fund of the same fund type held by the Foundation. Reasonable attempts to resolve the issue with the donor or fund advisor will be made before such action is taken.

Minimum balances are expected to increase over time and donors are encouraged to build their fund balance by retaining a portion of investment earnings and/or adding contributions to the fund.

V. Administrative Fees

Administrative fees are calculated as a percentage of fund assets and collected monthly from the balance of the fund. The Board approves the *Admin Fee Schedule* annually based on recommendations by the Committee.

Fees apply to all donor and affiliate funds. Exceptions to the *Admin Fee Schedule* for large gifts or other circumstances may be considered by the Committee and recommended to the Board for approval.