



Investment Policy Statement

The purpose of this policy is to set forth the standards and guidelines governing the investment and management of The Community Foundation of Harrisonburg and Rockingham County's ("TCFHR") financial assets in compliance with donor, state, and federal laws and regulations, as applicable. This policy governs the investment of TCFHR's investment portfolios and other assets held for investment. This policy also defines the responsibilities of the governing board and any other party involved in managing TCFHR's investments and identifies permissible investments, target asset allocations, and diversification requirements.

DEFINITIONS

"Investment Portfolio" or "Portfolio": Consists of all assets subject to the Investment Policy Statement. This includes, but is not limited to, pooled investment accounts, individually managed accounts, assets held in trust, and other assets held for investment.

"Pooled Investment Account": Investment account(s) consisting of the balance of multiple funds. The balances of each fund are tracked separately but are invested together in one or more investment accounts. This allows TCFHR to harness economies of scale and keep more dollars available for its charitable purposes.

"Individually Managed Account": An investment account managed by a third-party investment advisor outside of the TCFHR's investment portfolio offerings. The relationship is typically utilized for the funds of donors who are clients of the third-party investment advisor. The account may consist of one or more funds as a pooled investment account.

"Assets Held in Trust": Assets held by TCFHR as trustee for a beneficiary under a split-interest or other trust agreement. Funds are monitored in accordance with the trust document and subject to the growth and cash flow needs of the specified beneficiaries.

"Other Assets Held for Investment": TCFHR may hold other assets for investment, such as real property or notes receivable, as an investment subject to approval by the Board of Directors. The retention of these assets is carefully considered on a case-by-case basis with consideration for the relevant costs, benefits, and returns to hold and maintain the asset. These assets may be considered separately from the asset allocation and other parameters contained in this policy for the Investment Portfolio.

"Investment Advisor": Investment advisory firms or professional individuals selected by the Investment Committee to manage investment pools.

“Investment Manager”: Investment Managers may be hired by an Investment Advisor to handle the investment of the assets placed in their care. Investment Advisors are responsible for monitoring the performance of Investment Managers to ensure compliance with this policy.

“Custodian”: Entity with physical custody of investment assets. The Custodian may be either set by the Investment Advisor and approved by TCFHR or set by TCFHR directly, depending on the account. The custodian will assist and support Investment Advisors in their duties. Additionally, the custodian provides access to monitor investments as requested by the Investment Advisor, Investment Committee, or TCFHR’s management.

RESPONSIBILITIES AND DELEGATION OF AUTHORITY

The Board of Directors (the “Board”) has ultimate responsibility for the prudent management of the Foundation’s investment assets. In carrying out its responsibilities, the Board delegates authority for the oversight of investments to the Investment Committee (the “Committee”), as defined in the Committee’s charter. The Board, the Committee, and their agents will act in accordance with this policy and all applicable laws and regulations. The Committee will review this policy annually and make recommendations to the Board for any necessary revisions to support the Foundation’s investment objectives.

Investment Advisors are responsible to abide by this policy to invest and monitor the assets placed in their care with ongoing diligence and report to TCFHR management and the Committee or Board, as required in this policy. Full discretion, within the parameters of this policy, is granted to Investment Advisors regarding the selection of securities, employment of investment managers, and the timing of transactions. Investment Advisors should determine that the securities to be purchased and Investment Managers to be employed are suitable for this account. Appropriate measures should be taken to ensure adequate diversification within the guidelines of this policy. The Committee may establish additional requirements or guidelines specific to a particular Investment Advisor at its discretion.

All participants in the investment process shall act responsibly with due care and in a manner that is consistent with their roles as fiduciaries of the Foundation.

STATEMENT OF GOALS AND OBJECTIVES

TCFHR’s long-term investment objective is to preserve the real value of its charitable funds while maintaining the desired grant expenditure payout rate to insure availability of funds for grant purposes in the near or long term. For its long-term assets, TCFHR seeks a total rate of return that at a minimum supports and ideally exceeds TCFHR’s spending policy distribution percentage, administrative fees, expenses, investment fees, and inflation. TCFHR will measure whether it has achieved that objective over a rolling 40-quarter period.

The Investment Portfolio will be diversified across asset classes and managers as deemed appropriate by the Committee and may include, but not be limited to, domestic equity, international equity, emerging markets, and fixed income. Other assets may also be used to reduce risk and overall portfolio volatility subject to approval by the Committee.

TCFHR's invested assets fall into two broad time horizon categories, long-term and short-term, as defined below:

- Long-term: Long-term assets consist of:
 1. permanent charitable funds which have been designated in their respective fund agreements as permanently endowed funds,
 2. charitable funds which may not meet the technical legal requirements of an endowed fund but which are intended by the donor to be of long duration and are subject to TCFHR's distribution policy, and
 3. non-permanent charitable funds with no restriction on timing of distributions but where distribution is not anticipated in the next 12 months.
- Short-term: Short-term assets consist of funds where distribution is planned or is likely within 12 months.

Long-term assets may be invested in one or more pooled investment accounts. Approved asset allocations are described in Appendix A.

Short-term assets generally will be invested in cash equivalent securities or other cash accounts to preserve the value of the charitable funds. TCFHR will assess the value of these accounts at least quarterly with the goal of maintaining a minimum of one year's estimated cash needs for its invested assets. TCFHR may consider recommendations from authorized fund representatives to invest short-term assets in one or more of the investment options available for long-term assets.

STANDARDS FOR PRUDENT INVESTING AND RISK TOLERANCE

PRUDENT INVESTING

In investing and managing the Portfolio, the Committee will consider both the purposes of TCFHR and the purpose of any specific charitable fund. Management and investment decisions about an individual asset or fund 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 TCFHR.

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 TCFHR, and the skills available to it. The Committee will use reasonable efforts to verify facts relevant to the management and investment of the Portfolio or any specific institutional fund. Except as otherwise required by a donor's gift instrument, charitable funds will be managed consistent with

the Uniform Prudent Management of Institutional Funds Act contained in Title 64.2 Chapter 11 of the Code of Virginia.

RISK TOLERANCE

The Committee has determined that Investment Advisors should avoid imprudent risk in investing TCFHR's assets. To achieve that goal, Investment Advisors will observe the following limits:

- For fixed income investment, the vast majority of the fixed income allocation shall be held in investment grade assets as defined by major credit rating agencies such as Moody's or Standard and Poor's. Split rated securities will be governed by the lower rating. Up to 10% of the fixed income investments may be held in securities defined as below investment grade by the agencies mentioned above.
- For cash equivalents, all cash and equivalent investments shall be made with utmost concern for quality. Therefore, investment will be limited to U.S. Treasury bills, commercial paper rated P-1, and insured certificates of deposit. Other securities that reflect similar quality as those described above including, but not limited to, money market mutual funds, which meet such parameters, are also permissible.
- Maintain the overall Investment Pool diversification as defined in Appendix A.
- Hold no more than 5% of market value of the Investment Pool in the securities of a single issuer and do not allow exposure to any one Global Industry Classification Standard ("GICS") Sector¹ to exceed 2 times that GICS S&P 500 weight with an absolute cap of 30% of the market value of the equity portion of the Portfolio;
- Unless otherwise approved by the Committee, all of the Investment Pool's net assets will be held in vehicles utilizing lockups of 12 months or shorter.
- Not lend any TCFHR securities.

REQUIREMENTS FOR INVESTMENT ADVISORS

TCFHR will enter into a written investment agreement with any Investment Advisor it retains, including Investment Advisors recommended by donors. The agreement must provide that:

- TCFHR is the sole owner of assets held in the account or portfolio; as such, TCFHR will not participate in the practice of securities lending.
- All such assets are and must remain under TCFHR's sole control.
- The Investment Advisor's actions and performance will be overseen by the Committee.
- The Investment Advisor will monitor and ensure that any Investment Managers it hires adheres to this policy.

¹ GICS was developed by and is the exclusive property and a service mark of Morgan Stanley Capital International Inc. ('MSCI') and Standard & Poor's Dow Jones Indices ('S&P'). The sectors commonly used by TCFHR and its advisors are: Energy, Materials, Consumer Discretionary, Consumer Staples, Health Care, Financials, Information Technology, Communication Services and Utilities.

- The Investment Advisor will not purchase securities on margin or sell securities short without the advance approval of the Committee or its designee.
- The Investment Advisor will rebalance as necessary to fall within the described target ranges if applicable. The Investment Advisor will review the need for rebalancing at least quarterly.
- The Investment Advisor agrees to fees that are reasonable and consistent with what TCFHR pays or would pay other money managers for similar services.
- The Custodian for all assets in the Investment Advisor's control must be approved by TCFHR. Any changes to custodial agreements or the Custodian require prior approval of TCFHR.
- Assets will be invested in accordance with state law regarding prudent investing.
- The Investment Advisor will distribute such sums to TCFHR as TCFHR may request from time to time.
- The agreement may be terminated at any time and assets will be transferred to TCFHR immediately upon termination.

TCFHR will not pay an Investment Advisor or any other party for referring a donor to TCFHR and no existing funds of TCFHR will be transferred to such a person as compensation for a referral.

Investment Advisors will advise TCFHR promptly regarding any event that is likely to adversely affect the Investment Advisor's progress towards the goals and objectives of this policy, or that is likely to adversely affect the management, professionalism, integrity or financial position of the Investment Advisor or any related party.

Investment Advisors shall not invest any part of TCFHR's assets through transactions that involve self-dealing or an actual or perceived conflict of interest. Donors may not act as Investment Advisors for funds created by their own donations and for which they advise the distribution of grants from the fund. Donor Advised Funds are subject to additional regulations outlined in 26 U.S.C. § 4943.

REQUIREMENTS FOR INDIVIDUALLY MANAGED ACCOUNTS

TCFHR may, at its discretion, delegate portfolios consisting of at least one charitable fund or a pool consisting of multiple charitable funds to an Investment Advisor. TCFHR recognizes the value of building relationships with local Investment Advisors and providing an avenue to assist their clients in making charitable contributions to TCFHR. The Investment Advisor will be considered based on donor recommendation or other TCFHR professional relationships. Investment Advisors for individually managed accounts require approval from the Committee. Approval will be reviewed every two years. Once approved, the Investment Advisor must acknowledge and agree to comply with this investment policy statement.

Investment Advisors must inform TCFHR of any significant change or proposed change in firm ownership, organizational structures, professional personnel, account structure (i.e., number, asset size, account minimums) or fundamental investment philosophy prior to the implementation of any such change. For unanticipated changes, TCFHR must be notified within 5 business days. Any changes that are significant to the nature of the relationship with the investment advisor will require approval by the Committee at its sole discretion.

Investment Advisors with Individually Managed Accounts must maintain custody of all assets at a custodian suitable for the investment of the types of assets in its control. Any changes to custodial agreements or the custodian require prior approval of the Committee. If an Investment Advisor is recommended by a donor, it must be clear the individually managed account is owned by TCFHR and the donor does not retain any ownership interest. In addition, the investments in the fund must adhere to TCFHR's investment policy as stated herein.

In order to open an individually managed account, the funds to be included in the portfolio must have a total value of at least \$10,000. Unless otherwise approved by the Committee, until the portfolio reaches \$250,000, Investment Advisors are required to be fully invested in the approved mutual funds listed in Appendix A. Once the portfolio reaches \$250,000, Investment Advisors may manage the portfolio with full discretion regarding the selection of securities and timing of transactions, within the parameters of the investment guidelines stated in this policy. An Investment Advisor with a portfolio exceeding \$250,000 may continue to use the approved mutual funds if so desired.

The Investment Advisors of Individually Managed Accounts will be monitored for performance and compliance with this policy on the same basis as TCFHR's traditional portfolios.

REPORTING REQUIREMENTS & PERFORMANCE EVALUATIONS

REPORTING REQUIREMENTS

All investment advisors, or applicable custodian, shall provide monthly statements to TCFHR, no later than the 10th business day after each month end. These statements should include the fair 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.

Quarterly Written Reports:

Investment Advisors who are actively managing an investment account shall provide written quarterly portfolio allocation and performance reports for each calendar quarter. These reports are due to TCFHR by the 15th business day after the quarter end.

Investment Advisors who are not actively managing an account (i.e., only using the approved mutual funds in this policy) may be asked from time to time to provide an annual or quarterly written report by the Committee or TCFHR.

Oral Reports:

Investment Advisors for TCFHR’s investment portfolio offerings are required to provide an oral report to the committee at least twice in a 4-quarter rolling period. It is generally expected that investment advisors for TCFHR’s investment portfolio offerings will provide an oral report at each Committee meeting to allow the Committee to monitor the activity and strategy of the investment offerings. Such reports shall include, though not be limited to, performance of the portfolio, actions taken with respect to the portfolio, and expected changes in investments.

Investment Advisors who are actively managing an individually managed account shall present an oral report to the Committee at least once in an 8-quarter rolling period.

TCFHR, the Committee, or its designee may request additional information from time to time as it deems necessary to measure performance. The Chair of the Committee will at a minimum, provide an annual report on the Investment Portfolio and performance in relation to its policy as well as any actions taken to the Board of Directors. This may be in the form of a quarterly or annual report.

PERFORMANCE EVALUATION

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

- Ability to meet or exceed the applicable benchmark(s) that match the pool or fund under management over the trailing quarter, 1-year, 3-year, 5-year, and 10-year periods.
- Investment returns are measured using Global Investment Performance Standards (GIPS) based on daily time-weighted performance returns that are net of fees.

SPENDING POLICY

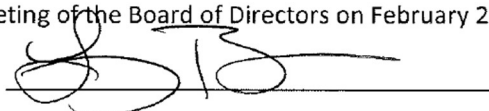
TCFHR sets its annual spending policy for permanent funds by applying a percentage, determined annually by the Board of Directors based on the recommendation of the Committee, to a permanent fund’s average net balance. The Endowed Funds Annual Distribution Policy, which sets out the annual spending rate for permanent funds for TCFHR is attached hereto as Appendix B and incorporated herein by reference.

IMPLEMENTATION

All monies invested in the Portfolios by its Investment Advisors shall conform to this policy.

Approved at a regular meeting of the Board of Directors on February 21, 2024.

Corporate Secretary



APPENDIX A – INVESTMENT GUIDELINES

INVESTMENT STRATEGIES

TCFHR maintains two Investment Strategies with varying risk and return objectives. Individually Managed Accounts are also subject to these two investment strategies.

STRATEGY	RECOMMENDED FOR	Asset Type		Target Allocation	RANGE	
Pooled Cash (Income)	Short-term projects (1 year or less)	U.S. Government money markets (must have fixed \$1.00 net asset value per share), CD's, cash equivalents		100%		
Moderate Growth	Board recommended for all long-term funds (1 year or more)	Fixed Income + <i>Domestic</i> <i>International</i> Equity * <i>International</i> Cash Commodity Funds & Hedge Funds		30.0% 27% 3% 60% 13% 0% 10%	25% 15% 0 50% 0% 0% 0%	50% 50% 10% 75% 25% 15%

* A maximum of 10% of fixed income assets may be held in securities defined as "below investment grade"

* Includes REITS

Pass through charitable funds or other charitable funds with intended distribution of one year or less may be maintained in TCFHR's checking account to ensure fund availability for grant or other disbursement.

The target allocations in the table above are meant to be a guide. Investment Advisors must provide a timely explanation to the Committee or its designee of deviation from the target allocations once the allocation goes outside the above allowable ranges.

On a quarterly basis, returns from the Investment Portfolio will be compared with applicable benchmarks. Benchmarks may be adjusted and revised to be in line with changes in asset allocation subject to presentation and approval by the Committee. Historically, the applicable benchmarks used have been the following:

- 1) 65% S&P 500/35% Barclays
- 2) Blended Benchmark comprised of 31% S&P 500, 11% S&P 1000, 23% EAFE, and 35% BCGC.

Investment returns are measured using Global Investment Performance Standards (GIPS) based on daily time-weighted performance returns that are net of fees.

The Investment Advisor for such funds will be required to document and provide written explanation for underperformance of 1% or more from the applicable benchmarks for the lagging quarter, 1-year, 3-year, 5-year, or 10-year returns.

APPROVED MUTUAL FUNDS

To make prudent investment decisions for Individually Managed Accounts which are not actively managed, the Committee has selected the following:

- **American Funds Moderate Growth and Income Portfolio (BLPAX-class A shares or BLPEX-class F-2 shares):** The objective of the Balanced Portfolio is to provide current income and long-term growth of capital and income. This portfolio is well suited for the donor who wants to grant up to 25% of the original contribution within three years with the possibility of granting 50% in five years.
- **Money Market Funds:** The objective is to provide liquidity for distributions and payment of fees within one year. The specific money market fund may be left to the discretion of the Investment Advisor, provided its return is comparable to going rates in the market.

During the first year, depending upon the share class, withdrawals from American Fund Portfolio funds within 18 months of initial funding may be subject to a sales charge by American Funds. Every effort should be made to avoid such sales charges and plan for liquidity needs for the initial 18 months by maintaining the balance of a money market fund equal to anticipated cash outflows during the initial year of the fund.

APPENDIX B – ANNUAL DETERMINATION OF SPENDABLE AMOUNT

The Community Foundation of Harrisonburg and Rockingham County

Endowed Funds Annual Distribution Policy

TCFHR's annual distribution policy is designed to ensure the longevity of endowed funds and provide annual distributions while considering market fluctuations and other changes in value. Although the distribution policy may occasionally result in appropriation of principal, the annual distribution is intended to preserve the principal of the fund to support its purpose.

DEFINITIONS

“Endowment” or “Endowed Funds”: Includes permanently endowed funds (funds with a long-term, permanent purpose) and quasi-endowed funds (funds that may not meet the technical or legal requirements of an endowment but have a long-term objective).

“Investment Return”: All accumulated earnings or losses, net of third party investment fees, allocated to the fund. Investment return is included in the balance of the fund.

“Principal”: The value of gifts to the endowment, less any adjustments or designation of a gift to the spendable balance of the fund.

“Spendable Balance”: The portion of the endowment set aside within the fund for distribution.

“Annual Distribution”: The amount to be spent annually for charitable purposes from an endowed fund as determined and calculated through this policy.

ANNUAL DISTRIBUTION SPENDING PROCESS

TCFHR shall calculate annual distributions by September 30th each year. The distribution is set at **4%** of the average balance (see “Annual Distribution Calculation”). Each type of endowed funds follows a specific spending process as outlined below.

Endowed Donor Advised Funds: Fund advisor(s) will be notified of the amount available for distribution and may elect any of the following by June 15th:

- 1) Recommend the annual distribution be granted to specific nonprofit organization(s).
- 2) If recommendations are not received from the fund advisor by June 15th, the distribution will be granted to the Community Endowment for the needs of the community.
- 3) In special circumstances, the endowment fund may retain the distribution in the endowment's investments until an agreed upon balance is reached.

Scholarship Endowed Funds: The annual distribution will be added to the scholarship fund's cumulative spendable balance. This provides funding for multi-year scholarship awards.

Agency Fund Endowments: Fund advisor(s) for the endowment will be notified of the amount available for distribution and may elect any of the following by June 15th:

- 1) Request the distribution.
- 2) Retain the distribution in the endowed fund and keep the balance invested to increase future annual distributions.

Designated Endowments: The annual distribution will be granted to the designated organizations according to the fund agreement.

Area of Interest Endowments: The annual distribution will be awarded according to the fund agreement.

TCF Board Discretionary Endowments: The annual distribution will be spent or retained at the discretion of the TCFHR Grants Committee.

ANNUAL DISTRIBUTION CALCULATION

An endowed fund must be held by TCFHR for a minimum of four (4) quarters before an Annual Distribution will be calculated. The annual distribution percentage is set at **4%** of the fund's average balance. The average balance will be calculated annually after the end of TCFHR's fiscal year based on the average ending balance for a minimum of four (4) quarters up to twenty (20) quarters. The average balance excludes any illiquid assets and pledges that are not available for immediate expenditure.

Example: Donor A creates Fund B in December 2023. When the annual distribution is calculated in 2024, Fund B will only have been held at TCFHR for three (3) quarters: December 2023, March 2024 and June 2024, so Fund B will not have a distribution calculated in 2024. At the annual distribution calculation in 2025, Fund B will have a distribution calculated based on the average balance of seven (7) quarters: December 2023, March 2024, June 2024, September 2024, December 2024, March 2025 and June 2025.

The use of a quarterly average is intended to smooth out the impact of any volatility in the investment market. This helps protect the principal, ensure fund growth, and provide fund beneficiaries with the benefit of a reasonably stable and predictable flow of funds.

ANNUAL REVIEW OF POLICY

The Investment Committee shall annually review this policy and distribution percentage. The committee's review includes consideration of the purpose of the endowed funds, general economic conditions, expected market return, and TCFHR's Investment Policy Statement. Changes to this policy are subject to approval by the TCFHR Board of Directors.

APPENDIX C – CERTIFICATION OF ACCEPTANCE BY INVESTMENT ADVISOR

I have received, read, and understand The Community Foundation of Harrisonburg & Rockingham’s Investment Policy dated February 21, 2024. I will abide by the Policy with respect to the assets for which I am the Investment Advisor.

I will notify TCFHR’s Investment Committee, or its designee, in advance of any proposed investment that is inconsistent with this Policy, and I will not make such investment without the advance written approval of same.

Date

Signature

Print Name

Print Title

Firm Name