



GREATER SALINA
**community
foundation**

STATEMENT OF INVESTMENT POLICY

Approved February 2025

Approval date:	Feb 2025	Maintained by:	Director of Finance
Next review date:	Sept 2025	Department:	Finance
Previous revision date:	Dec 2023	Endorsed by:	Finance Committee
Original policy date:	Feb 2016	Policy title:	Statement of Investment Policy

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Introduction

The purpose of this policy is to guide the Greater Salina Community Foundation ("Foundation") and its Board of Directors ("Board"), Finance Committee ("Committee"), and investment managers in effectively and prudently managing, monitoring, and evaluating the Foundation's investment portfolio.

Investment Philosophy

The Foundation believes the best long-term performance will be achieved through a passive investment approach with a balanced portfolio consisting of equities, fixed income, and cash.

When the Foundation was founded in 1999, it was found based on five guiding principles as recorded in the Preamble to the Bylaws. The fifth guiding principle specifically addresses the Foundation's approach to investing donated funds and states the following:

5. It would use a passive approach to investing donated funds. This meant using index funds at a low-cost provider (Vanguard), and not hiring an outside manager. It also meant not trying to "time the market," and not engaging in frequent trading. Asset allocation targets would be set, with re-balancing adjustments made on a quarterly basis. At the same time, donors would be given the right to request the Foundation continue to use the donors' own outside managers to hold and invest the donated funds.

By investing in passive index funds overseen by the Finance Committee, the Foundation is able to keep investment fees low, enabling funds to grow faster and more distributions made.

Roles and Responsibilities

Board of Directors (Board)

The Board has ultimate fiduciary responsibility for the investment performance of all Foundation assets and is responsible for the following:

- Approving the Statement of Investment Policy
- Approve hiring and firing of Investment Managers based on recommendation of the Finance Committee
- Delegating responsibility for implementation of the portfolio to the Finance Committee

This Policy can only be amended by the Board's approval and the Board reserves the authority to amend the Policy at its sole discretion.

Finance Committee (Committee)

The Finance Committee has been delegated the responsibility by the Board to manage the investment of Foundation assets in accordance with the Policy and is responsible for the following:

- Managing the investment pool by direct investment in index mutual funds in accordance with criteria set forth in the Policy
- Engaging the services of qualified investment professionals, if needed, in accordance with the Policy
- Evaluating the performance of the investment pool and any outside investment managers in accordance with the criteria set forth in the Policy
- Evaluating the performance of other services providers on an annual basis
- Reporting investment pool performance and outside investment manager performance to the Board on a quarterly basis

- Reporting to the Board any decisions it makes as it implements the Policy
- Reviewing the Policy on a biannual basis and reporting to the Board any recommended changes for the Board's review

Foundation Staff (Staff)

The Director of Finance, and other staff as delegated, oversee the day-to-day oversight of the portfolio and is responsible for the following:

- Administering the Foundation's investments in accordance with this Policy and all applicable laws
- Implementing any changes approved by the Committee
- Reallocating assets among approved managers and funds in accordance with the policy targets, ranges and rebalancing policies specified
- Reviewing and executing investment management agreements and related investment policies and guidelines
- Maintaining appropriate fund accounting
- Monitoring existing relationships with investment managers and other service providers

Internal Pool- Investment Pool Relationship Manager (Relationship Manager)

The Investment Relationship Manager assists the Finance Committee and Foundation staff in overseeing the Foundation's internal investment pool and is responsible for the following:

- Communicating and consulting with the Committee on matters relating to the investment portfolio as needed
- Advising the Committee with respect to asset allocation, asset classes and managers
- Reporting on developments that have had or may have a material effect on portfolio performance
- Providing regular performance reports to the Foundation including an annual meeting with the Committee

The Relationship Manager does not manage or advise the direct investment process.

Outside Managed Pool- Investment Managers (Catholic SRI and donor recommended investment managers)

Investment managers are responsible for managing the direct investment process and making ongoing security selection and pricing decisions on a discretionary basis and are responsible for the following:

- Managing the assets under its supervision in accordance with the guidelines and objectives outlined in this Policy
- Exercising full investment discretion with regards to buying, managing, and selling assets held in the portfolio, subject to any listed restrictions in this Policy
- Voting promptly any proxies and related actions in a manner consistent with the Foundation's best interest
- Communicating to the Foundation all significant changes pertaining to the portfolio or the firm itself, including but not limited to changes in ownership, organizational structure, financial condition or professional staff
- Using the same care, skill and prudence under prevailing circumstances that experienced professionals, acting in a like capacity and fully familiar with such matters, would use in similar

activities for a like client with like aims in accordance and compliance with all applicable laws, rules, and regulations

Additional responsibilities of outside investment managers (as requested by donors to manage their fund) are listed in the Outside Managers and Providers section of this Policy.

Standard of Care and Prudent Investing

In exercising its responsibilities, the Committee will act in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances.

A person with special skills or expertise or selected in reliance upon his or her representation that he or she has special skills or expertise, will use those skills or that expertise in managing and investing institutional funds.

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 suited to the Foundation's investment philosophy.

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 the Uniform Prudent Management of Institutional Funds Act (adopted in 2008 in Kansas as SB433), the following factors must be considered, if relevant, in managing and investing the investment portfolio, including the requirements for any specific institutional funds:

- General economic conditions
- Possible effect of inflation or deflation
- Expected tax consequences, if any, of investment decisions or strategies
- Role that each investment or course of action plays within the overall investment portfolio of the fund
- Expected total return from income and the appreciation of investments
- Other resources of the Foundation
- Needs of the institution and the fund to make distributions and to preserve capital
- An asset's special relationship or special value, if any, to the charitable purposes of the institution

Risk Tolerance

The Foundation believes the best long-term performance will be achieved through a balanced portfolio consisting of equities, fixed income and cash, with 75% invested in equity and 25% invested in fixed income and cash, as outlined in the Asset Allocation Guidelines of this Policy.

While speculative risks should be avoided, the Foundation adheres to the traditional capital market pricing theory which maintains that, over the long-term, the risk of owning equities should be rewarded with a greater return than that available from fixed income investments.

Due to the long-term, perpetual nature of the foundation funds, the Foundation believes that the total rate of return from a concentration in equity investments will adequately compensate for the increased volatility.

Return Objective

The Foundation's long-term investment objective is to preserve the principal of its permanent funds and achieve a reasonable total return on funds that will optimize annual distributions from the Greater Salina Community Foundation while allowing for the long-term growth of funds net of management fees.

In the short term, its primary objective is to achieve a reasonable total return on endowed funds that will allow for distributions calculated at a spending rate of 5% of a 16-quarter rolling average.

The Portfolio's performance will be reviewed with long-term emphasis placed on results achieved over a 5 to 10-year period. The goal is to have an annualized 10-year return objective of at least 7%, still allowing for fund growth net the annual distribution rate and administrative fees.

The Finance Committee will review the performance objectives and adjust, if necessary, with the advice of an investment manager. Any changes will be reflected in writing in a revision of this policy. The performance for the Portfolio will be compared to the performance of a similarly structured balanced index in line with the target allocation of each strategy.

The return objective does not apply to funds that are not restricted to a set spendable.

Asset Allocation Guidelines

Asset Allocation and Rebalancing

The asset allocation of the Foundation's internal investment pool shall be within the following guidelines. Asset allocations will be rebalanced annually at the beginning of the new fiscal year. Staff may rebalance during the year if an asset exceeds the allowable allocation range.

	Target % of equity portfolio	Target % of <u>total</u> portfolio	Allowable asset allocation range of total portfolio
Equity			
VSMPX Total Stock Market Index Fund Institutional Plus Shares	77.66%	57.5%	47.75%-67.75%
VTSNX Total International Stock Index Fund Institutional	23.34%	17.5%	7.5%-27.5%
Total Equities	100%	75%	65%-80%
Debt:			
VBITX Short-Term Bond Index Fund Institutional	50%	12.5%	2.5%-22.5%
VBIMX Intermediate-Term Bond Index Fund Institutional	50%	12.5%	2.5%-22.5%
Total Debt	100%	25%	20%-35%

Standards for Investment Managers

The following standards are applicable to all investment managers including outside managed pool investment managers.

Hiring and Terminating of Investment Managers

The Finance Committee, on behalf of the Board, maintains ultimate responsibility for hiring and terminating investment managers. Investment managers may be retained or terminated at any time at the discretion of the Board or Committee.

Investment managers must have appropriate licensing to professionally manage financial assets, be affiliated with a registered broker dealer under the U.S. Securities and Exchange Commission (SEC) supervision or affiliated with a trust company, or a bank having trust powers per state and federal law.

Events which may trigger termination include, but are not limited to:

- Performance issues pertaining to long-term asset growth
- Change in ownership of investment management firms
- Illegal or unethical behavior on part of the manager or firm
- Failure to follow the guidelines and strategy established in this Policy
- Change of key management personnel
- Any other event which might prevent the manager from effectively carrying out their investment duties.

Investment Manager Agreement

The Foundation will enter into a written agreement with any investment manager it retains, including outside investment managers 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 manager's actions and performance will be overseen by the Finance Committee;
- The manager agrees to fees that are reasonable and consistent with what the Foundation pays other money managers for similar services;
- The agreement may be terminated at any time and assets will be transferred to the Foundation immediately upon termination.

Funds will be invested in accordance with state law regarding prudent investing.

Conflict of Interest

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.

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

Investment managers shall not invest any part of the Foundation's assets through transactions that involve self-dealing or an actual or perceived conflict of interest.

Notification of Significant Events

Each investment manager shall advise the Foundation promptly of any event that is likely to adversely impact, to a significant degree, the management, professionalism, integrity or financial position of the firm, including events such as:

- A loss of one or more key people.
- A decline in assets under management due to client terminations that exceeds twenty percent of total firm assets.
- Regulatory action against the firm, its principals or employees.
- A significant change in investment philosophy.
- The appointment of a new portfolio manager(s) to the Foundation's account.
- A change in ownership or control (whether through acquisition, disposition, spin-off, merger, consolidation, or otherwise) of the Investment Managers.

Outside Investment Managers

Donors may continue their relationships with their trusted financial advisors and may make a request to the Foundation to consider the fund created by that donor be managed by an outside (meaning outside the investment pool) investment manager separately from the investment pool.

All requests must be presented and approved by the Board. The Board may consider and approve a donor's request to have that donor's funds managed by an outside investment manager provided the following conditions are met:

- The total market value of the separately managed fund must equal or exceed the \$25,000 minimum balance for an outside managed fund as listed in the current Policies and Procedures for Establishment and Operation of Component Funds. Following a market decline or reduction in assets due to payment of grants and expenses, the Foundation will allow Outside Managed Funds to drop below the \$25,000 threshold for up to two quarters.

At any time that the Outside Managed Fund balance remains below the \$25,000 threshold for more than two quarters, the Finance Committee shall have the option to terminate the separate management and add the Fund to the Foundation's investment pool.

- The outside investment manager must acknowledge and agree to meet the Standard for Investment Managers and comply with this Policy by signing a copy of this agreement.
- Upon the death of the Fund's original donor, the agreement between the Foundation and the Outside Investment Manager may continue with the original manager until the manager is no longer able to manage the Fund(s) due to a career change or death. The Funds may not be managed by a different outside investment manager at the same outside investment company, unless approved by the Foundation.
- Donors and fund advisors may not act as investment managers and the Finance Committee will not approve any investment manager who is a member of the donor's family.

Performance Benchmarks

Funds managed by outside investment managers may be managed with different benchmarks than the internal investment pool and will be reported separately in an investment management report.

Nonetheless, the Board and Finance Committee have a fiduciary responsibility regarding these assets of the Foundation and must exercise appropriate judgement regarding adequacy of returns received, fees charged, and asset allocation.

The Finance Committee will monitor and evaluate the manager's performance over time, and the Foundation may at any time terminate the manager of the Fund.

Investment and Management Fees

The separately managed fund will be required to bear all its own investment expenses as well as any costs incurred by the Foundation that are directly related to the separate investment.

Notwithstanding any provision of these policies, the Finance Committee shall have the right to change the manager of any fund of the Foundation at any time and for any reason, at the Committee's sole discretion.

Performance Reporting and Monitoring

The performance of all investments shall be reviewed by the Finance Committee at least on a quarterly basis.

The manager will provide the following reports to the Director of Finance on behalf of the Committee:

Quarterly

Each outside investment manager shall provide reports within 20 days from the end of each quarter, including, for both the quarter and the year-to-date, at least the following information:

- Beginning market value, by security within asset class
- Ending market value, by security within asset class
- Securities purchased during the quarter
- Securities sold during the quarter
- Gains and losses on security sales for the quarter
- Any additional information requested by the Foundation

Annually

When reporting at each periodic appearance before the Committee, in addition to the quarterly information to be provided, each outside investment manager shall also provide the following:

- Brief description of their fundamental investment philosophy
- Their market outlook
- A summary of the total fees assessed the prior year, separating out advisory fees from other fees
- Any changes in the organizational structure of their organization, key personnel or personnel handling the Foundation account, or any other significant operational or organizational change in which the Committee should be aware

Liquidity

The Foundation will maintain adequate cash reserves to accommodate operational needs and grant distributions. The liquidity requirements of the Foundation will be monitored by the Finance Committee and the liquidity of the pools will be adjusted to meet the Foundation's needs

Administrative Contribution Fee and Spending Policy

The Finance Committee will make a recommendation annually to the Board regarding the assessment or non-assessment of an administrative contribution from each fund, within the parameters outlined in the Policies and Procedures for Establishment and Operation of Component Funds and Administrative Fee Schedule. All administrative fees are charged in arrears for the prior fiscal year's work.

The Committee will also make an annual recommendation regarding a spending policy for distributions from non-advised, endowed funds that limits the amount the Foundation may grant from these endowed assets as outlined in the Foundation's Spending Policy.

Review and Modification of Policy

The Committee shall review this Policy annually to determine if modifications are necessary or desirable. Any such modifications are referred to the Board for its approval. The Board reserves the authority to amend the Policy at its sole discretion. If modifications are made, they shall be promptly communicated to the outside investment managers and other interested service providers.

Appendix A-1 Investment Guidelines and Restrictions

Prohibited Investments

Except when included in a broad-spectrum fund, the following securities are specifically prohibited from purchase:

- A. Stock in non-public corporations, private placement or any non-marketable issues
- B. Letter or restricted stock
- C. Short sales of any type
- D. Share purchases involving the use of margin
- E. CMO residuals and support tranches
- F. Stripped mortgage-related securities (Interest Only (IO) Strips, Principal Only (PO) Strips- both generic and prepayment protected
- G. Leveraged Floaters and Inverse Floaters, including Money Market obligations
- H. Tiered-Index Bonds, Range Notes and all other forms of structured notes whose return characteristics are tied to changes in prepayments on mortgages or changes in a specified interest rate index or market rate or which contain caps or floors on the interest rate
- I. Natural resources such as oil, gas or timber
- J. Non-publicly traded partnerships or limited partnerships
- K. Precious metals

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 of 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 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, Statement of Investment Policy 14 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.

Appendix A-2 Catholic Faith and Values Socially Responsible Investment (SRI) Pool

(Board approved 12-16-2018)

Background

In 2017, the Foundation was approached by an affiliated foundation of GSCF, the Catholic Community Foundation (CCF), about investment options for CCF funds that would align with the Catholic faith's beliefs and values. The Foundation considered this request at length before electing to provide an additional investment option for members of the Catholic faith that desire certain characteristics in their fund investments. It is important to note that the Foundation is not stating what values or opinions are appropriate, but, rather, recognizing the desire for additional investment options and providing this additional service. It was the decision of the Foundation to engage the services of an outside investment manager to facilitate the creation and on-going management of this pool. This addendum addresses the specific intent of this investment pool and the increased role of the outside investment manager.

Investment Strategy

In general, this pool will be segregated from the main investment pool into a separate portfolio but will be required to follow the asset allocation guidelines and restrictions of this Statement, including the general investment philosophy. It is not anticipated that this pool will adversely impact the performance of the portfolio of the Foundation as a whole.

Pool Areas of Emphasis and Limitations

In general, the outside investment manager of this pool will utilize the current United States Conference of Catholic Bishops (USCCB) guidelines to screen and select the pool's investments. The USCCB guidelines, in short, focus on doing no harm, protecting human life, promoting human dignity, reducing arms production, pursuing economic justice, protecting the environment, and encouraging corporate responsibility. It is recognized that it is difficult to dictate specific instruction to a mutual fund and these guidelines are just that, guidelines. The outside investment manager should seek to adhere to the spirit of these guidelines.

Roles and Responsibilities (SRI Pool)

Foundation

It is the responsibility of the Foundation to monitor the performance of the investment manager and request information on investments included or excluded based on the USCCB guidelines. If any changes to the asset allocation guidelines are made, Foundation will communicate changes to the outside investment manager.

Outside Investment Manager

In addition to the other duties and responsibilities regarding outside investment managers set forth in this Policy, the outside investment manager for this pool will also be responsible for:

- Assisting the Finance Committee in all aspects of creating and on-going management of the pool, including fund manager selection.

- Being the primary source of investment education regarding the USCCB guidelines, as well as keeping the Foundation up to date on any changes to these guidelines.
- Supplying the Finance Committee with periodic reports as requested as related to positive and negative screened investments in the pool.

Appendix B- Certification of Acceptance by Investment Professionals

I have received, read, and understand the Greater Salina Community Foundation's Statement of Investment Policy. I will abide by the Policy with respect to the assets for which I am the investment manager, or other investment professional.

I will notify the Foundation's Finance Committee, or its designee, in advance of any proposed investment that is not consistent with this Policy and I will not make such investment without the advance written approval of same.

Name of Business

Name and Title

Signature

Date