



INVESTMENT AND FUND DISTRIBUTION POLICY STATEMENT

May 2022

I. Introduction

The Community Foundation of the Brazos Valley enhances the quality of life in the communities it serves by partnering with Donors, Businesses and Nonprofits to establish endowment funds that provide long-term support for charitable organizations and community needs. The Foundation furthers this role through philanthropic giving, responsible grantmaking, professional stewardship, and collaborative leadership.

This document outlines the Investment and Fund Distribution (aka “Spending”) Policy of the Board of Trustees (the “Board”) of the Community Foundation of the Brazos Valley (the “Foundation”). It applies to the Foundation’s pooled assets that are professionally managed and invested (the “Fund”) and to the rate of distributing these assets in addition to the Asset Allocation Guidelines of the Fund.

The Investment Committee (the “Committee”) is empowered by the Board to direct and monitor the investment management of the Fund and make recommendations regarding suggested changes to the Investment and Fund Distribution Policy Statement as needed. This Statement has been developed by the Committee and approved by the Board as the most appropriate policy for achieving the financial objectives of the Fund, which are described in the “Investment Objectives” section of this document. The Foundation’s investment objective is to generate income to respond to current charitable needs and to support the long-term growth of the Foundation’s endowment.

II. Delegation of Authority and Responsibilities

Board of Trustees

The Board shall have final responsibility for ensuring the prudent investment and management of assets comprising the Fund. The Board shall have the authority to approve or reject the Investment and Fund Distribution Policy Statement developed by the Committee. Once the Investment and Fund Distribution Policy Statement has been approved by the Board, the Board shall authorize the Committee to implement the Investment and Fund Distribution Policy Statement and recommend modifications to said Statement as needed.

The Investment Committee

The Investment Committee (the “Committee”) is responsible for the development and implementation of the Investment and Fund Distribution Policy. This responsibility includes determining investment strategy and selecting the Investment Consultant. In the spirit of transparency and given its role as stewards of community resources, the Committee will be comprised of Board members and community volunteers, appointed by the Board; board members will serve in the majority. As a fiduciary, the Committee will meet at least 4 times per year to evaluate the performance of the Fund and monitor investment objective progress. In January of each year, fiduciaries will provide full and fair disclosure to the Committee of all material facts regarding real or potential “conflicts of interests.” Committee members must also file an annual conflict of interest statement. Each March, the Committee, with the guidance of the Investment Consultant, shall present to the Board a performance report of the Fund. The Committee will conduct an annual review of the Investment and Fund Distribution Policy Statement. At least twice a year, the Committee will review the portfolio to ensure that asset classes are within the target allocations and consider any changes to the Asset Allocation Guidelines. On an annual basis, the Committee will review the Investment Consultant and present its recommendation to the Board regarding the continued engagement of the Consultant.

President, Chairman, Treasurer, or Secretary of the Foundation

The President, Chairman, Treasurer or Secretary of the Foundation will sign all appropriate contracts, open accounts, and give any other authorizations needed by the Consultant to affect the terms of this Investment and Fund Distribution Policy Statement.

The Investment Consultant

The Investment Consultant (the “Consultant”) is the primary source of investment education and Manager information. On an ongoing basis the Consultant will:

1. Provide the Committee with quarterly performance reports. This report will measure performance of the Fund and each Fund Manager within the Fund. This report will illustrate actual Asset Allocations as compared to the targets set by this Investment and Fund Distribution Policy Statement;
2. Report to the Committee quarterly, or as requested;
3. Monitor the activities of each Fund Manager or investment Fund;
4. Assist the Committee by providing information and guidance during the annual review of this Investment and Fund Distribution Policy Statement, including an assessment of the Foundation's current asset allocation, Fund Distribution Policy, and investment objectives; and
5. Supply the Committee with other reports or information as reasonably requested.

The Consultant shall supervise and direct the investment of the Fund as specified in this Investment and Fund Distribution Policy Statement. Supervision is continuous, with limited discretion. Limited discretion means that the Consultant is responsible for assessing the appropriateness of asset allocation strategies but does not have discretion to change the asset allocations without the Committee’s approval. The Consultant has discretion and is required to rebalance the Fund to maintain the asset allocation using the methodology approved by the Consultant's investment committee.

The Fund Manager

Qualifying Fund Managers (“Manager”) must be a registered investment advisor under the Investment Advisors Act of 1940, as amended, including mutual funds and exchange-traded funds or other investments as approved by the Committee. The Consultant has full discretion in choosing specific Managers based on their internal selection process.

The Custodian

The Custodian is responsible for the safekeeping of the Foundation's assets. The Investment Committee is responsible for identifying the Custodian. Custodians will be selected and will be a separate, independent entity from the Consultant. The specific duties and responsibilities of the Custodian are:

1. Value the holdings.
2. Collect all income and dividends owed to the portfolio.
3. Settle all transactions (buy-sell orders).
4. Provide statements to the Foundation.

III. Fiduciary Duty

In seeking to attain the investment objectives set forth in this Investment and Fund Distribution Policy Statement, the Committee, its members, and agents will act with discretion, honesty and good faith to the Foundation. The adopted Investment and Fund Distribution Policy will be followed and held to a standard of ordinary business care and prudence under the facts and circumstances prevailing at the time of the Fiduciaries’ actions or decisions including those in accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted by the State of Texas, and the Pension Protection Act of 2006, as amended. The Fiduciaries will remain loyal, placing the interest of the Foundation first. Fiduciaries will provide full and fair disclosure to the Committee of all material facts regarding real or potential “conflicts of interests.”

IV. Investment Philosophy and Objectives

The perpetual nature and long-term perspective of philanthropy are the basis for the Foundation's investment philosophy. Philanthropic investing has a longer-term horizon than personal investing, retirement investing or intergenerational investing. Prudent investment stewardship is essential to our mission of building long-term charitable assets for the benefit of our communities. Our Donors benefit from a collective investment approach that affords individual fundholders access to investment managers and products. With the Foundation, Donors may achieve broader diversification through alternative asset styles and liquidity options not generally available to individual investors.

The Foundation's overall objective is to preserve and protect Fund principal while achieving a long-term, average return sufficient to cover the Fund Distribution Policy plus an administrative fee and any potential inflation over a complete market and economic cycle. Achieving this objective requires the assumption of a long-term investment horizon and asset diversification. The Foundation will normally measure whether it has achieved that objective over a trailing five-year annualized return. For additional information on the Fund Distribution Policy, see Appendix B.

V. Investment Restrictions

Investments of the Fund will be limited to mutual funds and exchange-traded funds, as well as cash and fixed income instruments issued or guaranteed by the United States, its agencies or instrumentalities, subject to the Asset Allocation Guidelines in Appendix A.

No “illiquid” investments, such as private placements, limited partnerships, and hedge fund vehicles (among others) may be purchased by the Consultant without the recommendation of the Committee and approval of the Board.

VI. Asset Allocation and Rebalancing

The Committee believes that the Fund’s risk and liquidity posture are, in large part, a function of asset class mix. The Investment Committee, with the assistance of the Consultant, is responsible for defining the asset allocation and recommending it to the Board as a part of the Investment and Fund Distribution Policy. Considering the Fund’s investment objective, time horizon, risk tolerances, performance expectations, and asset class preferences, an appropriate portfolio allocation is outlined in Appendix A (“Asset Allocation Guidelines”). The asset allocation targets shown in Appendix A will not be changed without Committee approval.

Rebalancing will occur by the Consultant to ensure the portfolio remains within the asset allocation targets outlined in Appendix A.

VII. Short Term Reserve Management Policy

From time to time the Foundation may maintain large cash balances in reserve for known isolated expenditures and contingencies. The Consultant is authorized to manage these reserves for enhanced yields consistent with a conservative cash management policy. Instruments used for this purpose will be limited to cash and fixed income instruments issued or guaranteed by the United States, its agencies or instrumentalities; or mutual funds or exchange-traded funds whose holdings are limited to said instruments. Holdings shall have a maturity date no longer than 12 months from the date of purchase.

VIII. Fund Distribution Policy

The Fund Distribution Policy is designed to provide a meaningful way to grow and distribute grant monies to the beneficiaries while preserving endowment assets. In the first quarter of each calendar year, the Committee is charged with recommending to the Board a distribution amount for the funds subject to the Fund Distribution Policy as outlined in Appendix B.

IX. Investment of Non-Pooled Funds by Donor Recommended Investment Consultant

From time the time, the Foundation may be approached by a Donor seeking to make a gift to the Foundation, while retaining a private Investment Consultant to manage the gift. To further these stewardship opportunities, Appendix C provides policy guidance for Donor Recommended Investment Consultants – Non-Pooled Endowments. The Donor’s Investment Consultant will abide by the Foundation’s Investment and Fund Distribution Policy.

APPENDIX A

ASSET ALLOCATION GUIDELINES

In May 2019, the Community Foundation of the Brazos Valley engaged Mason Investment Management Services of Reston, Virginia as its Investment Fund Manager and Consultant. The Foundation is utilizing Mason Investment's "**C Asset Allocation Strategy**" in the management of its fund portfolio, as outlined in Appendix A-1.

APPENDIX A-1

Mason Investment Management Services (MIMS)
C Asset Allocation Strategy

Recommended Asset Allocation	Lower Band	Model-C	Upper Band
Safety			
Cash	1.00%	2.00%	3.00%
Total Safety		2.00%	
Income Assets			
Short Term Bond	5.08%	7.25%	9.43%
Intermediate Term Bond	10.50%	15.00%	19.50%
Inflation Protected Bond	4.03%	5.75%	7.48%
International Bond	3.50%	5.00%	6.50%
Total Income Assets		33.00%	
Growth Assets			
Large-Cap Value	9.45%	13.50%	17.55%
Large-Cap Growth	5.60%	8.00%	10.40%
International Large Cap Value	4.90%	7.00%	9.10%
International Large Cap Growth	3.50%	5.00%	6.50%
Real Estate	7.70%	11.00%	14.30%
Total Growth Assets		44.50%	
Aggressive Assets			
Small-Cap Value	3.50%	5.00%	6.50%
Small-Cap Growth	2.10%	3.00%	3.90%
International Small Cap	2.80%	4.00%	5.20%
Energy/Natural Resources/Commodities	5.95%	8.50%	11.05%
Total Aggressive Assets	14.35%	20.50%	26.65%
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.

APPENDIX B

FUND DISTRIBUTION POLICY

Fund Distribution Policy for Endowed Funds

The Foundation has adopted an annual Fund Distribution Policy to preserve and build the permanent funds entrusted to us and carry out a grantmaking program which balances the need for current spending with the goal of growing the endowment and supporting future expenditures into perpetuity. Endowment studies by the Council on Foundations demonstrate that prudent spending levels allows a fund to grow, while spending more than net returns after inflation reduces the fund's purchasing power over time. A Fund Distribution Policy determines the percentage of the fund balance available for grantmaking and other fund expenses in the coming year. Each year, the Committee reviews the Fund Distribution Rate and makes recommendations to the Board if a change is warranted.

In accordance with the standard of prudence prescribed in the Uniform Prudent Management of Institutional Funds Act [UPMIFA], the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowments:

1. The duration and preservation of the fund.
2. The purposes of the Foundation and the donor-restricted endowment fund.
3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the Foundation.
7. The Investment and Fund Distribution Policy of the Foundation.

The available to grant amount for each fund is calculated by applying the rate to the fund's average balance as of December 31 over the twenty (20) preceding quarters (or less in the case of newer funds). The Fund Distribution Rate for grants, unless otherwise indicated, will be an annual amount ranging from three to four percent (4%) of a fund's average balance over the past twenty (20) quarters. Using a 20-quarter average serves two purposes. First, it provides consistent and predictable spending for programs supported by the Foundation. Second, it allows the Board to design an investment strategy which is a higher expected return than might be the case if spending were determined by annual investment performance only. Fund distribution rates will apply to all fund types, except non-endowed or pass-thru funds.

The grant distributions will be calculated utilizing the Foundation's integrated software management and fund-accounting system designed for Community Foundations. Once the calendar year is closed [December 31], each fund's grant distribution is calculated for the following year [January thru December]. Until a fund has been in existence for twenty (20) or more quarters, the fund distribution rate will be calculated on the fund's average balance since inception.

The intent of this Fund Distribution Policy is to set a maximum amount available for distribution for each fund, but not necessarily to mandate that such an amount be spent. When deemed appropriate by the Donor or the nonprofit, in the case of a designated fund, annual distribution amounts (available to grant) may be returned to the principal of the fund in order to further the growth of the fund. There may also be instances when it would be beneficial to pool distributions for multiple years to allow for more impactful grantmaking. In such instances, the eligible grant distribution would be held in the available to grant portion of the fund rather than returned to principal.

Fund Distribution Policy for Non-Endowed Funds

Non-endowed funds will not be subject to the Fund Distribution Policy, and the entire balance will be grantable upon approval of the Board.

APPENDIX C

Policy for Donor Recommended Investment Consultants – Non-Pooled Endowments

Introduction

The Foundation recognizes that the pooling of invested assets reduces administrative and investment-related expenses, and thereby allows more money to go toward the charitable good. For this reason, the Foundation has established certain limitations and guidelines for situations when a Donor wishes to recommend a specific Recommended Consultant to hold his or her fund.

Policy

Upon request by a Donor at the time of a gift and establishment of a fund, and upon recommendation of the Committee and approval of the Board, the Foundation may enter into an agreement with an individual Consultant to manage assets given to the Foundation by said Donor, as outlined.

Minimum Requirements

- The Donor is making a gift of the agreed upon minimum of \$750,000.00 to the Foundation for the purpose of establishing a new fund;
- The Donor must request in writing, that the gifted assets be managed by the Recommended Consultant; Consultant must meet the requirements of the Foundation's Investment and Fund Distribution Policy Statement and be recommended by the Committee and approved by the Board;
- The assets must be held by the Foundation's Custodian and held in a separate account belonging to the Foundation; the Donor may exercise no control over the account;
- The Donor must attest that he/she will not personally benefit from the Foundation's relationship with the Recommended Consultant. The Donor may not have a family relationship with the Recommended Consultant or with the employees or owners of the Recommended Consultant's firm. Additionally, in January of each year, the Recommended Consultant will provide full and fair disclosure to the Committee of all material facts regarding real or potential "conflicts of interests" by completing the Foundation's Conflict of Interest Statement. Notwithstanding, the Donor's Recommended Consultant must meet all the same requirements of the Foundation's Investment Consultant.

Fees

- The Donor acknowledges that the fees and expenses charged by the Recommended Consultant will be deducted solely from the total return on the funds held by the Recommended Consultant. The Foundation will discuss these fees and expenses with the Recommended Consultant to reach an agreement in establishing fees and expenses that are reasonable and commensurate with the services the Recommended Consultant will provide.

- The Donor agrees that the Recommended Consultant's fee and the Foundation's Administrative Fee will be deducted from the fund.

Investment Management and Reporting

The Donor's Recommended Consultant must abide by the Foundation's Investment and Fund Distribution Policy and utilize the Foundation's Custodian. Exceptions to this policy must be recommended by the Committee and approved by the Board. On an ongoing basis the Recommended Consultant will:

1. Provide the Committee with quarterly performance reports. This report will measure performance of the Fund and each Fund Manager within the Fund. This report will illustrate actual Asset Allocations as compared to the targets set by this Investment and Fund Distribution Policy Statement; and
2. Report to the Committee quarterly, or as requested.

Revocation or Termination

- The Donor and the Recommended Consultant acknowledge that the Board may, at any time, revoke the privilege of the Donor Recommended Consultant and terminate any contract or agreement with a Recommended Consultant. The Donor acknowledges that I.R.S. regulations require that the Board retain the sole discretion to terminate the Foundation's relationship with the Recommended Consultant, and to transfer the funds held by the Recommended Consultant, under any facts or circumstances that the Board in good faith believes warrant such termination and transfer.

Subject to Policy

Notwithstanding, each request to deviate from the Investment and Fund Distribution Policy Statement will be evaluated individually. As always, the Board reserves the right to refuse any gift deemed to be against the best interests of the Foundation.

Original Investment Policy dated May 5, 2009

Updates: July 30, 2012; January 28, 2014; November 10, 2015

This document supersedes November 2015 Investment Policy and Spending Policy [undated].

Approved: May 17, 2022 Foundation Board Meeting