THE GREATER KANAWHA VALLEY FOUNDATION

Statement of Investment and Spending Policies

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I. Objectives

The Foundation's primary objective is to preserve the real (after inflation) value of its current and subsequently acquired assets.

A second objective, subject only to the first, is to provide the maximum flow of funds for grant making, operating expenses and fees (including investment management fees). The flow of funds should be reasonably predictable and rise at least as rapidly as inflation.

Success in meeting these objectives will depend on the Foundation achieving the highest possible total rate of return on its investments consistent with reasonable prudence with respect to volatility and safety of principal. The Foundation’s assets are viewed with disciplined, longer-term investment objectives and strategies that will accommodate relevant, reasonable, and probable events.

In order to guide its investments and accounting practices, the Foundation has established Investment and Spending Policies, which it will review periodically in consultation with its investment managers (custodians, trustee banks and other managers).

II. Investment Policies

A. Diversification of Investments

In recognition of the benefits of diversification, the Foundation has established an investment structure with diversification in mind. Experience has shown financial markets and inflation rates are cyclical and, therefore, control of volatility will be achieved through diversification of asset classes and selection of managers of diverse style.

B. Allocation of Assets

Approved asset classes and policy target ranges are detailed in Schedule A included as a part of this policy.

The Foundation's assets are to be structured for long-term growth with a broadly diversified mix of asset classes and styles. The international equity is intended to reduce volatility of the total portfolio and the Foundation's reliance on domestic financial markets. International equity relates to those companies domiciled outside of the US. We recognize that US domiciled companies may have substantial business outside the US in addition to the International equity. Managers may, to a limited extent, invest opportunistically in emerging market equities and global fixed income to further enhance the diversification of the Fund.

The target for the actual asset mix will be reviewed by the Foundation's Investment Committee annually, or more frequently as necessary. As part of this process, a rebalancing procedure within the policy framework of the adopted asset allocation model has been established. More specifically, the quarterly review guideline will be:

> Changes in the allocation to the asset class segments or subsegments may be made at any time the quarterly weighting is outside the established weight range as defined on the asset allocation model.

The Committee will review the segment asset allocations quarterly and any changes in the allocations will be made after the review. In the case of major market movements resulting in variations as provided above, rebalancing of the segment allocations may be made prior to the quarterly review.

C. Impact Investing/Mission Investing

The Foundation intends to make strategic investments that support sustainable, long-term social outcomes in our six (6) county service area, when consistent with the charitable purposes of the Foundation and appropriate opportunities for doing do arise. The overall investment objectives of Impact Investing practices will be to:

- Impact: Sustain and scale community-based change in the Foundation's impact areas by investing in social solutions
- Financial: Preserve capital while achieving positive long-term returns (returns above zero percent)

To achieve these objectives, the Foundation's fixed income assets may be invested in various Socially Responsible Investments and Mission Related Investments ("SRIs" and "MRIs"), upon approval of the Board.

D. Accounting for Assets

It is the preference of the Foundation and its Board that all investments be accounted for under the unitization/pooled fund approach. Accordingly, each individual fund will be allocated its pro-rata share of all investments and investment activity as assets previously held in bank trustee form are consolidated with one or more custodians.

III. Investment Management

Investment managers will be appointed following a systematic search for those with demonstrated quality in the style desired. To optimize access to such managers, while minimizing management fees and transaction costs assessed to the Foundation, no-load mutual funds and pooled funds may be considered together with separate account management.

Managers are given discretion to manage funds entrusted in accordance with the style for which they are employed provided they comply with the restrictions and limitations as may be determined from time to time. For investment managers which are trustee banks operating under the terms of a Declaration of Trust and a Virtual Master Trustee Agreement, the provisions of this Statement of Investment and Spending Policies applicable to investing Foundation assets must be complied with unless an express exception has been granted by the Investment Committee

IV. Evaluation of Managers

A. Performance Objectives for Active Management

The performance of the Fund's investment managers will be actively monitored by the investment consultant who will report any meaningful observations and performance deviations to the Committee in a timely manner. Quarterly performance will be evaluated versus appropriate benchmarks and peer universes, but emphasis will be placed on relative performance over longer investment periods.

The Committee has the discretion to take corrective action by replacing a manager if the Committee deems it appropriate at any time. Corrective action typically occurs as a result of meaningful organizational or process-related change, and, in some cases, sustained relative underperformance. Significant short-term underperformance will also trigger a review. For managers which are trustee banks operating under the terms of a Declaration of Trust and a Virtual Master Trustee Agreement, failure to abide by the provisions of this Statement of Investment and Spending Policies applicable to investing Foundation assets, unless an express exception has been granted, may be grounds for removal as a trustee bank by the Foundation's Board of Trustees.

B. Investment Style

The managers/fund(s) will maintain a portfolio for the Foundation characterized by their respective traditional management styles and, if a change in such style is contemplated, the manager is required to make advance written notification to the Foundation's Investment Committee.

C. Change in Objectives or Asset Allocation

A change in objectives or asset allocation strategy may require that funds be transferred between asset classes, to new asset classes, or among styles within asset classes. These changes may result in increases, decreased or elimination of funds under management by a specific manager.

V. Performance Measurement

Measuring manager progress against policy objectives and for consistency in measuring performance against the total return objectives, performance will be reflected net of management fees and transaction costs. When calculating returns for the quarterly reports utilized for management purposes, the investment consultant will state returns net of management fees where practicable.

VI. Investment Consultant

The Foundation may retain the services of an independent investment consultant for the purpose of assisting the Foundation's Investment Committee in developing and then attaining the objectives of the Foundation. The consultant will assist in establishing objectives offering alternative models of asset allocation, identifying appropriate managers or funds, producing timely quarterly reports that monitor performance of individual managers against similar managers as well as performance of the entire Fund against its objectives and against other appropriate indices. The consultant will also provide consultation on revisions and modifications as appropriate.

VII. Communication and Reporting

Where a Fund is separately managed, the manager is responsible for free and open communication with the Investment Committee in all significant matters pertaining to investment policies and management of Foundation assets, including, but not limited to: (i) Major changes in the investment policies and manager's investment outlook, investment strategy and portfolio structure; (ii) Any significant changes in the ownership, organizational structure, financial condition or senior personnel staffing of the investment manager's organization; and (iii) Quarterly transactions, evaluation and performance reports.

Quarterly evaluations of assets under management shall be supplied by the investment managers, in the form as may be requested by the Investment Committee and to include market valuations, industry segmentations, transaction registers, cash statements, and similar reports.

At reasonable times and at the direction of the Investment Committee, meetings shall be held with the manager(s) to discuss performance results, economic outlook, organizational changes and other pertinent matters. All documents, exhibits and other written material to be used during such conferences shall be submitted by the investment manager(s) at least five business days in advance of all conferences.

All materials required of the manager(s) and custodian shall also be provided to the consultants. In addition, the manager(s) and the custodian shall provide evidence of liability and fiduciary insurance and have its employees bonded unless otherwise exempted by law or government regulation.

VIII. Conflict of Interest

It is the policy of the Investment Committee to avoid conflicts of interest in its operations and in the selection of investment managers or funds. No independent investment consultant retained by the Foundation, or any entity in which such consultant may have an interest, may be selected as the investment manager providing services to the Foundation or any fund in which the Foundation has an investment. All investment actions and decisions must be based solely on the interest of the Foundation, including its charitable purpose and mission. All fiduciaries and custodians must provide full and fair disclosure to the Committee of all material facts regarding any potential conflicts of interests.

IX. 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 or 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 the 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, 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.

X. Spending Policy, Accumulation of Earnings, Administrative Fee

The Foundation recognizes that extremely unusual circumstances with respect either to financial markets or to the needs of the communities it serves may require temporary departures from the Spending Policies summarized below, and affirms the authority of the Board to make such exceptions when needs dictate.

Furthermore, in recognition of the Uniform Prudent Management of Institutional Fund Act (UPMIFA), spending shall comply with the evolving "prudent spending" guidelines of UPMIFA. This policy will be reviewed annually as part of the budgeting process. Investment managers should be given ample notice of the required withdrawal schedule. Appropriate liquidity should be maintained to fund these withdrawals without impairing the investment process.

A. Establishment of Annual Spend Percentage

Subject to the terms of any Fund agreement, the Declaration of Trust and/or West Virginia law, the amount that the Foundation makes available for grants from each Fund will be calculated by multiplying a Percentage by a Base.

The Base for grant distribution will be the twenty-quarter moving average of the market value of each Fund's total market value. This computation will be made annually, for spend for the following year, based on the average of the previous twenty-quarters market values ending September 30.

Should the total market value of any fund fall below the initial corpus plus additional contributions to the corpus, no distributions will be made unless authorized by the fund agreement or the Board of Trustees as permitted by law.

The determination of the Percentage factor for grant distribution will be reviewed periodically in the light of evolving trends with respect to investment returns and the rate of inflation, and adjustments will be made when it is considered appropriate; changes to the Percentage factor for grant distribution may be recommended by the Investment Committee, but must be approved by the Board of the Foundation. In determining the applicable Percentage, the Board shall consider the Foundation's historical rate (which has typically been between 4% and 5%), spending policies in place at other community foundations, and the Foundation's responsibility to preserve the purchasing power of its permanent funds over time.

B. Accumulation of Earnings

Unless another Foundation policy applies (*e.g.*, *Inactive Funds Policy*, or *Advised Fund Guidelines and Fund Activity Policy*), or a Fund agreement expressly provides otherwise, an endowed fund which permissibly could have, but did not, make distributions in prior years, may when approved by the Foundation's Board, be permitted to exceed the normal annual spend percentage and make a distribution of the accumulated but undistributed income from such prior years (up to a maximum of 3 years), if such distribution of accumulated earnings is consistent with the stated purpose of the Fund, and does not take the value of the Fund below the initial corpus plus additional contributions to the corpus. This may be appropriate, for example, in circumstances where in prior years there was not an acceptable recipient of, or purpose for, a distribution, but subsequently an appropriate recipient or purpose arises. Any such distribution of accumulated earnings is solely within the discretion of the Foundation's Board, and no potential recipient or grantee may require such a distribution.

C. Establishment of Annual Administrative Fee

The annual administrative fee for the Foundation's operating expenses shall be recommended by the Finance Committee and approved by the Board of the Foundation, and will be calculated by multiplying a Percentage by a Base. In determining the applicable Percentage for the administrative fee, the Board shall consider the Foundation's historical rate (which has typically been less than 1%), the competitiveness of the administrative fee when compared to fees at comparable charitable entities, and the anticipated costs of administering the Foundation's assets. The Base for the administrative fee will be the Foundation's total market value on 9/30 of each year.

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SCHEDULE A

Approved asset classes and policy target ranges as of September 18, 2019 are as follows:

Asset Segment	Target %	Range %	Index Benchmark
Total Domestic Equity	**49.0%**	**39.0%-59.0%**	**Russell 3000**
US Core Equity	32.0%	27.0%-37.0%	S&P 500 Index
US Mid/Small Equity	17.0%	12.0%-22.0%	S&P Completion Index
Total International Equity	**24.0%**	**14.0%-34.0%**	**MSCI AC World ex US**
Developed International Equity	19.0%	14.0%-24.0%	MSCI EAFE
Emerging Markets Equity	5.0%	0.0%-10.0%	MSCI Emerging Markets
Alternatives	**10.0%**	**5.0%-15.0%**	**HFRI FOF Conservative/HFRI FOF Strategic**
Total Fixed Income	**15.0%**	**10.0%-20.0%**	**Bloomberg Barclays Aggregate Bond Index**
Cash Equivalents	**2.0%**	**1.0%-3%**	**CG 30 Day T-Bill**