POLICY

COMMUNITY FOUNDATION
for Cecil County

INVESTMENT POLICY

1 POLICY

To achieve its mission to promote sustainability in Cecil County nonprofit organizations by securing resources from philanthropic investments, CFCC has established an investment strategy to generate income in a responsible manner that will be distributed to local nonprofits.

The CFCC Board of Directors has ultimate fiduciary responsibility under Maryland law, including the Uniform Prudent Management of Institutional Funds Act (UPMIFA) for the investment of its assets and the actions of the Investment Committee. This policy includes the core components defined by UPMIFA including its requirement to balance long-term growth and preservation of capital with the CFCC current spending needs. In addition, UPMIFA requires Boards to act with "ordinary business care and prudence" when managing institutional funds.

2 AMENDMENTS, APPROVAL AND REVIEW DETAILS

This investment policy statement should be reviewed and updated at least annually. Any change to this policy should be communicated in writing on a timely basis to all interested parties.

3 ORIGINAL APPROVAL DATE: 3/3/2026

4 EFFECTIVE DATE: 3/3/2026

5 INVESTMENT OBJECTIVES

GOALS AND RISK TOLERANCE

The Endowment Fund's primary goal is to preserve its purchasing power, while providing a continuing and stable funding source to support the overall mission of the CFCC. To accomplish this objective, the Endowment Fund seeks to generate a total return that will exceed its annual spendable amount, all expenses associated with managing the fund and the eroding effects of inflation. It is the intention that any excess return (interest income, dividends, realized gains, and unrealized gains), above and beyond the amount approved for expenditure or distribution, will be reinvested in the Endowment Fund. The Endowment Fund will be managed on a total return basis, consistent with the applicable standard of conduct set forth in the (UPMIFA) adopted by the State of Maryland.

ASSET ALLOCATION, DIVERSIFICATION AND RESTRICTIONS

The Endowment Fund guidelines for asset allocation and diversification are as follows:

Money Market Funds: Allowable range (+/- 5%): Minimum 5% - Maximum 30% of total assets
A quality money market fund (Moody's AAA rated or S&P AAA) will be utilized for the liquidity needs of the portfolio whose objective is to seek as high a current income as is consistent with liquidity and stability of principal. The fund will invest in money market instruments with remaining maturities of one year or less, that have been rated by at least one nationally recognized rating agency in the highest category for short-term debt instruments. If nonrated, the securities must be of comparable quality.

Equities: Allowable range (+/- 5%): Minimum 35 % - Maximum 70% of total assets
The equity portion of the portfolio will consist of high-quality equity securities traded on the New York or NASDAQ stock exchanges. The securities must be screened for above average financial characteristics such as price-to-earnings, return-on-equity, debt-to-capital ratios, etc.

No more than 5% of the equity portion of the account will be invested in any one issuer. In addition, not more than 20% of the equity portion of the account will be invested in stocks contained within the same industry.

It is acceptable to invest in an equity mutual fund(s) adhering to the investment characteristics identified above, only if it is a no-load fund, without 12(b)(1) charges, which maintains an expense ratio consistent with those other funds of similar investment styles as measured by the Lipper and/or Morningstar rating services.

Prohibited equity investments include initial public offerings, restricted securities, private placements, derivatives, options, futures, foreign stocks and margin transactions.

Fixed Income: Allowable range (+/- 5%): Minimum 30% - Maximum 60% of total assets
Bond investments will consist of fixed income securities that have an investment-grade rating higher than BBB that possess a liquid secondary market.

No more than 5% of the fixed income portfolio will be invested in corporate bonds of the same issuer. Also, no more than 20% of the fixed income portfolio will be invested in bonds of issuers in the same industry.

Prohibited securities include private placements, derivatives, cryptocurrency, margin and short selling transactions, alternative investments and foreign denominated bonds.

External investment consultants or other outside professional service providers in charge of such assets 1) will advise CFCC when they become aware of a downgrade that, had it been in effect at the time of purchase, would have prevented the investment from being allowed under the above constraints; and 2) agree to a plan for disposition of the investment.

6 PERFORMANCE EVALUATION AND MEASUREMENT STANDARDS

The following benchmarks have been established to evaluate the performance of each type of asset. For equity investments the benchmark is the Financial Times Global All Cap Stock Index. For Bonds and similar investments, the benchmark is the Bloomberg U.S. Aggregate Bond. Cash and cash equivalent investments the benchmark is the 1-month Treasury Bill Index. The measurement standards will be reviewed periodically by the Investment Committee and investment manager.

Performance reviews will be completed on a quarterly basis by the Investment Firm under contract, the Investment Committee and the Treasurer and reported to the Board of Directors.

7 INVESTMENT MANAGEMENT

THE BOARD

The Board shall ensure that its fiduciary responsibilities concerning the prudent management of the CFCC's investments are fulfilled through appropriate investment structure, internal and external management, and portfolio performance consistent with the CFCC's policies and procedures. The Board shall:

- Select, appoint, and remove members of the Investment Committee.
- Set and approve risk tolerance, capital appreciation and income objectives and modify same as may be required from time-to-time to reflect the short-term and long-term investment objectives of CFCC.
- Additional specialists such as attorneys, auditors, actuaries and others may be employed by the Board to assist in meeting its responsibilities and obligations to prudently administer the endowment funds assets.
- Convene at least annually to evaluate whether this policy, investment activities, management costs and risk tolerance continue to be consistent with meeting the goals and objectives set forth for the management of the CFCC's endowment funds.

INVESTMENT COMMITTEE

The Executive Committee shall establish the Investment Committee and appoint the Chair. The Chair shall select committee members from current board members and/or external professionals. The Investment Committee monitors the activity of the funds and provides direction to the Investment Firm to maintain compliance with the Investment Policy.

The Investment Committee is responsible for selecting, monitoring and if, necessary replacing the investment management firm. The selection process may include verbal and written proposals and presentations by the investment management firms and interviews conducted by the Investment Committee. A minimum of 3 investment management firms will be contacted for consideration. The Board intends to evaluate the portfolio over a three-year period but reserves the right to terminate a manager for any reason.

The Investment Committee may expand the authority of the Investment Firm to make routine trades that are deemed in the best interest of the CFCC. This requires a unanimous affirmative vote by the Investment Committee members and the Board of Directors.

The Investment Committee shall ensure that all board members are educated on UPMIFA and the contents of the Investment Policy to facilitate informed decision making. The Investment Policy will be reviewed annually by the Investment Committee to respond to changing market conditions and the foundation's evolving needs.

INVESTMENT FIRM

It is the responsibility of the external investment consultant, manager and/or custodian and/or any other outside professional service providers to:

- Invest the assets placed in his or her care in accordance with this policy
- Report monthly investment performance results to management.
- Report to the Investment Committee at least quarterly on the status of the investments being managed in accordance with this policy or more often as necessary; and
- Communicate any major changes in the economic outlook that may impact the investment strategy to the Investment Committee.

The selected firm is responsible for making recommendations for the initial investment, transfer and sale of invested funds with the approval of the Treasurer and knowledge of the Investment Committee.

8 RECORDS MANAGEMENT

Monthly investment reports from the Investment Firm and quarterly investment reports from the Treasurer will be stored in the digital folder for the Community Foundation for Cecil County. These records will be retained for a period of seven years until the annual financial review or audit is completed and accepted by the Board. After 7 years, only the annual reports shall be retained in the digital folder.

9 CONFLICTS OF INTEREST

All persons responsible for investment decisions or who are involved in the management of the Endowment Fund or who are consulting to, or providing any advice whatsoever to the Committee, shall disclose in writing at the beginning of any discussion or consideration by the committee, any relationships, material beneficial ownership, or other material interest(s) which the person has or may reasonably be expected to have, with respect to any investment issue under consideration. The Committee may require such people to remove themselves from the decision-making process.

Any member of the Committee responsible for investment decisions or who is involved in the management of the Fund shall refuse any remuneration, commission, gift, favor, service or benefit that might reasonably tend to influence them in the discharge of their duties, except as disclosed in writing and agreed in writing by the Committee. The intent of this provision is to eliminate conflicts of interest between committee membership and the Endowment Fund. Failure to disclose any material benefit shall be grounds for immediate removal from the committee. This provision shall not preclude the payment of ordinary fees and expenses to the Endowment's custodian(s), Investment Managers, or Consultant in the course of their services on behalf of the Endowment.

10 DEFINITIONS

Income – A portion of the Total Return that includes, but is not limited to, interest, dividends, capital gain distributions, realized and unrealized gains and losses.

Endowment - An endowment is an established fund of cash, securities or other assets invested to provide long term funding for a specific purpose. Endowments are restricted funds and are governed by an endowment agreement.

Types of Endowment Funds

- **General Endowment –** Intended to be for the long-term support of CFCC. The Board of Directors of CFCC will determine the distribution of income from the General Endowment to further the mission of CFCC, including operating expenses.

- **Named Endowment –** Donors or nonprofits are provided with the opportunity to permanently name an endowment fund if it meets the minimum contribution required by CFCC. Income from the endowment is distributed based on instructions in the Nonprofit Agency or Donor Endowment Agreements and the CFCC Spending Policy.

11 RELATED LEGISLATION AND DOCUMENTS

All investment policies for community foundations in Maryland must follow the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which provides a legal framework for the management of institutional funds.

TABLE

Asset Class	Lower Limit	Upper Limit	Target
Cash or Cash Equivalents	5%	30%	10%
Domestic Fixed Income and Bonds	30%	60%	40%
EQUITIES	35%	70%	50%
Domestic Large Cap			
Domestic Small Cap			
International Equity			
Alternative Investments			
TOTAL			100%