Youngstown Free Library
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Youngstown Free Library Investment Policy

1. **Scope**
   This statement of this Investment Policy reflects the objectives and constraints which apply to all financial assets held directly by the Youngstown Free Library.

2. **Purpose of this Investment Policy Statement**
   This investment Policy is set forth by the Youngstown Library Board of Trustees in order to:
   - Define and assign responsibilities of all involved parties.
   - Establish a clear understanding for all involved parties of the investment goals and objectives of our investment.
   - Offer guidance and limitations to present and future Financial Committees and Boards of Trustees regarding the investment plan.
   - Establish a basis for evaluating investment results.
   - Manage investments according to prudent standards as established by Municipal Law, subsequent court rulings, and regulations of the State of New York.

3. **Investment Objectives**
   The primary objectives of the library's investment activities are, in order of priority,

   - **Legal Considerations**

     To conform to all applicable federal, state and other legal requirements

   - **Preservation of Capital**
     To adequately preserve the capital of the investment program
     At no time should the safety of the portfolio's principal investments be impaired or jeopardized. All investments shall be undertaken in a manner that first seeks to preserve capital and secondly attempts to fulfill other investment objectives.

   - **Liquidity**
     To provide sufficient liquidity
     The Library's investment portfolio is to remain sufficiently liquid to enable the Library to meet those operating requirements that might be reasonably anticipated.

- **Return on Investments (Yield)**

  To obtain a reasonable rate of return
  The Library's investments should generate the highest rate of return without sacrificing the objectives of preservation of capital and necessary liquidity.

- **Prudence**

  To ensure prudent custodial care of Library Funds
  Investments shall be made with judgment and care, under circumstances then prevailing which persons of prudence, discretion and intelligence might exercise in the management of their own affairs.
  All participants involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program or which could impair their ability to make impartial investment decisions. (See Conflict of Interest Policy)

4. Definition

Given that the Youngstown Free Library's Objectives state that at no time must the safety of the portfolio's principal investments be impaired or jeopardized, it is hereby determined that for the purposes of its Investment policy, the Youngstown Free Library will consider itself bound by the applicable Municipal Law, subsequent court rulings and regulations of the State of New York which relate more specifically to non-Association libraries, even though the Library is considered within the State of New York as an "Association Library".
(The Board of Trustees acts as a custodian of public funds, and as such, is cognizant of the need for utmost prudence and conservatism when determining the instruments of investment.)
This definition, regarding the Library's alignment with, and adherence to General Municipal Law relating to 'Non-Association Libraries" may not be changed unless by vote of a 2/3 (two thirds) majority of the Full Board.

5. Authorized Investments

As a consequence of the Library's alignment for investment purposes with the laws governing non-Association libraries, ALL funds (including privately raised moneys) under control of the Library may only be invested in the following limited number of financial vehicles:

- Time deposit account or certificates or certificates of deposit in commercial banks and trustees located and authorized to do business in New York State.

- Obligations made by the United States of America or guaranteed by the United States of America, and obligations of the State of New York.

- Partnerships with a "regional community foundation", specifically the "Community Foundation for Greater Buffalo", to allow existing assets and future donations to be invested in a more diversified manner. (See Appendix A – link to 'Community Foundation for Greater Buffalo, Inc – Statement of Investment Objectives and Policies', which describes the 'Community Foundation for Greater Buffalo's' Investment policy.) However, the Finance Committee does need to be aware of *significant* market changes and take action in a timely manner to avoid dramatic investment losses, including reduction of principal.

6. **Investment Authority**

A Finance Committee made up of at least three members of the Board of Trustees including the Treasurer and the President, shall implement, oversee and manage the investment program .The Treasurer shall lead the committee.
In the absence of the Treasurer, the President is authorized by the Board of Trustees to lead the committee in his/her stead.

The Duties of the Finance Committee, with respect to this Investment Policy are to:

- Meet at least 2 times per year to review the investment performance results.
- Establish and maintain an internal control structure to provide assurance that deposits and investments are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with Board of Trustees authorization, are recorded properly, and are managed in compliance with applicable laws and regulations.
- Review investments to insure maximum yield including consideration of the costs of the investment.
-

- Report to the Board twice yearly the status of investments and make recommendations, if any, for change. The report should include:
  - the types of investments;
  - Depository institutions;
  - Principal balances;
  - Rates of Return
  - Cost of investment

  This report is in addition to other reports as outlined in the Library's by-laws.
- Implement the investment program with approval of the Board of Trustees.

The Duties of the Treasurer, with respect to this Investment Policy are to:

- Convene meetings of the Finance Committee at least 2 times per year.
- Maintain all financial records of investment.
- Perform other duties as set forth in the Treasurer-position-description of the by-laws of the Youngstown Free Library.

7. **Library Funds**

The Youngstown Free Library Board may establish funds for money and securities of the library. All monies from whatever source derived will be receipted into funds established by the Library Board under authority of law.

Authorized funds are as follows:

- Library Operating Fund

  All monies collected from interest of investments, monies delegated from the Town of Porter, County of Niagara, Village of Youngstown, fees, fines, rentals and other revenues shall be deposited into "The Library Operating Fund", and must be budgeted and expended in the manner required by law.

- Petty Cash Fund
- This fund has been established for the purposes of paying small or emergency items of operating expense as designated by resolution of the Board.
- Restricted Funds to include Automation, Operating Reserve, Special Projects, Scholarship, Sustainability etc..
- Gift Funds Money

Gift funds money or securities accepted and secured by the Library Board as a grant, gift, donation, endowment, bequest or trust may be set aside in a separate fund or funds.

All such authorized funds must, however, be invested in Authorized Investments per Article 5 - 'Authorized Investments'.

8. Gifts of Stocks

- The Board of Trustees may not purchase securities for the investment of Library Funds.
- When the library receives gifts of stock certificates:
    - When a gift of stock is transferred from the donor's broker to the Library's broker, the Library will automatically at transfer become the owner of record.
    - The Finance Committee will determine when the stock will be sold for cash.

9. Liability

When investments are made in accordance with this policy, no Library Trustee shall be held liable for a loss resulting from default or insolvency of a depository of Library funds or loss to the principal of the investments.

10. Investment Advisors, Qualified Brokers and Dealers and Financial Institutions

All brokers, dealers, and other financial institutions that transact investment business with the Youngstown Free Library or give advice regarding its investments, must receive, read and comprehend the bylaw and associated policies and agree to comply with them before providing any services or transacting business with the Library. This is to be evidenced by a signed statement of receipt of the by-law and the Investment Policy by those identified above.

11. Investment Adoption Policy

The Library's Investment Policy shall be adopted by resolution of the Library's Board of Trustees. The policy and any future associated investment policies shall be reviewed no less than annually by the Finance Committee of the Board of Trustees and any modification made to it/them must be approved by a simple majority of the Full Board of Trustees of the Youngstown Free Library.

Appendix A:

[Community Foundation for Greater Buffalo, Inc – Statement of Investment Objectives and Policies:]

COMMUNITY FOUNDATION FOR GREATER BUFFALO, INC.

STATEMENT OF INVESTMENT OBJECTIVES AND POLICIES

ADOPTED 12/10/14, REVISED 11/11/2015, REVISED 3/1/2017, REVISED 3/6/2019, REVISED 3/4/2020, REVISED 3/3/2021, REVISED 3/2/2022

This statement of investment objectives and policies governs the investment management of the main investment pool of the Community Foundation for Greater Buffalo, Inc. (the "Foundation"). A separate investment policy exists for endowment and long-term funds that are invested outside the Foundation's main investment pool. It is anticipated that this statement will be reviewed annually and will be considered effective until modified as conditions warrant by the Board of Directors of the Foundation upon advice from the Investment Committee.

The Foundation has elected to follow a total return approach to investment due to the well-established superiority of this strategy in terms of supporting the Western New York community today and in the future.

A. OVERALL INVESTMENT POLICY

Subject to the intent donors expressed in gift instruments, the Foundation, in managing and investing its institutional funds, will consider its purposes and the purposes of its institutional funds, and will comply with all legal requirements, including, but not limited to, Article 5-A of the New York Not-for-Profit Corporation Law.

Each person responsible for managing and investing the Foundation's institutional funds will manage and invest the funds in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances. A person that has special skills or expertise or is selected in reliance upon the person's representation that the person has special skills or expertise, has a duty to use those skills or that expertise in managing and investing the Foundation's institutional funds.

In managing and investing its institutional funds, the Foundation will incur only costs that are appropriate and reasonable in relation to its assets, its purposes, and the skills available to it. The Foundation will make a reasonable effort to verify facts relevant to the management and investment of its funds.

Except as otherwise provided by a fund's gift instrument, the Foundation will consider all of the following factors ("Investment Management Factors"), if relevant, in managing and investing its institutional funds:

(A) general economic conditions;
(B) the possible effect of inflation or deflation;

(C) the expected tax consequences, if any, of investment decisions or strategies;
(D) the role that each investment or course of action plays within the overall investment portfolio;
(E) the expected total return from income and the appreciation of investments;
(F) other resources of the Foundation;
(G) the needs of the Foundation and its funds to make distributions and to preserve capital; and
(H) an asset's special relationship or special value, if any, to the purposes of the Foundation.

Management and investment decisions about any individual asset must be made not in isolation, but in the context of the Foundation's portfolio of investments as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the Foundation and its institutional funds.

The Foundation will diversify the investments of its institutional funds, unless it prudently determines that, because of special circumstances, the purposes of the fund are better served without diversification. It will document the basis for any such determination and will review its decision not to diversify as frequently as circumstances require, but at least annually.

B. INVESTMENT OBJECTIVES

The overall financial objective of the Foundation is to provide a level of support (as determined by the Foundation's spending policy as detailed in Attachment I – Spending Policy) consistent with the Foundation's purchasing power being maintained or enhanced over time.

The primary investment objective or asset objective of the Foundation is to attain an average annual real total return (net of investment management fees) of at least 5.25% over the long term. Real total return is the sum of capital appreciation (or loss) and current income (dividends and interest) plus the Consumer Price Index.

In addition, the Foundation will monitor manager performance versus a market benchmark. This benchmark will consist of market indices for each asset class used. These indices will be weighted on a monthly basis using the Foundation's target allocation to each asset class. The indices to be used along with the target weights are listed in section E below. The Foundation expects that each investment manager will out-perform this market benchmark over rolling three-to-five-year periods net of all investment management fees.

C. SPENDING POLICY

A Spending Policy has been approved by the Board of Directors of the Foundation upon advice from the Foundation's Investment and Finance Committees. The Investment Committee will operate in accordance with the approved policy. See Attachment I – Spending Policy.

D. INVESTMENT MANAGEMENT STRUCTURE

The Foundation will delegate management of its institutional funds to external investment managers. Each investment manager has complete discretion to manage the assets in their portfolio in order to best achieve the Foundation's investment objectives and requirements, within the guidelines set forth in this policy statement.
The Foundation will act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, in taking the following actions ("Investment Delegation Actions"):

(1) selecting, continuing or terminating its agents, including assessing the agent's independence including any conflicts of interest such agent has or may have;

(2) establishing the scope and terms of the delegation, including the payment of compensation, consistent with the purposes of the Foundation and its institutional funds; and

(3) monitoring the agent's performance and compliance with the scope and terms of the delegation.

The Foundation will execute a written agreement with each external investment managers. Such agreements will include, among other things, to the extent required to comply with New York Not-For-Profit Corporation Law Section 554, the following provisions:

(A) The manager owes a duty to the Foundation to exercise reasonable care, skill and caution in complying with the scope and terms of the delegation.

(B) The agreement may be terminated by the Foundation at any time, without penalty, upon not more than sixty days' notice.

E. DELEGATION OF RESPONSIBILITIES

<u>The Investment Committee ("Committee") is responsible for:</u>

1) Selecting, contracting with, and when appropriate, terminating an Investment Consultant who advises the Foundation in regards to investment responsibilities, policies, guidelines, strategies and objectives.
2) Evaluating and assessing the performance of the Investment Consultant at least annually and will consider obtaining an outside request for proposal as needed.
3) Establishing, and revising as appropriate, target asset allocation parameters for the portfolio with advice from the Investment Consultant.
4) Overseeing in general, those portfolio assets governed by this Policy.

5) Establishing, with the assistance of the Investment Consultant, appropriate and reasonable investment performance benchmarks for the authorized asset classes.

6) With Investment Consultant's counsel, evaluating, retaining and terminating Investment Managers for the portfolio in accordance with the strategic asset allocation and guidelines as set forth in this Policy.

7) Reviewing and monitoring, at least quarterly (or more often, if required) the investment performance of each Investment Manager versus the Manager's benchmark using reports prepared by the Investment Consultant.

8) Monitoring, with the Investment Consultant's counsel, the appropriateness of each Investment Manager's investment strategy given the Foundation's overall investment strategy, philosophy, guidelines, restrictions and objectives. Expenses will also be reviewed when necessary.

9) Reviewing this Policy on an ongoing basis and recommending changes to the Board as may be necessary or desirable.

10) Presenting, at least annually, a written report of the prior year's investment results to the Board.

The Investment Consultant is responsible for:

1) Assisting the Committee by recommending specific investment guidelines that are consistent with the Foundation's overall investment policies, including investment performance guidelines for each asset class, investment style and/or each Investment Manager.

2) Identifying, vetting and recommending Investment Managers considered to be capable of contributing to maximizing investment returns for each asset allocation category – to be reviewed and approved as acceptable by the Committee.

3) Assisting the Committee and Foundation Staff with their responsibilities.

4) Preparing investment reports, at least quarterly, for the Committee's review that will provide the Committee with the necessary information to execute its responsibilities.

5) Monitoring this Policy and recommending changes as needed.

6) Monitoring each Investment Manager's ownership structure and investment personnel, reporting all significant changes to the Committee and Foundation Staff.

7) Monitoring each Investment Manager for adherence to this Policy, as well as, their stated investment style.

8) Meeting with each of the Foundation's Investment Managers as needed.

9) Notifying the Committee and Foundation Staff if the asset allocation approaches the boundaries of the permitted allocation ranges.

10) Providing recommendations for periodic asset allocation rebalancing.

11) Complying with all applicable state and federal laws and regulations that involve the Foundation as they pertain to the Investment Consultant's duties, functions, and responsibilities as a fiduciary.

12) Monitoring and reporting on economic outlook, market trends, and implications of investment strategy.

13) Promptly notifying the Committee of any significant changes within the Investment Consultant's firm, including changes in ownership, organizational structure, or professional staffing.

<u>All Investment Managers are responsible for:</u>

1) Acting in accordance with "prudent investor" principles with respect to the management of the Foundation's assets.

2) For separate account portfolios, managing the Foundation's invested assets in accordance with the investment objectives and guidelines stated herein and in accordance with the contract between the Foundation and the Investment Manager.

3) For separate account portfolios, immediately reporting in writing, any violations of the guidelines and restrictions as set forth in this Policy.

4) Immediately reporting to the Investment Consultant and Foundation any findings against the firm or its principals, either by the SEC or any other regulatory authority. In addition, any lawsuits brought against the firm or its principals should also be immediately reported to the Foundation.

5) Preparing quarterly written statements, including actions taken in the Portfolio.
6) Attending meetings with the Investment Consultant and Committee as needed.

7) Immediately communicating all pertinent changes in the Investment Manager's firm to the Investment Consultant and Foundation. This includes, but is not limited to:

    - Changes in personnel involved in the Foundation's relationship
    - Changes in Manager's ownership
    - Changes in senior investment professionals' responsibilities
    - Changes in Manager's investment style

8) Adhering to the investment strategy or style for which the Investment Manager was selected.

<u>The Foundation Staff is responsible for:</u>

1) Overseeing the day-to-day operational investment activities of the Foundation, subject to policies established by the Committee.

2) Implementing, with the assistance of the Investment Consultant, the allocation of the Foundation's assets among asset classes, investment styles and Investment Managers as approved by the Committee.

3) Implementing, with the assistance of the Investment Consultant, the periodic rebalancing of the Foundation's portfolio assets in accordance with the asset allocation approved by the Committee.

4) Monitoring the cash flow of the portfolio, including but not limited to, projecting the level of cash needed for capital calls, new investments, rebalancing, annual spending policy and other disbursement requirements.

F. INVESTMENT STRATEGY & ASSET ALLOCATION

As a long-term investor, the following issues are significant factors in the prudent allocation of the Foundation's assets:

- In order to achieve a rate of return that will support the above-mentioned spending policy while protecting the assets from inflation, the Foundation must be willing to assume some investment risk.

- The Foundation believes that the most effective way to establish an appropriate risk level for the portfolio is through its asset allocation (e.g. stocks, bonds, alternative investments and cash).

- There is significant evidence that long-term investors do not benefit from attempting to earn returns through short-term asset class forecasts or market timing. As a result, the Foundation intends to adopt a strategic long-term asset allocation. Over time, the portfolio will remain invested in percentages that are fairly close to those called for in the strategic allocation.

- The Foundation strongly believes in the long-term benefits of diversifying its portfolio into a number of different asset classes and investment strategies. While each asset class and strategy will be carefully selected, the focus of the investment process will always be on the Foundation's overall portfolio.
- To achieve the long-term benefits of a widely diversified portfolio, the Foundation has adopted strategic targets for each asset class that it utilizes. It expects that the portfolio weight for each asset class will remain within minimum and maximum percentages. The current strategic asset allocation policy including targets and acceptable ranges is outlined below.

- Within each asset class, the Foundation seeks to earn the most efficient rate of return possible (after investment expenses). Investments will be well diversified by investment style and strategy. Style/strategy diversification will increase the probability over three-to-five-year time periods that the Foundation will achieve its investment goals and reduce volatility. The Foundation has adopted specific requirements and restrictions for each asset class. These are described below.

Asset Class Exposures	Strategic Target	Permitted Range	Asset Class Benchmark
US Large/Mid Cap Equity	17%	+/- 3%	S&P 500
US Small Cap Equity	6	+/- 3%	Russell 2000
Non-US Developed Equity	15	+/- 3%	MSCI EAFE
Non-US Emerging Equity	6	+/-3%	MSCI Emerging Mkts Free
Select Strategies	18	+/-10%	MSCI ACWI
TOTAL Equity	62%		
US Aggregate Bonds	6	+/-3%	Barclays Aggregate
Treasury Inflation Protected Securities	3	+/-3%	Citigroup Inflation Linked
US High Yield Bonds	0	0 to 3%	Merrill High Yield Master
Global Bonds	4	+/-3%	Citigroup World Gov't
Cash	1	0 to 4%	U.S. Treasury Bills
TOTAL Fixed Income	14%		
Hedge Funds	9%	+/-5%	HFRI Fund of Funds
Private Assets	15%	+/-10%%	50% (NCRIEF Property Index)+ 50% (S&P 500+5%)
TOTAL Alternatives	24%		
TOTAL	100%		

In order to avoid the use of market timing and to provide a simple and effective discipline for re-balancing the portfolio, the Foundation has established the relatively narrow permitted ranges listed in the table above as part of a threshold re-balancing strategy. Each month, the portfolio's asset allocation will be determined and if the weight of any asset class falls outside of the ranges above applied to the Strategic Target, the portfolio will be re-balanced to the target weights as soon as possible. Shifts involving alternative asset classes may take longer to implement due to limited liquidity windows and lengthy notification periods.

Performance for the Foundation's overall portfolio will be compared to a customized market index consisting of the market indices listed above weighted according to the Strategic Target shown. Performance relative to this benchmark will be considered over rolling three-to-five-year periods and will take into account market conditions and exposure to risk when assessing results.

Individual managers will also be compared to both broad market and style driven benchmarks as dictated by the strategy each firm pursues.

G. GUIDELINES FOR ASSET CLASSES

The sections below outline the Foundation's investment parameters and restrictions by the asset class. Many of the current investments are through commingled vehicles and are therefore subject to the guidelines and restrictions put forth in their offering documents/prospectus rather than those specified below. In general, the Foundation seeks to invest with managers whose portfolios comply with the policies below, although specific vehicles may be managed with very different investment parameters and restrictions. The Foundation utilizes these vehicles both due to the specific risk/return parameters of a particular fund along with the manner in which such strategies are able to improve total portfolio diversification.

a) FIXED INCOME CLASSES

The following definitions should be used to define the various fixed income segments that the Foundation includes in its strategy:

<u>US Aggregate Bonds</u> consist primarily of investment grade, US Dollar denominated government, corporate, mortgage and asset backed securities

<u>Treasury Inflation Protected Securities</u> ("TIPS") are US Government issued inflation-linked securities

<u>US High Yield Bonds</u> are primarily US Dollar denominated corporate bonds or bank loans which carry a below investment grade rating from at least one major ratings agency.

<u>Global Bonds</u> consist primarily of investment grade government and corporate bonds issued both within and outside of the United States. Securities issued outside of the United States are frequently denominated in currencies other than the US Dollar.

1) The duration of a manager's portfolio should be within 80% and 120% of the duration of their market benchmark.

2) Managers are permitted to invest in the following classes of fixed income securities:

    a) Bonds or notes issued by the U.S. Government or a U.S. Government Agency backed by the full faith and credit of the US Government

    b) Mortgage-backed securities

    c) Corporate bonds issued in the U.S. and denominated in U.S. dollars

    d) Asset-backed securities

e) Global bonds

3) Aggregate, Treasury Inflation Protected and Global bond managers are expected to maintain an average quality rating for their portfolio that does not fall below an S&P rating of AA-. High Yield bond managers are expected to maintain an average quality rating for their portfolio that does not fall below an S&P rating of B-.

4) Up to 20% of the duration weighted exposure of a manager's portfolio can be invested in foreign fixed income issues. These can be government and/or corporate issues. Hedging the currency risk of foreign bonds is left to the discretion of the manager. However, currency exposure may only be hedged back to the US dollar. This restriction does not apply to Global Bond managers who can hold 100% of their portfolio outside of the US and can hedge into any currencies they deem appropriate.

5) No more than 5% at market of a manager's portfolio may be held in the securities of a single corporate issuer. This restriction does not apply to securities issued by the U.S. Government or Investment Grade foreign governments or those backed by the full faith and credit of such governments.

6) Derivative instruments may be utilized by a manager in order to obtain more efficient exposure to a specific type of security. However, at no time, may derivative instruments be used to leverage the portfolio. In addition, it is expected that a manager will have thoroughly tested the behavior of the derivative instrument under a variety of market conditions before purchasing the security for the portfolio.

7) A manager may only deviate from these guidelines with advance permission of the Foundation's Investment Committee.

b) DOMESTIC EQUITY CLASSES

The following definitions should be used to define the various equity segments that the Foundation includes in its domestic equity asset allocation strategy:

U.S. Large /Mid Cap Equity: Listed equity securities traded on US markets with market capitalization greater than or equal to $1 billion.

U.S. Small Cap Equity: Listed equity securities traded on US markets with market capitalization less than $1 billion.

1) Domestic equity managers are permitted to hold up to 10% of their portfolio in American Depository Receipts ("ADRs") or foreign domiciled companies whose equity securities are traded in US markets.

2) No more than 7% at cost or 10% at market of a manager's portfolio may be held in the securities of a single issuer. In addition, no more than 25% of the portfolio at market may be held in a single industry.

3) Short selling of securities is prohibited.

4) Managers are expected to hold only securities that are marketable on a day-to-day basis. Private placements, restricted stock and other unregistered securities may not be purchased.

5) Derivative instruments such as financial futures and options may not be used.

6) A manager may only deviate from these guidelines with advance permission of the Foundation's Investment Committee.

c) NON-US EQUITY CLASSES

The following definitions should be used to define the various equity segments that the Foundation includes in its non-US equity asset allocation strategy:

<u>Non-US Developed Equity</u>: Listed equity securities traded on developed non-U.S. markets. Developed markets are defined as those included in Morgan Stanley's EAFE index plus Canada.

<u>Non-US Emerging Markets Equity</u>: Listed equity securities traded on emerging non-U.S. markets. Emerging markets are defined as any market that is not included in Morgan Stanley's EAFE index plus Canada.

1) The non-US equity portfolio will be diversified according to country, economic sector, industry, number of holdings and other investment characteristics.

2) No more than 7% at cost or 10% at market of a manager's portfolio may be held in the securities of a single issuer.

3) Managers must hold securities in a minimum of five countries at all times.

4) Currency exposure may only be hedged back to the US dollar. The decision to hedge is left to the manager's discretion.

5) Short selling of securities is prohibited.

6) A manager may only deviate from these guidelines with advance permission of the Foundation's Investment Committee.

d) SELECT STRATEGIES

Select Strategies consists of investment approaches, with equity risk profiles, which pursue a focused approach in terms of the number of holdings across economic sectors, classes, or through a focus on a single country/geographic region or economic sector. Portfolios in this category will frequently have a large percentage of capital invested in eight to twelve issues.

The purpose of including Select Strategies as a component of the Foundation's strategy is to raise portfolio returns and enhance diversification.

The Foundation recognizes that manager risk within this class could be higher than expected from other types of investments. Therefore, the Foundation will avoid concentrated exposures to any one direct investment. Too much concentration is defined as allocating more than 5% of the entire portfolio to a single direct manager at cost.

e) ALTERNATIVE ASSET CLASSES

In order to enhance portfolio results, the Foundation may elect to invest in alternative investment strategies such as hedge funds, private equity and private real assets. These investments are made with the intention of raising portfolio returns and/or lowering total volatility.

The Foundation recognizes that manager risk within these areas is typically higher than expected from other types of investments. Therefore, the Foundation will maintain broad diversification and avoid concentrated exposures to any one direct investment. Too much concentration is defined as allocating more than 5% of the entire portfolio to a single direct manager at cost. The 5% limit does not apply to fund of funds managers since through the use of multiple underlying managers they maintain appropriate diversification.

H. GUIDELINES FOR ALL TRANSACTIONS

As a general guideline that should apply to all assets managed, transactions should be entered into based on best execution, which is interpreted to mean best realized price (price net of commissions). Notwithstanding the above, the Investment Committee may direct its investment managers to utilize brokerage commissions to pay for service-based fees incurred by the Foundation in the management of its assets.

I. MONITORING OF OBJECTIVES AND RESULTS

1. All objectives and policies are in effect until modified by the Investment Committee, which will review these annually. The Investment Committee and, where applicable, the Board of Directors, will contemporaneously document all decisions relating to these objectives and policies, including, but not limited to, its specific consideration of each Investment Management Factor, each Spending Policy Factor, and each Investment Delegation Action.

2. If at any time a manager believes that any policy guideline inhibits his/her investment performance, it is his/her responsibility to clearly communicate this view to the Investment Committee.

3. The portfolios will be monitored on a quarterly basis for consistency in investment philosophy, return relative to objectives, investment risk as measured by asset concentrations, exposure to extreme economic conditions, and market volatility.

4. Each investment manager will report the following information quarterly to the extent that they make it available to investors: total return net of all commissions and fees, additions and withdrawals from the account, current holdings at cost (book value) and market value, and purchases and sales for the quarter. Return information will be presented for all account segments (fixed income and large/small/international equity) as well as for the total account. On a quarterly basis, each investment manager will provide the Foundation with composite total return information for all of the Foundation's accounts under management.

Attachment I

COMMUNITY FOUNDATION FOR GREATER BUFFALO, INC.

SPENDING POLICY

ADOPTED 10/29/14, REVISED 10/30/2015, REVISED 12/11/2019

Subject to the intent of donors expressed in gift instruments, the Foundation will appropriate for expenditure or accumulate so much of an endowment fund as the Foundation determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established.

Currently, the Foundation has determined that, in order to achieve its overall financial objective, the following amount will be appropriated from endowment funds for each calendar year:

> 5.25% of the trailing twenty quarter average market value of each Fund's portfolio as of September 30th.

Funds expended for grant-making and administration are included in the Foundation's spending under this policy.

At this level, the Foundation's spending is expected to equal the long-term real rate of investment return; therefore, the purchasing power of the Foundation is expected to be maintained over the long term.

In determining its policy for endowment fund appropriations ("spending policy"), the Foundation will act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and will consider the following factors ("Spending Policy Factors"), if relevant:

(A) the duration and preservation of the endowment funds;
(B) the purposes of the Foundation and the endowment funds;
(C) general economic conditions;
(D) the possible effect of inflation or deflation;
(E) the expected total return from income and the appreciation of investments;
(F) other resources of the institution; and
(G) the investment policy of the Foundation.

For specific endowment funds, the Foundation also will consider, where appropriate and where circumstances would otherwise warrant, alternatives to expenditure of an endowment fund, giving due consideration to the effect that such alternatives may have on the Foundation.

The Foundation will review its spending policy whenever circumstances warrant, but no less often than annually. It will keep contemporaneous records of each review, describing the consideration that was given to each of the Spending Policy Factors. If the Foundation sets an appropriation amount greater than 7% of the trailing twenty quarter average market value of an endowment fund's portfolio, additional scrutiny and documentation will be required to substantiate that decision.

Spending from Underwater Funds:

From time to time the fair value of an endowment fund may fall below the original gift amount, commonly known as an endowment being "underwater". The Foundation has interpreted New York Prudent Management of Institutional Funds Act (Act) to permit spending from underwater endowments in accordance with prudent measures required under the Act. The Foundation's policy on spending from underwater endowments is to limit the annual spending to an amount that preserves the balance of the fund at 90% of the original gift amount.