

**WARRIORS AND QUIET WATERS FOUNDATION, INC.  
Investment & Fund Administration Policy**

**ARTICLE I – MISSION, PURPOSE**

**Section 1.0 – Organization.** Warriors and Quiet Waters Foundation, Inc. (“WQW”) is a non-profit public benefit corporation organized under the laws of the State of Montana and is recognized as a tax-exempt under Section 501(c)(3) of the United States Internal Revenue Code. WQW encourages charitable support and other contributions to WQW to further its ability to fulfill its mission, including gifts in support of its endowment.

**Section 1.1 – Purpose.** The purpose of this policy is to set forth the standards and guidelines governing the administration of gifts, investment and management of WQW’s financial assets, and expenditures of WQW’s endowment funds. This policy is intended to be in accordance with Montana’s Uniform Prudent Management of Institutional Funds Act (“UPMIFA”), MCA 72-30-101, et. seq.

**ARTICLE II – FINANCIAL ASSETS**

**Section 2.0 – Financial Assets, Generally.** WQW’s financial assets consist of the following:

- **Operating Funds, Program Funds** – funds that are intended to be used to cover the short-term operating and program expenses. Operating Funds and Program Funds are considered current use.
- **Reserve Funds** – funds held in reserve to support WQW’s future operations, during economic downturns, or in response to unexpected or increased financial need. Reserve Funds are considered current use.
- **Restricted Funds** – funds that are restricted for a specific use by a donor or the Board of Directors (“Board”), but not restricted on the timing of expenditure. Restricted Funds are considered current use.
- **Endowment Funds** – funds that, under the terms of a gift instrument or instrument of donor intent are not wholly expendable on a current use basis.
- **Quasi-Endowment Funds** – funds that are considered current use but are treated similarly to Endowment Funds pursuant to direction from the Board. Quasi-Endowment Funds are not subject to a donor-imposed stipulation that the principal be permanently invested.

**ARTICLE III – ASSET MANAGEMENT, INVESTMENT**

**Section 3.0 – Delegation of Management and Investment Authority.**

**3.0.1 Internal Delegation.** The Board may delegate any or all of its responsibilities with respect to the management and investment of WQW’s financial assets to the Finance & Budget Committee of the Board (“Committee”), provided that the Committee is required to report to the Board on a regular basis and is subject to direction by the Board. If such responsibilities are delegated to the Committee, the

rights and obligations set forth in this policy applicable to the Board (other than the right to amend this policy) shall also apply to such Committee, subject to the right of the Board to review and revise any decision of such Committee, and reports required under this policy to be made to the Board may instead be made to the Committee, which shall in turn report to the Board on a regular basis.

**3.0.2 External Delegation.** To the extent it considers prudent, the Board may delegate management and investment decisions to one or more external agents, such as a bank, investment advisor, investment manager or custodian, except where prohibited by the terms of a gift instrument. Any external manager shall provide investment performance reports to WQW at least quarterly. Any external agent to which management and investment authority is delegated owes a duty to WQW to exercise reasonable care, skill and caution to comply with the scope and terms of the delegation.

The Board will act in good faith and with the care an ordinarily prudent person in like position would exercise under similar circumstances in (i) selecting, continuing or terminating any external agent (including assessing the agent's independence or conflicts of interest); (ii) establishing the scope and terms of the delegation and the compensation to be paid; and (iii) monitoring the agent's performance and compliance with the scope and terms of the delegation.

The Board, in making the decision as to whether to delegate such functions to a specific external agent, shall conduct such due diligence as the Board deems appropriate, such as reviewing information regarding the external agent's experience, personnel, track record and proposed compensation as compared to appropriate peers.

The Board will seek to ensure that any investment managers retained by WQW invest WQW's investment assets in accordance with this policy and any specific guidelines for the investment manager established by the Board and pursuant to UPMIFA.

Any contract between WQW and an external agent involving delegation of investment authority shall be terminable by WQW at any time, without penalty.

**Section 3.1 – Management of Financial Assets Subject to Donor Restriction.** Financial assets subject to a specific donor restriction as to the investment, management, use or expenditure of such assets shall be invested, managed, used and spent in accordance with the donor's restriction. In accordance with WQW's Gift Acceptance Policy, all efforts will be made to align donor restrictions with the investment, management, use, and expenditure provisions of this policy.

**Section 3.2 – Investment & Management of Financial Assets.**

**3.2.1 Operating Funds, Program Funds.** Operating Funds and Program Funds shall be invested with the objective of preserving the assets to cover operating expenses and realizing earnings in a way that allows for immediate liquidity to meet WQW's ongoing programmatic and operational needs. Operating Funds and Program Funds may be maintained and accounted for in WQW's day-to-day operational account (including a checking account) and may be invested in other cash-equivalent investments (i.e. savings accounts, money market accounts, as well as certificates of deposit, Treasury bills, and other investments that allow for quick, easy liquidation). Periodic evaluation of the allocation and reallocation shall be completed by WQW's Executive Committee or Finance & Budget Committee who shall regularly report such allocation to the Board. The Board may also direct reallocation and may allow for the designation of a portion of Operating Funds and Program Funds to the Reserve Funds and/or one or more Quasi-Endowment. Decisions shall be made in light of WQW's immediate and projected cash-flow needs.

**3.2.2 Reserve Funds.** Reserve Funds shall be invested with the objective of preserving the long-term real purchasing power of the assets while realizing appropriate investment income. Reserve Funds may be invested in certificates of deposit, Treasury bills, commercial paper, bankers acceptances, repurchase agreements, mutual funds, exchange traded funds, equities, fixed income securities, real estate, commodities, natural-resource related stock, REITs, emerging markets, international equities, alternate investment vehicles, options income, and, as to an appropriate portion, cash equivalent investments. Allocation decisions for Reserve Funds shall be made by the Board in consultation with any managers or advisors if desired (unless it delegates such task to an external manager). Allocation shall balance the investment objective, risk tolerance standard, and the need for liquidity.

**3.2.3 Restricted Funds.** Restricted Funds shall be invested with the objective of preserving and enhancing the purchasing power of the assets while ensuring that liquidity requirements can be met. Restricted Funds may be invested in certificates of deposit, Treasury bills, commercial paper, bankers acceptances, repurchase agreements, mutual funds, exchange traded funds, equities, fixed income securities, real estate, commodities, natural-resource related stock, REITs, emerging markets, international equities, alternate investment vehicles, options income, and, as to an appropriate portion, cash equivalent investments. Allocation decisions for Restricted Funds shall be made by the Board in consultation with any managers or advisors if desired (unless it delegates such task to an external manager). Allocation shall balance the investment objective, risk tolerance standard, and the need for liquidity.

**3.1.4 Quasi-endowment Funds, Endowment Funds.** Quasi-endowment Funds and Endowment Funds shall be invested with the objective of preserving the long-term real purchasing power of the assets while realizing appropriate investment income. Quasi-endowment Funds and Endowment Funds may be invested in certificates of deposit, Treasury bills, commercial paper, bankers acceptances,

repurchase agreements, mutual funds, exchange traded funds, equities, fixed income securities, real estate, commodities, natural-resource related stock, REITs, emerging markets, international equities, alternate investment vehicles, options income, and, as to an appropriate portion, cash equivalent investments. Allocation decisions for Endowment Funds shall be made by the Board, based upon the Committee's recommendation and in consultation with any managers or advisors if desired (unless it delegates such task to an external manager). Allocation shall balance the investment objective, risk tolerance standard, and the need for liquidity.

**Section 3.3 – Diversification.** Investments of each Fund will be diversified unless the Board, in consultation with any managers or advisors, determines that the purposes of the funds are better served without diversification or unless a donor-imposed restriction or statement of donor intent provides otherwise. The Committee or Board shall review the diversification strategy periodically, *provided, however*, that it shall review any decision to not diversify as frequently as circumstances require but, at a minimum, annually.

**Section 3.4 – Statement of Responsibility.** In managing the financial assets of WQW, the Committee and Board shall act in accordance with the duty of loyalty and shall act in good faith and with the care an ordinarily prudent person in like position would exercise under similar circumstances. When making investment and management decisions, the Committee and Board shall consider WQW's charitable purposes, as well as the purposes of the specific funds.

In making decisions regarding management and investment of WQW's financial assets, the Committee or Board, as required by applicable law, shall consider the following factors, if relevant:

- general economic conditions;
- the possible effect of inflation or deflation;
- the expected tax consequences, if any, of investment decisions or strategies;
- the role that each investment or course of action plays within the overall investment portfolio of the specific fund;
- the expected total return from income and the appreciation of its investments;
- other resources of WQW;
- the needs of WQW and the specific Fund to make distributions and to preserve capital; and
- an asset's special relationship or special value, if any, to the purposes of WQW.

The Committee or Board shall not make management and investment decisions regarding an individual asset in isolation but rather in the context of the specific Fund's portfolio of investments as a whole and as part of an overall investment strategy having risk and return objectives reasonably suited to the fund and WQW. The Committee or Board shall make reasonable efforts to verify facts relevant to the management and investment of the Funds and may incur only costs that are appropriate and reasonable in relation to the assets, the purpose of WQW and the skills available to WQW.

Within a reasonable time after WQW's receipt of a gift of property or other financial assets, the Committee or Board shall make and carry out decisions regarding retaining or disposing of the property, or the rebalancing of the fund or funds applicable to such gift in order to ensure compliance with the purposes, terms, and distribution requirements of WQW (including the diversification requirements and other aspects of this policy) as necessary to meet other circumstances of WQW and the requirements of applicable law, subject to any restrictions imposed by the terms of the gift.

### **Section 3.5 – Regular Assessments.**

**3.5.1 External Manager Performance.** At least annually, the Committee or Board will assess the performance and independence of any external agent, including any conflicts of interest. Any actual or potential conflicts of interest involving a member of the Committee, Board or officer or key employee of WQW with respect to the external agent must be disclosed and resolved pursuant to WQW's conflict of interest policy and any conflicts of interest the agent may have involving service to WQW (*e.g.*, investment in deposits of a bank owned by the agent's brother) must also be disclosed to WQW.

**3.5.2 External Manager Contracts, Agreements.** From time to time, the Committee or Board will review WQW's arrangements with any investment managers, investment advisors, custodians and the banks and other entities with which WQW maintains its financial assets to ensure that the costs and fees associated with each such arrangement are appropriate and reasonable in relation to the assets, WQW's purposes and the skills available to WQW.

**3.5.3 Guidelines.** From time to time, the Committee or Board will review specific guidelines established for investment managers and revised as necessary.

## **ARTICLE IV – SPENDING ALLOCATION, EXPENDITURES**

### **Section 4.0 – Spending Decisions.**

#### **4.0.1 Decision Authority.**

**(a) Endowment Funds** – Decisions to appropriate funds from an Endowment Fund for expenditure or to accumulate such funds shall be made only by the Board. If authorized by the Board, the Committee may recommend an appropriation or accumulation decision for final approval by the Board. Decisions shall be made on a fund-by-fund basis, or if the number of Endowment Funds grows to the point of making fund-by-fund decisions overly burdensome, on the basis of a group of funds of similar purpose, restriction, duration, and investment.

**(b) Other Funds** – Appropriations from Operating Funds, Program Funds, Reserve Funds, Restricted Funds, and Quasi-Endowment Funds shall be made by

the Board (or the Committee, if so authorized by the Board) in light of WQW's current and anticipated needs. Spending decisions shall be made by WQW Executive Staff if such spending is within the Board-approved allocation.

**4.0.2 Limitations.** Decisions made pursuant to 4.0.1 must comply with UPMIFA or with any donor restrictions on spending, purpose, and use. Expenditures from Endowment Funds that are not restricted as to purpose may be used for any of WQW's purposes.

**4.0.3 Documentation.** The Board, or committee, shall keep a contemporaneous record of its decisions regarding allocation and accumulation. Documentation shall be written and shall describe the consideration given to the decision factors set forth in Montana's Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), more specifically MCA 72-30-209(1)(a)-(g), as amended.

#### **Section 4.1 – Expenditures From Funds.**

**4.1.1 Operating Funds, Program Funds.** 100% of Operating Funds and Program Funds may be expended, subject to any donor-imposed or Board-imposed restriction as to spending or purpose.

**4.1.2 Reserve Funds.** 100% of Reserve Funds may be expended, subject to the approval of the Board and any Board-imposed restriction as to spending or purpose.

**4.1.3 Restricted Funds.** 100% of Restricted Funds may be expended, subject to any donor-imposed restriction as to spending or purpose.

**4.1.4 Endowment Funds.** Expenditures from Endowment Funds shall comply with any donor-imposed restrictions on such funds. In the absence of donor-imposed restrictions, expenditures from Endowment Funds shall comply with UPMIFA and shall not exceed seven percent (7%) of the average annual fair market value of the fund. Funds in existence for less than one (1) year shall be valued based upon the average quarterly value over the period of existence.

**4.1.5 Quasi-Endowment Funds.** 100% of Quasi-Endowment Funds may be expended, subject to any board-imposed or donor-imposed restriction as to spending or purpose.

### **ARTICLE V – REVIEW, MODIFICATION**

**Section 5.0 – Review.** At least annually, the Board shall review this policy, and shall amend the policy, from time to time as necessary to reflect developments affecting WQW's finances and activities. Amendments shall be approved by majority vote of the voting members of the Board at a meeting at which a quorum is present.