



FUND INVESTMENT & ADMINISTRATION

INVESTMENT OF YOUR FUND

The Foundation is committed to prudent investment management programs and fiscal policies, which are meant to lead to the long-term growth of endowment fund principal and will also provide a consistent level of annual grants to charity.

Our Investment Committee, which is delegated by the Foundation's Board of Directors, is charged with designing, administering and monitoring the results of these investment programs and fiscal policies. At regular intervals, the Foundation's Investment Committee evaluates the performance of the portfolio and the component investment managers relative to stipulated benchmarks and against national peer institutions.

Our investment goal is to maximize total return in any combination of its income or capital appreciation components. We believe this approach provides the fewest constraints on our investment managers and therefore puts us in a better position to demand superior investment performance results.

INVESTMENT PROGRAMS

The investment programs of the Foundation provide donors with the flexibility to align the investment risk of their charitable fund with their intended philanthropic purpose. The Foundation's Legacy Funds are three primary investment programs strategies across which charitable funds are allocated: Perpetual Fund, Intermediate Fund and Grant-making Fund.

In addition to the Legacy Funds program, for donors with an existing investment advisory relationship, the Foundation works with advisors who complete our Third Party Investment Manager certification program.

PERFORMANCE REPORTING

Performance on the investment of all funds is reported net of investment management fees on a quarterly basis. Performance is reported only for quarters during which an investment was held for the entire quarter. Summary performance reports are provided separately from the Fund Statement.

Performance is reported on a total portfolio basis. Individual component fund performance will vary depending upon the actual cash flows of donations and grants. Participation in the returns of the fund are based on a monthly time-weighted average.

SPENDING POLICY

If we are to satisfy our organizational mission, this total return investment strategy must be complemented by what is commonly known as a spending policy. A spending policy determines the percentage of the fund balance available for grantmaking and other fund expenses in the coming year. The spending policy rate is set by the Board of Directors and is aimed at satisfying two complementary goals:

- To maximize grant dollars to address community needs. The practical application of the spending policy results in a grant-making budget for each fund.
- To ensure, over time, that the growth of each fund's principal assets meets or exceeds the annual advance in the Consumer Price Index. As a result, grant distributions from each fund to charity 10 years from now will have the same purchasing power as today's grants.

HOW THE SPENDING POLICY RATE IS APPLIED

Depending on the fund type, the spending policy rate ranges from 5.0 to 5.5% of a rolling 36-month average of the principal market value of each fund. Each September and January, the grant-making budget for every fund is calculated. Donors may recommend grants out of this amount in the following year, plus any unspent dollars from the current year. Donors whose funds allow for invasion of principal are not limited to the spending policy amount.

ADMINISTRATIVE GRANT

There is no charge for establishing a fund at the Foundation. Generally, funds managed by the Foundation are charged an annual administrative grant by the Foundation, which varies depending on the type of fund established. This administrative grant is calculated on an annual basis, using the rates listed below applied to a rolling 36-month average of the total market value of each fund, and deducted quarterly from the fund’s principal balance.

For example, a \$50,000 fund, with a 5% grant-making budget per our 36-month spending policy, less fees, yields \$2,075 for grantmaking and a \$425 administrative grant.

Fund Type	Administrative Grant	Fund Minimum
Agency Endowment	0.85 %	\$50,000
Designated	0.85 %	
Donor-Advised	0.50 to 1.00 %	See DAF schedule
Field of Interest	1.10 %	
Medical Research	1.50 %	\$25,000
Scholarship	1.50 %	\$25,000
Undesignated	1.10 %	

Schedule for Donor-Advised Funds

Asset Value	Rate
\$ — 1,000,000	1.00 %
\$1,000,001 — 2,000,000	0.85 %
\$2,000,001 — 5,000,000	0.70 %
\$5,000,001 — 10,000,000	0.60 %
\$> 10,000,001	0.50 %

FUND ACCOUNTING AND CONTRIBUTIONS

For record-keeping purposes, charitable funds at the Foundation will be comprised of the balances in the Perpetual, Intermediate and Grant-making investment funds. The initial allocation is set at the formation of the fund on the Investment Option Worksheet. This allocation will change over time as each balance experiences its own investment returns and cash flows. As subsequent contributions are received, the donor may allocate contributions to each investment option, provided the balance in the Legacy Perpetual Fund remains above \$10,000.

ADMINISTRATIVE GRANT SCHEDULE EXAMPLES

Fund Asset Examples	Rate	Annual Administrative Grant Paid to the Foundation
\$10,000 to \$25,000	n/a	Minimum \$250*
\$500,000 fund	1.00 %	\$5,000
\$3,000,000 fund		
\$25,001 to \$1,000,000	1.00 %	\$10,000
\$1,000,001 to \$2,000,000	0.85 %	\$8,500
\$2,000,001 to \$3,000,000	0.70 %	\$7,000
Total grant	0.85 %	\$25,500
\$15,000,000 fund		
\$25,001 to \$1,000,000	1.00 %	\$10,000
\$1,000,001 to \$2,000,000	0.85 %	\$8,500
\$2,000,001 to \$5,000,000	0.70 %	\$21,000
\$5,000,001 to \$10,000,000	0.60 %	\$30,000
\$10,000,001 to \$15,000,000	0.50 %	\$25,000
Total grant	0.63 %	\$94,500

*There is a \$250 annual minimum administrative grant for all funds.

A copy of the official registration and financial information for the Foundation may be obtained from the Pennsylvania Department of State by calling toll free, within Pennsylvania, 1.800.732.0999. Registration does not imply endorsement.

724.836.4400
cfwestmoreland.org