INVESTMENT POLICY STATEMENT

Make-A-Wish Foundation® of Alaska and Washington

The Board Designated Fund and Wishing Well Fund

Draft Approved on September 9, 2004
First Revision November 2019

By Make-A-Wish Foundation ® of Alaska and Washington

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.

EXECUTIVE SUMMARY

Type of Plan: Tax-exempt, public foundation

Fund: Board Designated
Time Horizon: Less than 1 Year
Modeled Return: Consumer Price Index ("CPI")

Asset Allocation – (1) Short-Term "Board Designated Reserve Fund:

Target Return: CPI

	Lower Limit	Strategic Allocation	Upper Limit
Short-term Fixed Income	0	20	40
Cash Equivalent	60	80	100

Fund: Long-Term Wishing Well Fund
Time Horizon: Greater than 5 years
Modeled Return: Greater of 7.3% or 5.3% over the Consumer Price Index ("CPI"); 5-year S&P CAGR = 8.51%

Asset Allocation – (2) Board Designated Fund:

Target Return: CPI + 5.3% over a three year and five year moving time period.

	Lower Limit	Strategic Allocation	Upper Limit
Domestic Equity	31	40	49
International Equity	13	15	17
Fixed Income	28	35	42
Cash Equivalent	0	5	28
Alternative Investments	0	5	10

Evaluation Benchmarks:

Relative selected index for each category as designated by the Make-A-Wish Foundation® of Alaska and Washington Finance Committee.

PURPOSE

The purpose of this Investment Policy Statement ("IPS") is to assist the Make-A-Wish Foundation® of Alaska and Washington and its advisors in effectively supervising, monitoring and evaluating the investment and management of the organization's financial assets. The organization's investment program is defined in the various sections of the IPS by:

1. Stating in a written document the organization's philosophies, expectations, objectives and guidelines for the investment of its financial assets.

2. Setting forth an investment structure for managing the organization's financial assets. This structure includes various asset classes, investment management styles, asset allocation and acceptable ranges that, in total, are expected to produce a prudent level of overall diversification and total investment return over the investment time horizon.

3. Establishing formal criteria to select, monitor, evaluate and compare the performance results achieved by the designated investment managers on a regular basis.

4. Encouraging effective communication between the organization, its advisors and investment managers and interested parties.

5. Complying with applicable state and federal laws, rules and regulations related to the investment and management of the organization's assets.

BACKGROUND

Mission Statement

The mission of the Make-A-Wish Foundation ® is to grant the wishes of children with life-threatening medical conditions to enrich the human experience with hope, strength, and joy. This IPS has been prepared for the Foundation, a tax-exempt, public foundation under IRS Code 501(c) (3).

The organization has established a unique asset allocation strategy for its investment portfolio ("Portfolio") taking into account contemplated grants, gifts, planned gifts, operating expenses and future contributions.

Key Information

Name of Organization: Make-A-Wish Foundation® of Alaska and Washington

IRS Tax ID: 91-1329433

STATEMENT OF OBJECTIVES

Investment Categories

On a regular basis no less than annually, the Finance Committee, a subcommittee of the Board, ("Finance Committee") shall review projections of revenues and expenditures and designate available cash for investment in the following funds: Board Designated and Wishing Well.

Objectives

The primary goal of this IPS is to provide liquidity, preserve the real (inflation-adjusted) purchasing power of the organization's financial assets and generate a stream of earnings for use on a long-term basis.

Investment Guidelines

Board Designated Fund (Short-term) - shall be invested in demand deposits, money market funds and other investment vehicles having the characteristics of immediate liquidity with no expected risk to principal. This fund can also be used to build immediate reserves for known capital projects that will be occurring within the next 12-months.

The Wishing Well Fund (Long-term) - is set up to provide flexibility in meeting future, changing needs. The objectives of the organization have been established in conjunction with a comprehensive review of current and projected financial requirements. The objectives are:

1. Maintain the purchasing power of the portfolio balance and all future contributions as well as maintain the level of services and programs in relation to average cost increases.

2. Maintain a constant funding to support ratio. The desire of the organization is to have the Wishing Well Fund maintain (and pay for) the core operating costs and fundraising costs for of the organization. This will allow 100% of new gifts to go to wishes. This can only be accomplished if sufficient returns are achieved and reinvested and new funds are added to keep pace with cost increases and program expansion.

3. Because the Wishing Well Fund is not an endowment, the Board will adopt a spending policy for three-year periods while applying a smoothing rule to mitigate the effects of short-term market volatility on spending. This will be applied based on the judgment of the Board each three-year period or more frequently at the Board's discretion. One of the following rules will be applied:

   Moving average. Refer to spending policy at the end of this document.

   Preset increment over last year. The level of spending will be increased by a reasonable percentage based on the growth over that of the previous year.

   Judging the need for spending. The organization will determine the amount to be spent based on its needs.

4. Maximize return within reasonable and prudent levels of risk.

5. Maintain an appropriate asset allocation based on a total return policy that is compatible with a flexible spending policy while still having the potential to produce positive rates of return.

6. By a simple majority vote, the Board may approve withdrawal of principal and/or growth over the spending policy. The intent is to maintain the principal, but for the prudent needs of the organization, exceptions can be made.

Time Horizon

The investment guidelines for the Wishing Well Fund are based upon an investment horizon of greater than five years. Therefore, interim fluctuations should be viewed with appropriate perspective. Short-term liquidity requirements are anticipated to be met with the Board Designated Reserve Fund.

Risk Tolerances

The organization recognizes and acknowledges some risk must be assumed in order to achieve the long-term investment objectives of the Wishing Well Fund and that there are uncertainties and complexities associated with investment markets.

In establishing the risk tolerances for this IPS, the organization's ability to withstand short and intermediate-term variability were considered as well as prospects for the future, current financial conditions and the level of funding in the Wishing Well account. As such, it was determined that some interim fluctuations in market value and rates of return may be tolerated within the Wishing Well Fund in order to achieve longer-term objectives.

Managers (as defined in the “Investment Managers” section below) will evaluate and determine which investments are prudent and consistent with the investment objectives and risk tolerances of the organization within each of their respective asset categories. Fixed income managers would have the flexibility of using investment grade bonds with terms and maturity that they believe prudent based on current market conditions. A prudent ration of fixed income classes will be decided upon by the organization on an annual basis, but generally speaking, the majority of fixed income will be allocated toward investment grade bonds.

Performance Expectations

In general, the organization would like the Wishing Well Fund to earn a targeted return equal to the greater of 7.3% or the rate of inflation as measured by the CPI plus 5.3% over a 3 year and 5 year moving time period. It is understood that an average return of 7.3% will require superior manager performance to retain: (1) principal value and (2) purchasing power.

In general, the Board Designated Fund’s primary objective is to create liquidity for operational needs.

Donor-Restricted Endowment Funds

Donor-restricted endowment funds are composed of gifts, legacies and bequests made to the organization which, under the terms of the applicable gift instrument, are not wholly expendable on a current basis. To the extent the organization holds any donor-restricted endowment funds, the organization will endeavor to preserve the principal [or purchasing power] of such funds and make distributions in accordance with donors’ wishes and applicable law (including UPMIFA).

The Board will consider the following factors, if relevant, in determining whether to accumulate donor-restricted endowment funds or appropriate for spending:

1. The duration and preservation of the fund
2. The purpose of the fund
3. General economic conditions
4. The possible effect of inflation or deflation
5. The expected total return from income and appreciation of investments
6. Other resources of the organization
7. This IPS **[and any other written investment policy of the organization].**

ASSET CLASS GUIDELINES

The organization believes that long-term investment performance is a function of asset class mix and the success of the selected Manager in determining the allocation among investments in each asset class. The organization has reviewed the long-term performance characteristics of the broad asset classes, focusing on balancing the risks and rewards.

History suggests that while interest-generating investments, such as fixed income instruments, have the advantage of relatively stabilizing principal value, they provide limited opportunity for real long-term capital growth due to their susceptibility to inflation. On the other hand, equity investments, such as common stocks, have demonstrated higher historical returns, but have the disadvantage of much greater year-by-year variability of return. From an investment decision-making point of view, this year-by-year variability may be worth accepting, provided the time horizon for the equity allocation of the portfolio is sufficiently long (five years or greater) and the then current needs and resources of the organization can withstand such variability.

The following eight asset classes were selected and ranked in ascending order of "risk" (least to most).

Cash Equivalents
Fixed Income Investments
Large-Cap Value
Large-Cap Blend
Large-Cap Growth
Mid-Cap Blend
Small-Cap Blend
International Equity

The Domestic Equity allocation will be modeled similar to that of the Russell 3000 Stock Market Index's market capitalization.

The organization has considered the following alternative investment categories but will retain the flexibility to add or eliminate categories based on market conditions provided, however, that without approval by the Board: (i) alternative investments shall not collectively constitute more than ten percent (10%) of the Wishing Well Fund and (ii) no single alternative investment shall constitute more than five percent (5%) of the Wishing Well Fund.

Global Fixed Income
Real Estate
Hedge Funds
Diversified Commodity Funds

Rebalancing of Strategic Allocation

The percentage allocation to each asset class may vary as much as 20% from the target allocation, depending upon market conditions, with the exception of Alternative Investments and Cash Equivalents. When necessary and/or available, cash inflows/outflows will be deployed in a manner consistent with the strategic set allocation of the Portfolio. If there are no cash flows, the allocation of the Portfolio will be reviewed no less frequently than quarterly.

If the Finance Committee judges cash flows to be insufficient to bring the Portfolio within the strategic allocation ranges, the Finance Committee shall decide whether to effect transactions to bring the strategic allocation within the threshold ranges.

Standard of Conduct: Prudent Management and Investment of Organization's Assets

The State of Washington adopted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), chapter 24.55 RCW, effective July 1, 2009. Accordingly, in managing the organization's assets, the Board and any person responsible for managing and investing the organization's assets (such as a committee with Board delegated authority or investment manager), shall comply with the standard of conduct set forth in UPMIFA, including:

- acting in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances

- incurring only reasonable costs in investing and managing charitable funds and

- making a reasonable effort to verify relevant facts

In addition, except as otherwise provided by the terms of the applicable gift instrument, the organization and those who manage its investments and assets 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 fund

  - The expected total return from income and the appreciation of investments

  - Other resources of the organization

  - The needs of the organization and the fund to make distributions and to preserve capital and

  - An asset's special relationship or special value, if any, to the charitable purposes of the organization

- Make decisions about each asset in the context of the portfolio of investments as a whole, and as part of an overall investment strategy that is appropriate for the fund and the organization

- Diversify investments unless due to special circumstances, the purposes of the fund are better served without diversification and

- Dispose of unsuitable property within a reasonable time after receiving the property.

DUTIES AND RESPONSIBILITIES

Finance Committee

While the Board retains the fiduciary responsibility for the organization's assets, it delegates oversight of such assets to the Finance Committee. As a fiduciary, the responsibilities of the Finance Committee include:

1. Prepare and maintain this IPS

2. Prudently diversify the Portfolio's assets to meet an agreed upon risk/return profile

3. Prudently select investment options

4. Control and account for all investment, record keeping and administrative expenses associated with the Portfolio

5. Monitor and supervise all service vendors and investment options

6. Avoid prohibited transactions and conflicts of interest.

Investment Advisor

The organization will retain an objective, third-party advisor ("Advisor") to assist the organization in managing the overall investment process. The Advisor will be responsible for guiding the organization through a disciplined and rigorous investment process to enable the organization to meet the fiduciary responsibilities outlined above. In selecting the Advisor and the Manager (as defined below) and establishing the scope and terms of the delegation of authority to such Advisor or Manager, the organization will act in good faith, and with the care that an ordinarily prudent person would exercise under similar circumstances. The Advisor should acknowledge their fiduciary status in writing.

Investment Managers

As distinguished from the organization and its Advisor, who are responsible for <u>managing</u> the investment process, investment managers (the "Manager") are responsible for <u>making</u> security selection and best execution decisions including price. The specific duties and responsibilities of each Manager include:

1. Manage the assets under their supervision in accordance with the guidelines and objectives outlined in their respective Service Agreements, Prospectus or Trust Agreement.

2. Exercise investment discretion delegated by the organization with regards to buying, managing, and selling assets held in the Portfolio.

3. If managing a separate account (as opposed to a mutual fund or a commingled account), seek approval from the Finance Committee prior to purchasing and/or implementing the following securities and transactions.

4. Vote promptly all proxies and related actions in a manner consistent with the long-term interest and objectives of the Portfolio as described in this IPS. Each Manager shall keep detailed records of the voting of proxies and related actions and will comply with all applicable regulatory obligations.

5. Communicate to the organization all significant changes pertaining to the fund it manages or the firm itself. Changes in ownership, organizational structure, financial condition, and professional staff are examples of changes to the firm in which the organization is interested.

6. Effect all transactions for the Portfolio subject "to best price and execution." If a Manager utilizes brokerage from the Portfolio assets to effect "soft-dollar" transactions, detailed records will be kept and communicated to the organization.

7. Use the same care, skill, prudence, and due diligence under the circumstances then prevailing that experienced investment professionals acting in a like capacity and fully familiar with such matters would use in like activities for like portfolios with like aims in accordance and compliance with the Uniform Prudent Investor Act and all applicable laws, rules, and regulations.

8. If managing a separate account (as opposed to a mutual fund or a commingled account), acknowledge fiduciary responsibility by signing and returning a copy of this IPS.

Custodian

Custodians are responsible for the safekeeping of the Portfolio's assets. The specific duties and responsibilities of the custodian are:

1. Maintain separate accounts by legal registration.

2. Value the holdings.

3. Collect all income and dividends owed to the Portfolio.

4. Settle all transactions (buy-sell orders) initiated by the Manager.

5. Provide monthly reports that detail transactions, cash flows, securities held and their current value, and change in value of each security and the overall Portfolio since the previous report.

INVESTMENT MANAGER SELECTION

The organization will apply the following due diligence criteria in selecting each Manager or mutual fund.

1. *Regulatory oversight:* Each Manager should be a regulated bank, an insurance company, a mutual fund organization, or a registered investment adviser.

2. *Correlation to style or peer group:* The product should be highly correlated to the asset class of the investment option. This is one of the most critical parts of the analysis since most of the remaining due diligence involves comparisons of the Manager to the appropriate peer group.

3. *Performance relative to a peer group:* The product's performance should be evaluated against the peer group's median manager return, for 1-, 3-, 5- and 10-year cumulative periods.

4. *Performance relative to assumed risk:* The product's risk-adjusted performance (Alpha and/or Sharpe Ratio) should be evaluated against the peer group's median manager's risk-adjusted performance.

5. *Minimum track record:* The product's inception date should be greater than three years.

6. *Assets under management:* The product should have at least $250 million under management, and at least $150 million in the strategy.

7. *Holdings consistent with style:* The screened product should have no more than 20% of the portfolio invested in "unrelated" asset class securities. For example, a Large-Cap Growth product should not hold more than 20% in cash, fixed income and/or international securities.

8. *Expense ratios/fees:* The product's fees should be reasonable relative to their peer group.

9. *Stability of the organization:* There should be no perceived organizational problems – the same portfolio management team should be in place for at least three years.

10. *Fixed Income Investments:* Fixed income investment should be no less than 80% in investment grade bonds.

CONTROL PROCEDURES

Performance Objectives

The organization acknowledges that fluctuating rates of return characterize the securities markets, particularly in the short-term. Recognizing that short-term fluctuations may cause variations in performance, the organization intends to evaluate Manager performance from a long-term perspective.

The organization is aware that the ongoing review and analysis of Managers is just as important as the due diligence performed during the manager selection process. The performance of Managers will be monitored on an ongoing basis and the organization retains the discretion to take corrective action by replacing a Manager if it deems it appropriate at any time.

On a timely basis, but not less than quarterly, the Finance Committee will meet to review whether each Manager continues to conform to the search criteria outlined in the previous section on which the Manager was evaluated and selected, as well as any modifications to that criteria that have since been adopted; specifically:

1. The Manager's adherence to the portfolio's investment guidelines;

2. Material changes in the Manager's organization, investment philosophy and/or personnel; and,

3. Any legal, SEC and/or other regulatory agency proceedings affecting the Manager.

The organization has determined it is in the best interest of the Portfolio that performance objectives be established for the overall Portfolio and for each Manager.

Manager performance will be evaluated in terms of an appropriate market index (e.g. the S&P 500 stock index for large-cap domestic equity manager) and the relevant peer group (e.g. the large-cap growth mutual fund universe for a large-cap growth mutual fund).

Asset Class	Index	Peer Group
Total Portfolio	**50% Russell 3000 35% BC Int. Gov't/Credit 10% MSCI EAFE 5% 90 Day T-bills**	**Appropriate Blended Universe to match Blended Benchmark**
Large-Cap Equity		
Growth	Russell 1000 Growth	Large-Cap Growth
Value	Russell 1000 Value	Large-Cap Value
Mid-Cap Blend Equity	Russell Mid-Cap	Mid-Cap Blend
Small-Cap Blend Equity	Russell 2000	Small-Cap Blend
International Equity	MSCI EAFE	Foreign Stock
Fixed Income		
Intermediate-term Bond	Barclay's Gov't/Credit Intermediate	Intermediate-Term Bond
Short-term Bond	Barclay's Brothers 1-3-year Government	Short-Term Bond

Cash Equivalents	90-day T-Bills	Money Market Database
Alternative Investments	Selection based on investment made	Selection based on investment made

A Manager may be placed on a Watchlist and a thorough review and analysis of the Manager may be conducted, when:

1. A Manager performs below the 40^{th} %-tile for their peer group over a 3- and/or 5-year cumulative period.

2. A Manager's 3-year risk adjusted return (Alpha and/or Sharpe) falls below the peer group's 40^{th} %-tile ranking based on risk adjusted return.

3. There is a change in the professionals managing the portfolio.

4. There is a significant decrease in the product's assets.

5. There is an indication the Manager is deviating from his/her stated style and/or strategy.

6. There is an increase in the product's fees and expenses.

7. Any extraordinary event occurs that may interfere with the Manager's ability to fulfill their role in the future.

A Manager evaluation may include, but is not limited to, the following steps:

1. A letter to the Manager asking for an analysis of their underperformance.

2. An analysis of recent transactions, holdings and portfolio characteristics to determine the cause for underperformance or to check for a change in style.

3. A meeting with the Manager, which may be conducted on-site, to gain insight into organizational changes and any changes in strategy or discipline.

The decision to retain or terminate a Manager cannot be made by a formula. It is the organization's confidence in the Manager's ability to perform in the future that ultimately determines the retention of a Manager. The organization will retain the authority, in its sole discretion, to replace a Manager at any time.

Measuring Costs

The organization will review at least annually all costs associated with the management of the Portfolio's investment program including:

1. Expense ratios of each investment option against the appropriate peer group.

2. Custody fees: The holding of the assets, collection of the income and disbursement of payments.

3. Whether the Manager is demonstrating attention to "best execution" in trading securities.

SPENDING POLICY

Objectives

The objectives of the spending policy are to

- Grow the purchasing power of the investment fund
- Achieve a smooth predictable distribution of funds to aid budgeting
- Distribute the benefits of the quasi-endowment (in terms of purchasing power) to current and future generations in perpetuity.

Consequently, the long-term spending policy is designed to distribute nominally less than the real return (total realized return minus the inflation rate). Income available for spending is determined by a total return system.

Finance Committee

The Finance Committee will make a calculation as follows:

A 12-quarter rolling average of the market value is determined. The Finance Committee will make a recommendation to the Board of an amount to be distributed for the stated purposes of the investment fund between 0% - 5% of that 12-quarter rolling average of the market value. In the absence of a recommendation, the organization will default to a 0% spending rate for that year. The distribution may be drawn from both ordinary income (dividends, interest, rents, royalties, etc.) appreciation, and gains both realized and unrealized.

Board

The Spending Rate shall be approved annually by the Board of Trustees. It is recommended that such review and approval occur in conjunction with the review and approval of the final budget and such rate shall apply to the current fiscal year only and shall not be applied retroactively or to future years.

The Board recognizes that in some years, lower than expected rates of return, or higher inflation, without a corresponding reduction in the Spending Rate, may result in the establishment of a spending rate that exceeds the realized real return of the endowment assets. In such cases, the spending rate in effect shall nevertheless be used.

Conversely, the Board also recognizes that in some years, higher than expected real returns might permit a higher spending rate. Such returns should be generally considered to offset other years of lower returns. If however, extraordinary returns are received such that the realized real return substantially exceeds the established spending rate, the Board may vote to make an extraordinary distribution if qualified spending needs exist and additional funds are required. Each extraordinary distribution shall require Finance Committee recommendation and approval of two-thirds of the Board.

INVESTMENT POLICY REVIEW

The organization will review this IPS at least annually to determine whether stated investment objectives are still relevant and the continued feasibility of achieving the same. Short-term changes in the financial markets should not in and of themselves necessitate adjustments to the IPS.

Approved:

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Make-A-Wish Foundation of Alaska and Washington

Date: ____________