

River Falls Public Library Foundation

Investment and Distribution Policy*

Approved September 24, 2025

Introduction

The purpose of this Investment and Distribution Policy of the Board of the River Falls Public Library Foundation is to establish 1.) guidelines for the prudent investment of the River Falls Public Library Foundation's assets and 2.) appropriate guidelines for funding requirements of the River Falls Public Library (Library).

Investment Philosophy. The Board's investment philosophy is to exercise ordinary business care and prudence in its investment of Foundation assets considering the long- and short-term needs of the Foundation, expected total return on its investments, and general economic conditions. The Board recognizes that the uncertainty of future events, market volatility, and the potential loss in purchasing power are present to some degree with all types of investments. While high levels of risk are to be avoided, the assumption of a moderate level of risk is warranted and encouraged to allow the opportunity to achieve satisfactory results consistent with the objectives of the Foundation.

Investment Objectives. Foundation assets should be invested in a manner consistent with prudent fiduciary investment standards. All transactions must be undertaken for the sole interest of the Foundation's portfolio and the Library. Investments shall be diversified to minimize the risk of large losses. Objectives of the Foundation include preservation of capital with the potential for capital growth that is commensurate with a moderate risk portfolio and over all time periods, achievement of the highest possible return commensurate with the level of moderate risk assumed.

Financial Guidelines. The Board shall maintain a reasonable cash reserve for the Foundation's projected operating expenses and planned distributions. Funds for a specific campaign, which are short term initiatives, may be held in a more secure investment, such as a money market account, to protect the principal balance. The balance of the Foundation's assets should be managed in a manner which reflects the following statements:

- Equities may be represented in the portfolio up to a maximum of 43%. The Board expects the target equity exposure typically will range between 27%-43% of the portfolio. Equity exposure should be through broadly based market index funds that include U.S. large and international large-cap stocks (20-35%), U.S. and international small and mid-cap stocks (3%-12%) as well as a minimal investment (0%-5%) in aggressive emerging market equity funds.
- The remainder of the portfolio (57% to 73%) should be invested in fixed income and cash allocations through a combination of U.S. investment grade bonds, U.S. high-yield bonds, emerging market debt and international bonds. The Board expects the target cash and fixed income exposure typically will not exceed 73%.

- The asset allocation will be rebalanced on an annual basis, if necessary, to fit within the above guidelines. Any reallocation will be affected pursuant to a vote of the Board in a manner consistent with the Foundation bylaws.
- Designation of fiscal agents, investment advisors, and custodians will be made or discontinued by Board resolution, consistent with Foundation bylaws.

Distributions. Generally, annual distributions will be up to 5% based on value of the account on December 31 of the previous year to fund specific capital, program and/or part-time position needs of the Library that are beyond the scope of its normal budget from the City. Requests for such projects will be considered by the Foundation Board and approved in a manner consistent with Foundation bylaws and donor's intent, if specified and accepted by the Foundation.

The ability of the Foundation to fund projects may vary from year to year. Monies provided to the Library by the Foundation are not intended to supplant any line items funded by the City for the Library's annual budget.

***St. Croix Valley Foundation (SCVF) Investments Exception**

In 2008, the Library Foundation established a long-term pool agency fund at SCVF. These invested funds are independently and separately managed by SCVF through its "Investment Policy Statement: Long Term Pool." As such, the Library Foundation has limited access to withdrawal of funds within the SCVF.

Funds invested in the SCVF are managed as follows:

"SCVF seeks to provide a reliable source of income to be used in a manner consistent with the donor's stated interests and the desire to provide quality service. The Finance & Investment Committee shall manage distributions from the Fund in accordance with this IPS.

To minimize spending fluctuations, SCVF distributes funds using a formula based upon a spending rate of up to 5.0% plus administrative expenses in a given fiscal year. The calculation method will be smoothed over a 16-quarter moving average using the Fund's average market value as of each period. Cash will be distributed as needed.

On an annual basis, the [SCVF] Board must approve the spending policy's calculation methodology and the corresponding amount of funds to be disbursed. Distributions from the Fund in excess of the amount established above shall be made only with the approval of the Board." ¹

1. SCVF Investment Policy Statement Long Term Pool. Approved August 2023.