POLICY 1.0 DIRECTORS' INDIVIDUAL RESPONSIBILITIES

The leadership success of a board is a direct result of the individual and collective participation of its members.

Therefore, each board member is expected to participate in the following ways:

1. **Attendance** - As board contemplation, deliberation and decision-making are processes which require wholeness, collaboration and participation, attendance at board meetings is required of board members. As stated in MCF's Bylaw 5.4, if a board member fails to attend three consecutive meetings or is absent from half the overall meetings in a year, the Board may vote to remove the director.
2. **Preparation and Participation** - Board members will prepare for board and committee meetings and will participate productively in discussions, always within the boundaries of discipline established by the board. Each member will contribute his or her own knowledge, skills, and expertise to the board's efforts to fulfill its responsibilities. Board Members are expected to stay for the full duration of each meeting.
3. **Members as Individuals** - The Executive Director is accountable only to the board as an organization, and not to individual board members.
4. **Commitment -**As the functioning and success of the organization depends largely on the involvement and dedication of volunteers, all board members are required to serve as volunteers on at least one operating committee. In view of the ED's responsibility for operational activities and results, members of the board who choose to act as operational volunteers are subject to the direct supervision of the ED or responsible staff person.
5. **Funding-** Because MCF is a nonprofit organization whose existence depends on philanthropic donations; each Board member will make a yearly monetary contribution to the Foundation's annual fund and/or endowment fund. The yearly donation will be commensurate with each Board member's financial wherewithal.
6. **Event Attendance** – Because MCF events are critical to the achievement of priority results, board members are strongly encouraged to attend MCF events.

POLICY 1.1 BOARD MEMBERS' CODE OF CONDUCT

The board commits itself and its members to ethical, businesslike, and lawful conduct – including proper use of authority and appropriate decorum when acting as board members.

Accordingly:

1. Board members must represent unconflicted loyalty to the interests of MCF. This accountability supersedes any conflicting loyalty such as that to advocacy or interest groups, membership on other boards or staffs, and any personal relationships that may be deemed a conflict.
2. Board members must avoid conflict of interest with respect to their fiduciary responsibility.
    a. There must be no self-dealing or any conduct of private business or personal services between any board member and MCF except as procedurally controlled to assure openness, competitive opportunity, and equal access to inside information.
    b. When the board is to decide upon an issue about which a member has an unavoidable conflict of interest, that member shall absent herself or himself without comment from not only the vote but also from the deliberation.
    c. In case of a dispute regarding the existence of a real or perceived conflict of interest, the board shall vote as to whether a conflict is present, and the vote of the board majority shall be final. The individual with the potential conflict of interest shall not vote.
    d. Board members must not use their positions to obtain employment for themselves, family members or close associates. Should a board member desire employment, he or she must first resign.
    e. Members will annually disclose their involvements with other organizations, with vendors, or any other associations that might produce a conflict. Furthermore, board members are expected to disclose any apparent conflict of interest before every grant review meeting.
3. Board members may not attempt to exercise individual authority over MCF except as explicitly set forth in board policies.
    a. Board members' interaction with the Executive Director or with staff must recognize the lack of authority vested in individuals except when explicitly board authorized.
    b. Board members' interaction with the public, press or other entities must recognize that the Board must speak with one voice. Therefore, the inability of any board member to speak for the board except to repeat explicitly stated board decisions must be adhered to. All public communications must

be routed through the communications committee and the ED. Article 12 of MCF Bylaws further references this.

   c. Board members will not voice any individual judgments of the Executive Director or staff performance.

4. Members will respect the confidentiality appropriate to issues of a sensitive nature.
5. The board operates by majority rules. Once a decision is made, the board speaks with one voice. Dissenting directors are not required to be cheerleaders for the board's decision but should not undermine lawful decisions just because he/she disagrees.

POLICY 1.2 BOARD SIZE, NOMINATION, ELECTION, TERM LIMITS, AND RECRUITMENT

The Board shall consist of an odd number of Directors and will consist of at least five (5) and no more than eleven (11) individuals at all times – as stated in MCF Bylaw 5.2. Directors need not be residents of the State of Montana. The Governance Committee will properly screen and nominate individuals for board consideration. It is the policy of MCF that these individuals shall be appointed by a super-majority of the acting Directors.

Accordingly:

1. Nominations for board chair, vice-chair, officers, and expired terms of board members will be made and voted upon at each year's annual meeting in March. Each officer shall hold office for a term of two years until his/her successor is duly elected or until his/her resignation, removal, disqualification, or death. This is also referenced in MCF Bylaw 6.2.
2. At any scheduled board meeting, the board shall be able to approve or disapprove the Governance Committee's nominations for new board members to fill vacant seats.
3. Each Director shall serve a three-year term, as stated in MCF Bylaw 5.3. Terms shall be staggered. If a new member is replacing a board member that has resigned, the new appointee will serve the remainder of the resigned board members term such that staggered terms will be achieved. Officers may serve a maximum of three, two-year terms.
4. Re-nomination of board members may be based upon such factors as the Governance Committee deems appropriate, including a board member's personal knowledge, skills, demonstrated leadership and commitment to the organization, professional relationships, professional associations, and-fulfillment of individual directors' responsibilities. In addition, as the organization's needs may change over time, it may be necessary to replace at least some members whose current terms

are expiring with individuals who may better satisfy such needs. Accordingly, no member should expect to be re-nominated at the end of his or her term.

5. When there is a vacant board seat, an email will be sent to Moonlight Basin Membership announcing the vacancy and providing a BOD Application for any interested parties. Additionally, BOD Applications can be submitted at any time throughout the year.
6. The Governance Committee maintains a confidential, cumulative, ongoing, up-to-date list of potential board candidates, including the skills they can bring to an organization.
7. When the time comes to fill a vacant board seat, the Governance Committee will present potential candidates to the BOD. The board will vote on which application best suites the current board's needs at a board meeting.

POLICY 2.0 GRANT REVIEW GUIDELINES

Moonlight Community Foundation is committed to supporting initiatives for youth, education, conservation, and the underserved needs of the Big Sky Community through a spring and fall grant cycle. Spring applications are due May 15 and fall applications are due Nov. 15. Within one months' time after the application deadline, it is the policy of the board to have a grant review meeting and allocate allotted funds as outlined in the current fiscal year's budget to projects and programs that fall within MCF's giving scope.

Accordingly,

1. It is the duty of each board member to review all applications prior to the meeting, and if applicable, reach out the ED with questions pertaining to applications prior to the review meeting.
2. It is the policy of MCF to only fund programs, projects, and/or organizations within Big Sky or cases of extraordinary nature as referenced in Article 2 of the by-laws.
3. A grant scorecard system is used to grade all applications to ensure all grant applications are objectively and fairly measured.
4. MCF adheres to the principle of not funding any one organization at more than 33% of its annual operating expense.
5. If follow up information is needed to make a comprehensive decision, the ED will reach out to that organization with the board's questions. This information will then be emailed to the board. Upon reviewing it, the board will vote over email if they are in favor or awarding funds or not.
6. If within one years' time of the grant award the organization has not utilized the grant as outlined in their original application, the organization must fill out a

grant rollover request form to use the funds for a new purpose or return the funds to MCF.

7. In the event the organization chooses to fill out the rollover request form, the entire board will vote if they choose to allow the funds to be utilized for the new purpose or if the funds need to be returned.

POLICY 2.1 GRANT PARTNERSHIP GUIDELINES

In response to community-wide issues that are so vast and urgent that they cannot be addressed through single year grants from one foundation alone, Moonlight Community Foundation is committed to collaborating with philanthropic and tax-supported funding organizations to address the area's most pressing and complex challenges. Through a greater level of collaboration, we believe we can have the most impact.

Accordingly,

1. MCF will not spend more of than 20% of its annual gifting to any outside entity.
    a. If the board feels there is a project worth allocating more than 20% of its annual giving towards, they may choose to override this policy with a 75% majority vote.
2. MCF will commit the executive directors staff time to partnership initiatives as capacity allows.
3. No funds will be committed to any partnerships without a majority MCF board vote.
4. All gifts given to any partnership must align with MCF's strategic policies and mission statement.

POLICY 3.0 INVESTMENT POLICY

The purpose of this statement is to establish guidelines for the prudent investment of the MCF's assets. In the process of identifying the investment strategies to be used, these guidelines provide stability in the management of the portfolio. This policy driven approach reduces the Board's propensity to act impulsively during volatile markets. The policy furthermore provides parameters for the portfolio by providing guidelines for selecting appropriate investments and classes of assets. It is recognized that from time to time the Board's attitudes, expectations, and objectives may change.

Therefore, the following policy statements are intended to be used as a guideline rather than a rigid statement of policy from which there can be no deviation.

POLICIES OF THE MOONLIGHT COMMUNITY FOUNDATION BOARD

1. Investment Philosophy
    a. The Board's investment philosophy is to exercise ordinary business care and prudence in its investment of MCF's assets considering the long and short-term needs of the Foundation in carrying out its charitable purposes, its present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions. The Board recognizes that the uncertainty of future events, volatility of investment assets, 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 and investment philosophy of MCF.
    b. Modern Portfolio Theory will form the basis of the investment philosophy. Correlation of asset classes will be applied to reduce risk when possible and remain consistent with the portfolio's investment goal. Future variations may occur as new asset classes become available or as the investment advisor makes moderate adjustments.
2. Duties and Responsibilities
    a. The responsibility for managing the investment process in a prudent manner regarding preserving principal while providing reasonable returns has been delegated to the Finance Committee by the Board of Directors. The treasurer's role is to provide guidance to the Finance Committee on matters pertaining to the investment of the Plan's assets including Investment Policy, investment selection, monitoring the Plan's performance and compliance with the Investment Policy and Funding Objectives. All decisions pertaining to the Investment Policy and guidelines for the Investment Policy's implementation will be made by the Finance Committee. The Finance Committee, in carrying out the Investment Policy, has authority and responsibility to select appropriate investments in the specific asset classes mandated in Appendix 1 of this Investment Policy, in accordance with (and subject to) the terms of an investment management agreement.
3. Investment Guidelines
    a. For the benefit of its beneficiaries, MCF seeks to deliver a true rate of return after adjustment for inflation. Risk of loss of purchasing power due to inflation is a primary concern and some short-term reasonable volatility must be incorporated to offset this risk. A reasonable rate of return on an annualized basis is acceptable over the time horizon stated for the portfolio. The portfolio will therefore take appropriate risk commensurate with achieving this goal. In any appropriate asset category

or investment utilized, the goal rate will be the market return for that particular asset category or investment. All transactions must be undertaken for the sole interest of MCF's portfolio and its beneficiaries.

i. Asset Allocation
    1. It will be the policy of MCF to invest assets with an allocation as shown in Appendix 1.

ii. Guidelines for the Equity Portfolio
    1. The equity portfolio will include U.S. and non-U.S. stocks and will be broadly diversified according to economic sector, industry, number of holdings, and other investment characteristics. Diversification will be achieved at the equity portfolio level and not necessarily at the individual style portfolio level. To produce overall diversification, equity managers may be selected to employ different equity management philosophies which together achieve the desired degree of diversification. Portfolios will be monitored for adherence to these philosophies. Decisions as to individual security selection, security size and quality, number of industries and holdings, current income levels, turnover and the other tools employed by active managers are left to broad manager discretion, subject to the usual standards of fiduciary prudence. Assets managed in a commingled vehicle or mutual fund are subject to the investment guidelines outlined in the prospectus or other governing agreement.

iii. Guidelines for the Fixed Income Portfolio
    1. The objective of investments in the fixed income portfolio are to provide a partial hedge against severe economic contractions, to diversify the Fund, to provide liquidity, and to contribute to the overall return. To achieve this goal, the fixed income portfolio should be comprised principally of investment grade, intermediate-to long-term fixed income securities. Assets managed in a commingled vehicle or mutual fund are subject to the investment guidelines outlined in the prospectus or other governing agreement.

iv. Risk Measures
    1. Risk measures will be incorporated in the form of standard deviation and initial acceptable levels will be limited by

comparison with the standard deviation inherent in the benchmark established in Appendix 2.

v. Time Horizon
   1. For the portfolio, evaluation and performance measures will be set to a 3-to-5-year period that is necessary to encompass at least one full market cycle.

vi. Rebalancing
   1. Assets should be rebalanced back to the Long-Term Allowable Ranges to ensure that the asset allocation remains an accurate reflection of the Plan's tolerance for risk. The following methods will be used to rebalance the Fund to the Long-Term Allowable Ranges: 1) rebalance using cash inflows and outflows; 2) rebalance quarterly, as needed based on market values; and 3) rebalance should actual allocations move outside of allowable ranges, pending discussion among the Finance Committee.

vii. Execution of Security Trades
   1. The MCF Board expects the purchase and sale of its securities to be made in a manner designed to receive the combination of best price and execution. The Finance Committee recognizes that mutual fund shares are purchased and sold at the net asset value next determined after receipt of the order, and that accordingly, best price and execution may not be applicable to such transactions.

4. Spending Policy
   a. Distributions will be made periodically from MCF investments as directed by the Finance Committee. Investment earnings will be distributed out of investment income after an appropriate allowance has been made for inflation in order to preserve the real spending power of the portfolio. The distribution of investment income is at the Finance Committee's discretion.
5. Monitoring of Objectives and Results
   a. All objectives and policies are in effect until modified by the Finance Committee. They will be reviewed by the Finance Committee on a periodic basis for their continued appropriateness and performance will be communicated annually to the Board of Directors.
   b. Both the Fund and the individually managed portfolios will be monitored on a continual basis for consistency in each manager's investment philosophy, return relative to objectives and benchmarks, and investment risk. The Finance Committee will review manager portfolios

on a quarterly basis. The performance of the total Plan will be measured against its policy index, which is presented in Appendix 2.

6. Appendix 1 (50/50)
    a. Asset Allocation Targets & Investment Policy Benchmark
    b. It will be the policy of MCF to invest assets with an allocation as shown below.

Asset Class	Long-Term Target	Long-Term Allowable Ranges
Equity Portfolio (1)	50%	40% - 60%
Large Cap Stocks	26.5%	18% - 35%
Mid Cap Stocks	7%	6% - 8%
Small Cap Stocks	4.0% .	2% - 6%
International Stocks	12.5%	7% - 18%
Fixed Income Portfolio (2)	47%	**42% - 5%**
Cash Portfolio	3%	0-5%

(1) Includes allocations to all equities including: large cap stocks, small cap stocks and international stocks. Allocations within the stock portfolio will be made at the discretion of the Executive Committee.

(2) Includes allocations to all fixed income including: core, high yield, and international bonds. Allocations within the fixed income portfolio will be made at the discretion of the Executive Committee.

7. Appendix 2
    a. Investment Policy Benchmark
    b. It will be the policy of the Board to utilize the following benchmarks as a guide in the evaluating the investment strategy for MCF.

Asset Class	**Index/Benchmark**
Large Cap Stocks	Russell 1000
Mid Camp Stock	S&P 400 Mid Cap
Small Cap Stocks	Russell 2000
International Stocks	MSCI ACWI Ex-US
Fixed Income Portfolio	Barclays Aggregate Bond Index
Cash Portfolio	90 Day T-Bill

POLICY 4.0 ENDOWMENT POLICY

1. Moonlight Community Foundation recognizes three types of endowment funds:
    a. Permanently Restricted Endowment Funds, which are comprised of Donor Restricted gifts that include provisions to keep the principal intact while spending a portion of all the earnings. These balances will remain at the total of amounts originally donated by each contributor.
    b. Temporarily Restricted Endowment Funds, which are comprised of earnings from a Permanently Restricted Endowment Fund that have not yet been released for spending. This may include earnings accumulated to maintain the purchasing power of the original gift.
    c. Board Designated Endowment Funds, which are comprised of funds set aside by the Board of Directors with the intent of keeping the principal intact. These funds may include corresponding earnings that have not yet been released, and any accumulated earnings to maintain the purchasing power of the original amount.
2. Moonlight Community Foundation shall maintain a record of all gift instruments which transfer endowment funds to the organization.
3. Moonlight Community Foundation shall establish a policy for the Release and Accumulation of Endowment Funds that considers the following:
    a. donor intent and/or restrictions
    b. duration and preservation of the endowment funds
    c. the organization's charitable mission
    d. the purpose of the endowment funds
    e. general economic conditions
    f. the possible effects of inflation and deflation on future purchasing power
    g. the expected total return from income and the appreciation of investments
    h. other resources within the agency
    i. the investment policy

POLICY 4.1 ENDOWMENT SPENDING POLICY

The combined Endowment Fund (Fund) of Moonlight Community Foundation is a pool of permanently endowed funds and quasi-endowment funds as designated by the MCF Board of Directors. The funds are accounted for separately but managed collectively, sharing in the investment earnings and current value of the combined Endowment Fund based on their respective percentages of the Fund's value. Combining individual funds for investment purposes creates greater flexibility in managing portfolios, thereby enabling MCF to develop a diversified investment approach to control risk and protect the assets of the combined Fund.

Therefore, this policy shall apply to Moonlight Community Foundation Endowment Funds:

1. Endowment Goal
    a. The goal of this endowment policy is to preserve the Endowment Fund capital; and provide long-term growth. Further, the spending policy is established to protect endowment income purchasing power from inflation.
    b. The following is intended to provide safeguards against possible erosion of Endowment fund balances.
2. Policy Statement
    a. Gifts of any size may be received by the Endowment Fund. While a fund is accumulating in value the draw will be reinvested into the fund to help it grow.
    b. MCF will spend or accumulate assets of the Fund as deemed prudent for the uses, benefits, purposes, and duration for which the Fund is established. Unless otherwise stated in writing, the assets of the endowment shall be donor restricted assets until appropriated for expenditure by MCF. In deciding to spend or accumulate assets, MCF shall act in good faith with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims and shall consider the following factors:
        i. Duration and preservation of the Fund
        ii. Purpose of the Fund and MCF
        iii. General economic conditions
        iv. Possible effect of inflation or deflation
        v. Expected total rate of return from income and appreciation of investments
        vi. MCF Investment Policy
        vii. Other resources of the Foundation
3. Based on the above considerations and industry practices, MCF's distribution rate will be set at 4%.
4. To reduce the risk of market fluctuations, the annual spending rate used to determine the annual draw will be applied to an average fund value, calculated as the 12-quarter trailing average of the fair market value of the combined Endowment. The amount of draw to be distributed in any given year shall not exceed the accumulated earnings on the funds.
5. This policy mandates the reinvestment of all earnings in excess of the annual draw. Earnings up to the spending rate may be expended for purposes designated by the donor, or by MCF where the funds are unrestricted. For example, a five percent spending rate means taking the 12-quarter trailing

average market value of an endowment at the beginning of a given year and authorizing the expenditure of five percent of the total in the following year. The market value at the end of a year for any given endowment fund is equal to the beginning market value plus earnings, less management fees, minus the draw distributed to MCF in accordance with the endowments' agreements.

POLICY 5.0 FINANCIAL STABILITY POLICY

1. It is the expectation that one years operating expenses be kept in an interest-bearing account at all times.
2. Any excess funds can be invested in alignment with the investment policy.