Kosciusko County Community Foundation, Inc.

Investment Policy

Adopted by the Kosciusko County Community Foundation Board of Directors on September 13, 2004.
Amended by the Kosciusko County Community Foundation Board of Directors on May 14, 2007
Amended by the Kosciusko County Community Foundation Board of Directors on March 9, 2009
Amended by the Kosciusko County Community Foundation Board of Directors on September 12, 2011
Amended by the Kosciusko County Community Foundation Board of Directors on January 9, 2012
Amended by the Kosciusko County Community Foundation Board of Directors on January 14, 2013
Amended by the Kosciusko County Community Foundation Board of Directors on January 13, 2015
Amended by the Kosciusko County Community Foundation Board of Directors on September 14, 2015
Amended by the Kosciusko County Community Foundation Board of Directors on January 11, 2016
Amended by the Kosciusko County Community Foundation Board of Directors on March 11, 2019
Amended by the Kosciusko County Community Foundation Executive Committee on June 10, 2019

I. DEFINITIONS

PURPOSE

The Investment Policy was adopted by the Board of Directors of the **Kosciusko County Community Foundation, Inc.** (the "Board") to direct the prudent management of its investment portfolio (the "Portfolio") in a manner consistent with the objectives stated herein. The Board has authorized the Finance Committee (the "Committee") to provide oversight of the Portfolio.

This Investment Policy shall be used by the Committee in its duty to oversee (in managing, monitoring and reporting on the investment portfolio) the Portfolio and by the Portfolio's Custodian, Investment Managers and Investment Consultant.

It is expected that the Committee will review this document annually. Any revisions will be recommended to the Board in writing.

SCOPE

This Policy applies to all assets that are included in the Foundation's Portfolio for which the Committee has been given discretionary investment authority.

FIDUCIARY DUTY

In seeking to attain the investment objectives set forth in the policy, the Committee and its members must act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person in like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims. All investment actions and decisions must be based solely in the interest of the Foundation. Fiduciaries must provide full and fair disclosure to the Committee of all material facts regarding any potential conflicts of interests.

DEFINITION OF DUTIES

Board of Directors

The Board has the ultimate fiduciary responsibility for the Portfolio. The Board must ensure that appropriate policies governing the management of the Portfolio are in place and that these policies are being effectively implemented. To implement these responsibilities, the Board sets and approves the Investment Policy and delegates responsibility to the Committee for implementation and ongoing monitoring. At least annually the Board will receive a performance report and review of the Investment Policy from the Committee.

Finance Committee

The Committee is responsible for implementing the Investment Policy. This responsibility includes approving investment strategy, hiring and firing of investment managers, monitoring performance of the Portfolio on a regular basis (at least quarterly) and maintaining sufficient knowledge about the Portfolio and its managers so as to be reasonably assured of their compliance with the Investment Policy.

Chief Executive Officer (CEO)

The CEO has daily responsibility for administration of the Portfolio and will consult with the Committee and Board on all matters relating to the investment of the Portfolio. The CEO will serve as primary contact for the Foundation's investment managers, investment consultant and custodians.

II. OBJECTIVES

The Performance Objective is to maximize total return of the Portfolio net of inflation, spending and expenses, over a full market cycle (generally defined as a five year period) without undue exposure to risk. For evaluation purposes, the Committee will be able to compare trailing returns of the Portfolio to that of the domestic and international stock/bond blend Reference Points. (Reference Points are described in the Implementation Section of this IPS, Section III).

The primary investment objective of the Portfolio is to provide a relatively stable, inflation adjusted, annual payout to support the Foundation's defined spending rate. There will be some inevitable volatility in principal value in this Portfolio, but it may offer the potential for a sustainable payout plus inflation protection over the long term.

STRATEGY

Because the Portfolio is expected to endure into perpetuity, and because inflation is a key component in its Performance Objective, the long-term risk of not investing in growth securities outweighs the short-term volatility risk. As a result, the majority of assets will be invested in equity or equity-like securities. Fixed income securities will be used to lower the short-term volatility of the Portfolio and to provide income stability, especially during periods of weak or negative equity markets. Other asset classes are included to provide diversification (e.g. international equities) and incremental return (e.g. small cap equities).

ASSET ALLOCATION

The Investment Consultant will proactively recommend changes to the asset allocation based on their determination of economic conditions and asset class valuations, but remain within the asset class ranges at all times. Should any category move out of acceptable range due to market movements, the Investment Consultant will use prudence in recommending a rebalancing of the portfolio, either immediately or over the subsequent few months.

Mason Investment Management Services (MIMS) D Asset Allocation Strategy

Asset Allocation Targets – "D" Portfolio

Asset Category	Rebalancing Trigger - Low End	Portfolio Percentage Allocation	Rebalancing Trigger - High End
Safety Assets			
Total Safety Assets		1.00%	
Income Assets			
Domestic Bonds:			
Short Term Maturities (1-5 yrs)	2.80%	4.00%	5.20%
Intermediate Term Maturities (5-10 yrs)	5.95%	8.50%	11.05%
Inflation Protected Bonds	2.80%	4.00%	5.20%
International Bonds	3.85%	5.50%	7.15%
Total Income Assets	**15.40%**	**22.00%**	**28.60%**
Growth Assets			
Large Cap U.S. Equities – Value	11.90%	17.00%	22.10%
Large Cap U.S. Equities – Growth	7.70%	11.00%	14.30%
International Equities – Value	4.90%	7.00%	9.10%
International Equities – Growth	3.50%	5.00%	6.50%
Growth Real Estate	4.90%	7.00%	9.10%
Total Growth Assets	**32.90%**	**47.00%**	**61.105**
Aggressive Assets			
Small Cap U.S. Equities – Value	7.70%	11.00%	14.30%
Small Cap U.S. Equities – Growth	3.50%	5.00%	6.50%
International Small Cap	4.20%	6.00%	7.80%
Energy/Natural Resources	5.60%	8.00%	10.40%
Total Aggressive Assets	**21.00%**	**30.00%**	**39.00%**
TOTAL PORTFOLIO		100.00%	

The Committee has the authority to adjust target asset allocation subcategories no more than plus or minus 5% of the portfolio. The Investment Consultant will require Committee approval if a new asset class is added or an existing asset class is adjusted by more than 5%.

REBALANCING

In maintaining these asset allocation targets, it is the intent of the Committee to keep the portfolio within the allowable allocation ranges. The Investment Consultant will assist in monitoring the portfolio with the intent of rebalancing to targets as necessary. The appropriateness of this allocation will be reviewed annually.

III. IMPLEMENTATION

It is the intent of the Committee to hire investment managers specializing in market segments to achieve the target asset allocation. The Committee's intent is to select and retain the best managers for each asset class.

TIME HORIZON

The Foundation seeks to attain investment results over a full market cycle. It does not expect that all investment objectives will be attained in each year and recognizes that over various time periods' investment managers may produce significant over or under performance relative to the broad markets. For this reason, long-term investment returns will be measured over a 5-year moving period. The Committee reserves the right to evaluate and make any necessary changes regarding investment managers over a shorter-term using the criteria establish under "Manager Performance Objectives" below.

MANAGER PERFORMANCE OBJECTIVES

The Investment Consultant shall report investment returns net of fees. Each investment manager will be reviewed on an ongoing basis and evaluated upon the following criteria:

a. Ability to meet or exceed the median performance of a peer group of managers with similar styles of investing;

b. Ability to exceed the return of the appropriate benchmark index (or closely track to its appropriate benchmark index for passive managers) and, for active equity managers, produce positive alpha (risk-adjusted return) within the volatility limits set in the following chart; and

c. Adherence to the guidelines and objectives of this Investment Policy.

SUMMARY of QUANTITATIVE PERFORMANCE OBJECTIVES

Benchmarks and Reference Points
Several evaluation benchmarks are required to measure both the success of the allocation strategy as well as the Managers used to implement the allocation. To measure the success of the allocation strategy, the Committee will use both Institutional Client Custom Portfolio Blends, as well as an Equity Biased Allocation Reference Point. These benchmarks are described below.

Institutional Client Custom Portfolio Blends
The Institutional Client Custom Portfolio Blends are a mix of taxable bond and equity asset classes. They are calculated by combining the target allocation of asset classes of the portfolio with market indexes that represent each asset class held. The returns are presented gross of Investment Consultant fees. The returns would be lower if modified for Investment Consultant fees.

The Institutional Client Custom D Portfolio Blend has a target allocation of 23% safety and income assets and 77% growth and aggressive assets.

The Portfolio, may achieve returns that are greater or less than these custom portfolio blends, depending upon the relative performance of the domestic and global investments performance of small versus large cap stocks among other factors.

Equity Biased Growth Reference Point:
This reference point, produced by Morningstar, includes all funds contained within the Morningstar Allocation – 70%-85% Equity. Allocation – 70%-85% equity portfolios seek to provide both capital appreciation and income by investing in three major areas: stocks, bonds, and cash. These portfolios typically have 70% to 85% of assets in equities and the remainder in fixed income and cash.

The Committee agrees that this is a reference point. The performance of the Portfolio may be greater or less, depending upon how aggressive the asset allocation strategy is relative to that of the Managers included in the reference point.

Benchmarks for Managers
To measure the success of the Managers used to implement the allocation, each Manager will be measured against its specific peer group, using a category average of mutual funds with the same asset class focus. Fund families whose performance has, in aggregate, tended to be superior when compared to relative performance of other fund families will be deemed acceptable and thus generally used.

Other Considerations
Although short term underperformance will be tolerated and closely monitored by the Consultant, Managers are normally expected to perform at or above their peer group averages over time. Both qualitative and quantitative measures have been developed to determine when a Manager termination is appropriate.

IV. GUIDELINES AND RESTRICTIONS

GENERAL

In seeking to attain the investment objectives set forth in this policy, the Board, the Investment Consultant, and the Finance Committee shall exercise prudence and appropriate care in accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA requires fiduciaries to apply the standard of prudence in investment decision making, stating "Management and investment decisions about an individual asset must be made not in isolation but rather in the context of the institutional fund's portfolio." All investment actions and decisions must be based solely on the interest of the Foundation. Fiduciaries must provide full and fair disclosure to the Committee of all material facts regarding any potential conflicts of interests.

The guidelines stated below apply to the holdings of the Foundation that are invested in **non-mutual** and **non-pooled** funds, where the investment manager is able to construct a separate, discretionary account on behalf of the Foundation. Although the Committee cannot dictate policy to pooled/mutual fund investment managers, it is the Committee's intent to select and retain only pooled/mutual funds with policies that are similar to that of the Foundation. All managers (pooled/mutual or separate) are expected to achieve all performance objectives and other subjective criteria. The goal of the Foundation is to ensure adequate diversity by institution and therefore no more than 30 percent of the Foundation's assets shall be custodied and/or managed by any single institution.

Each investment manager shall:

a. Have full investment discretion with regard to security selection consistent with this Investment Policy and is expected to maintain a fully invested portfolio (5% or less in cash);

b. Immediately notify the Committee in writing of any material changes in the investment outlook, strategy, portfolio structure, ownership or senior personnel;

c. Not invest in non-marketable securities;

d. In the case of international managers, maintain appropriate diversification with respect to currency and country exposure.

Equity Guidelines

Each equity investment manager shall:

a. Assure that no position of any one company exceeds 5% of the manager's total portfolio as measured at cost;

b. Vote proxies and share tenders in a manner that is in the best interest of the Foundation and consistent with this Investment Policy;

c. Maintain a minimum of 20 positions in the portfolio to provide adequate diversification; and

d. Maintain adequate diversification among economic sectors by investing no more than 40% of the portfolio in any one economic sector, as defined by the relevant benchmark.

Fixed Income Guidelines

a. The overall weighted average credit quality of the fixed income portfolio will be maintained at a rating of **"A"** or better by Moody's or **"A"** or better by Standard & Poor's;

b. Hold no more than **25%** of the fixed income portfolio in investments rated below investment grade (**below Baa/BBB**) and no investments in securities rated below "B-/B3". Split rated securities will be governed by the lower rating;

c. Maintain a duration within +/-20% of the effective duration of the benchmark index;

d. With respect to the corporate sector of the portfolio, invest no more than **25%** of the portfolio in any one economic sector. Economic sectors are broadly defined as finance, industrial and utility issues.

e. Assure that no position of any one issuer shall exceed 5% of the manager's total portfolio as measured at cost value except for securities issued by the U.S. government or its agencies.

DERIVATIVE SECURITIES

Not allowed without Board's consent. No leverage.

For definition purposes, derivative securities include, but not limited to, Structured Notes*, lower class tranches of collateralized mortgage obligations (CMO's)**, principal only (PO) or interest only (IO) strips, inverse floating rate securities, futures contracts, options, short sales, and margin trading.

Under no circumstances shall the investment managers utilize derivative securities without the express written consent of the Committee. This consent shall include the type of allowable derivatives and approved uses of the instrument. No consent will be given for any derivative security used for the purpose of leveraging the portfolio's investments. (If the Committee specifically approves options and futures, such positions must be offset in their entirety by corresponding cash or securities.)

For Index Fund managers only, financial futures and options may be utilized solely for the purpose of mirroring the performance and risk characteristics of the specified index. Under no circumstances is the manager authorized to leverage the portfolio (creating greater than 100% exposure to the market). Any other use of derivative securities is expressly prohibited.

The Committee shall consider certain criteria including, but not limited to, the following in its evaluation of a derivative strategy:

a. Manager's proven expertise in such category.

b. Value added by engaging in derivatives.

c. Liquidity of instruments.

d. Actively traded by major exchanges (or for over-the-counter positions, executed with major dealers).

e. Manager's internal procedures to evaluate derivatives, such as scenario and volatility analysis and duration constraints.

*Investment in "conservative" structured notes that are principal guaranteed, unlevered, and of short-to-intermediate maturity is permitted.
**Lower class as defined by Federal Financial Institutional Examination Council (FFIEC).

V. MONITORING AND REPORTING

CUSTODIAN

The custodian is an integral part of managing and overseeing the Foundation's portfolio. Open communications with the Foundation, its investment managers and consultant will ensure accurate and timely reporting, and may provide early detection of any unexpected compliance or reporting problems.

The custodian shall:

a. Provide monthly transaction reports no later than the **tenth** business day following month end, and monthly asset reports no later than the **tenth** business day following month end.

b. Provide the Foundation, its investment managers, auditors and consultant special reports as reasonably requested; and

c. Communicate immediately any concerns regarding portfolio transactions or valuation, or material changes in trustee personnel or procedures.

d. Provide other reports or information as may reasonably be requested by the Foundation or its consultant.

e. Send representative to quarterly Investment Committee Meetings.

INVESTMENT MANAGERS

Open communication between the investment managers, the Foundation and its consultant are critical to the success of the Foundation. For managers managing Foundation holdings in non-mutual and non-pooled funds, the following shall be provided by the manager in its **annual** meeting with the Committee.

a. A written review of key investment decisions, investment performance and portfolio structure.

b. An organizational update, including a report on any and all changes in organizational structure, investment personnel and process and a list of new relationships or clients that have terminated their services.

c. A review of the managers understanding of investment guidelines and expectations and any suggestions to improve the policy or guidelines.

In addition, the following is required of each investment manager:

a. **Monthly** transaction and asset statements shall be provided to the Foundation, its consultant and custodian no later than the **tenth** business day following month end;

b. **Quarterly** performance reviews;

c. **Immediate notification** to the Foundation and its consultant of any exceptions to this investment policy with a recommended plan of action to correct the violation;

d. **Annual** summary of proxy voting and soft dollar brokerage as defined in the respective sections of this Investment Policy;

e. Other reports or information as may reasonably be requested by the Foundation or its consultant.

INVESTMENT CONSULTANT

The Investment Consultant is responsible for assisting the Committee in all aspects of managing and overseeing the Foundation's investment portfolio. The consultant is expected to be the primary source of investment education and investment manager information. On an ongoing basis the consultant will:

a. Provide the Committee with quarterly performance reports within **45** days following the end of the quarter;

b. Meet with the Committee **quarterly**, or more frequently as needed;

c. Monitor Investment Policy adherence of performance objectives and report any deficiencies to the CEO and/or Finance Committee;

d. Monitor the activities of each investment manager or investment fund and report to the Committee on activities as needed;

e. Provide the Committee with an annual review of this Investment Policy, including an assessment of the Foundation's current asset allocation, spending policy and investment objectives;

f. Provide advice and assistance on rebalancing and investment of new money as needed;

g. Ongoing review of investment/manager custodian fee structure.

h. Share Investment Consultant asset allocation and investment fund changes quarterly.

i. Provide educational material preparation and or presentation and periodic fiduciary education publications.

j. Supply the Committee with other reports or information as reasonably requested.

VI. ADDITIONAL POLICIES

NON-PERMANENT ASSETS

The Community Foundation holds Non-Permanent Funds to serve donors charitable goals. These component funds meet specific needs, which generally require preservation of principal. Time horizons for the use of these funds may be immediate up to five years in length. In some cases the time horizon is much longer such as the case with the Community Foundations own operating funds.

The Objectives of the Non-Permanent Pool are:

- Capital preservation consistent with liquidity constraints
- Generation of income to cover KCCF administrative and investment fees

- Maintenance of adequate level of liquidity to meet cash flow needs of unexpected grantmaking
- Growth of Funds

Mason Investment Management Services (MIMS) A Asset Allocation Strategy

Asset Allocation Targets – "A" Portfolio

Asset Category	Rebalancing Trigger - Low End	Portfolio Percentage Allocation	Rebalancing Trigger - High End
Safety Assets			
Total Safety Assets		13.00%	
Income Assets			
Domestic Bonds:			
Short Term Maturities (1-5 yrs)	15.40%	22.00%	28.60%
Intermediate Term Maturities (5-10 yrs)	12.60%	18.00%	23.40%
Inflation Protected Bonds	3.50%	5.00%	6.50%
International Bonds	3.50%	5.00%	6.50%
Total Income Assets	**35.00%**	**50.00%**	**65.00%**
Growth Assets			
Large Cap U.S. Equities – Value	6.30%	9.00%	11.70%
Large Cap U.S. Equities – Growth	3.50%	5.00%	6.50%
International Equities – Value	2.45%	3.50%	4.55%
International Equities – Growth	1.40%	2.00%	2.60%
Growth Real Estate	1.40%	2.00%	2.60%
Total Growth Assets	**15.05%**	**21.50%**	**27.95%**
Aggressive Assets			
Small Cap U.S. Equities – Value	3.50%	5.00%	6.50%
Small Cap U.S. Equities – Growth	2.10%	3.00%	3.90%
International Small Cap	1.75%	2.50%	3.25%
Energy/Natural Resources	3.50%	5.00%	6.50%
Total Aggressive Assets	**10.85%**	**15.50%**	**20.15%**
TOTAL PORTFOLIO		100.00%	

The Committee has the authority to adjust target asset allocation subcategories no more than plus or minus 5% of the portfolio. The Investment Consultant will require Committee approval if a new asset class is added or an existing asset class is adjusted by more than 5%.

GIFTS WITH CONDITIONS ATTACHED

Unusual gifts, gifts that have conditions attached, or gifts that require the Kosciusko County Community Foundation, Inc. to assume an additional or a specific liability will be reviewed by the Committee and approved by the Board of Directors. By way of example, but not limited to: land gifts which require the Foundation to assume a property tax liability; gifts of improved property which would require maintenance or management; a very large gift for a service the Foundation does not currently offer which would require approval from somebody other than the Foundation; gifts designated for the purposes not obviously related to the Foundation's current mission and services; and, gifts that are so restricted that the Foundation would be required to expend the funds to a particular individual.

POLICY ON DONATED SECURITIES

The general policy of the Foundation is that securities be immediately sold. The donor may request that they be held for a certain period of time, and if so at this point the CEO should consult with the Committee. In special circumstances, the Committee may direct that certain securities be held for a specified time.

ADMINISTRATIVE FEE POLICY

All funds will be assessed an Administration Fee. Fees are calculated quarterly. Non-permanent funds held less than 12 months will be charged the full 2% fee and labor-intensive funds could result in higher fee rates.

Type of Fund		Fee Charged in %
Permanent Endowment Funds:		
• Agency, Designated, Donor Advised & Field of Interest		1%
• Scholarship and Unrestricted		2%
Non-Permanent Funds:		
• Agency, Designated, Field of Interest, Scholarship & Unrestricted		2%
• Donor Advised Funds	$0 to $149,999	2%
	$150,000 to $299,999	1%
	$300,000 to $449,999	.5%
	$450,000 and above	.25%

For a full explanation of fee calculations, request a copy of our Administrative Fee Policy.

SPENDING POLICY

The spending policy for ***endowment*** funds of the Foundation is based upon a total return investment approach. Unless otherwise provided under the terms of an applicable gift instrument, the Foundation may appropriate or accumulate so much of an endowment fund that the Foundation determines is prudent for the uses, benefits, purpose, and duration of the endowment fund. Specifically, the ordinary income, capital appreciation (realized and unrealized), and principal (including historic dollar value(1) and any principal contributions, accumulations, additions, or reinvestments) allocable to the fund, net of any applicable fees and expenses, may be committed, granted, or expended pursuant to the provisions herein.

The allowable distribution (grant) from an endowment fund, over and above fees and expenses allocable to the fund, shall be of the current year's spending rate multiplied by the average ending market value of the endowment fund for each of the prior twenty quarters, using the Foundation's fiscal year ending June 30 pursuant to the procedures described in the paragraph immediately below. Annually, the spending rate shall be determined by the board of directors after a recommendation from the finance committee. The Foundation is not required to distribute the maximum amount calculated under this policy and may instead accumulate part or the entire amount for investment and use in future periods. In particular, the Foundation shall not make distributions from any fund with a total balance of less than $5,000.

(1) "Historic dollar value" means: (i) the aggregate fair value in dollars of an endowment fund at the time it becomes an endowment fund, (ii) each subsequent donation to the fund at the time the donation is made, and (iii) each accumulation required under the gift instrument to be added to the fund.

Endowment funds that have been in existence and funded for less than twenty quarters, using the Foundation's fiscal year ending June 30, will use a smoothing rule to determine distribution (grant) amounts until they have been held for a full twenty quarters. There will not be a distribution (grant) from an endowment fund in the fiscal year it is created and funded, unless otherwise provided in the endowment fund agreement. This initial year will be used to allow for the growth of the endowment fund. Unless otherwise provided by the fund agreement establishing the endowment fund, the distribution (grant) amount for the first full year of an endowment fund after it has been created and funded will be calculated by multiplying the spending rate times the average of the ending market values of its prior four quarters ending market values; for its second full year the spending rate times the average of its prior eight quarters ending market values; for its third full year the spending rate times the average of its prior twelve quarters ending market values; for its fourth full year the spending rate times the average of its prior sixteen quarters ending market values; and for its fifth full year and thereafter, the spending rate times the average of the prior twenty quarters ending market values shall be used.

In preparing its recommendation for the board the finance and investment committee shall consider the following factors when determining how much to appropriate or accumulate:

a. The duration and preservation of the endowment fund;
b. The purposes of the Foundation and the endowment fund;
c. General economic conditions;
d. The possible effects of inflation or deflation;
e. The expected total return from income and the appreciation of investments;
f. Other resources of the Foundation; and
g. This Spending Policy statement.

The Foundation, in its sole discretion, may revoke, modify, or amend this spending policy at any time.

Spending Policy Adopted by the Board of Directors September 8, 2008

VII. ACKNOWLEDGEMENT

We recognize the importance of adhering to the mission and strategies detailed in this document and agree to work to fulfill the objectives stated herein, within the guidelines and restrictions, to the best of our ability. We acknowledge that open communications are essential to fulfilling this mission and if at any time we wish to discuss improvements to this document they are welcome and should be referred through the Foundation or its consultant.

<Foundation> (date)

<Custodian > (date)

< Investment Consultant > (date)