I. Purpose

This Investment Policy Statement (the "Policy") has been prepared for the Citrus County Community Charitable Foundation, Inc. (the "Foundation"), a Florida private, not-for-profit corporation that is tax exempt under Section 501 (c)(3) of the Internal Revenue Code, or corresponding section of any future federal tax code. The purpose of this Policy is to govern the investment practices of the Foundation so that all individuals with either direct or indirect responsibility may understand their respective responsibilities in prudently managing the Foundation's investment assets; to provide a clear statement of the Foundation's investment objectives; to establish guidelines for the prudent investment of the Foundation's assets in compliance with the Foundation's enacting legislation (Florida Chapter 2014-254), Section 617.2104 Florida Statutes, Articles of Incorporation, and Bylaws, and other applicable law; and to identify or provide target asset allocations, permissible investments, diversification requirements, and investment constraints. In the process of identifying the investment strategies to be used, the guidelines in this Policy provide stability in the management of the portfolio. The policy also provides parameters for the portfolio by providing guidelines for selecting appropriate investments and classes of assets; although the asset allocation strategy may change depending upon grants, operating expenses and future contributions.

II. Philosophy Statement

The Foundation's investment philosophy is to exercise ordinary business care and prudence in its investment of Foundation assets considering (a) the long and short-term needs of the Foundation in carrying out its charitable purposes, (b) its present and anticipated financial requirements, (c) expected total return from and appreciation of investments, (d) general economic conditions, (e) potential effects of inflation or deflation and other pricing trends, (f) expected tax consequences, if any, and (g) the role and impact of specific investments within the overall investment of the Foundation's portfolio.

The Foundation 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; however, the Foundation's assets will be managed with a goal of long-term preservation of capital while maximizing the return on invested assets on a total return basis taking into account the need for a reasonable level of liquidity, subject to the constraint of minimizing risk and expenses. This is done through prudent investing, maintaining a diversified portfolio, planning, and regular monitoring of investment performance.

The Policy for the Foundation was developed by the Investment Committee (the "Committee") of the Foundation's Board of Directors. The policies set forth in this document were arrived at after a deliberate and focused review of the unique needs and circumstances of the Foundation. This document is intended to serve as a plan of action, investment policy, operating code and communications link between the Committee and:

a. its own members;
b. its investment managers;
c. its professional advisors
d. The Board of Directors; and
e. the Sole Member.

In addition, this Policy records the Committee's diligent examination and evaluation of the most suitable combination of risk level and rate of return that will be responsive to the Foundation's charitable funding needs.

III. Definitions.

None.

IV. Investment Goals and Objectives.

a. ***Investment Goal.*** The investment objective for the Foundation's assets is to enhance or increase the return of available funds, within a reasonable level of liquidity while experiencing low level risk and expenses.

b. ***General Guidelines***

   i. All investment transactions shall be for the sole benefit of the Foundation on behalf of the citizens of Citrus County, Florida. Any investment not expressly permitted under this Policy must be formally reviewed and approved by the Board of Directors.

ii. The Board of Directors will endeavor to operate the Foundation's Investment Program in compliance with all applicable state, federal and local laws and regulations concerning management of investment assets and institutional funds. All investment activity shall be in compliance with Federal Compliance Guidelines for 501(c)(3) Public Charities to ensure maintenance of tax-exempt status and to avoid penalties; and shall be in compliance with State of Florida Guidelines as stated in Chapter 617, Florida Statutes.

iii. The Board of Directors shall endeavor to ensure that the Foundation maintains active registrations with the: Division of Corporations of the Florida Department of State; Florida Department of Agriculture and Consumer Services; Chapter 496, Florida Statutes; and the Solicitations Contributions Act.

iv. A copy of this Policy shall be provided to all members of the Investment Committee, Investment Committee Advisory Board, investment managers and all other consultants or advisors engaged to assist the Foundation in managing and investing its assets. A copy of this Policy shall be made available to the public on the Foundation's website.

v. The Foundation's investment philosophy is based upon the recognition that over time, in all economic environments, there will be an inflationary loss of purchasing power. The Foundation should be managed to achieve growth greater than the inflation rate and support the Foundation's charitable funding distributions. A further objective is to control the short-term volatility of the portfolio's results, to the extent possible, given the long-term objectives, strategies and spending policies of the asset pool. The portfolio will be maintained in a diversified pool of investments, which are invested using a "total return" philosophy, without direct consideration for the Foundation's ability to generate current income to meet its obligations.

vi. The investment of funds will be in good faith and with the care an ordinarily prudent person would exercise; with diversification of investments, unless reasonably and prudently determined that the purpose of the Foundation is better served without diversification; with the duty to exercise expertise by those who are selected to manage funds; and with prudent monitoring of external agents used in managing funds. The following factors are considered in the Foundation's prudent management of investments:

1. General economic conditions.
2. Possible effect of inflation or deflation.
3. Role that each investment or course of action plays within the overall investment portfolio.
4. Expected total return (income and appreciation).
5. Other resources of the Foundation.
6. Needs of the Foundation to make distributions and to preserve capital.

c. ***Investment Constraints.***

i. Assets are invested, with sufficient diversification, to achieve returns within a reasonable and prudent level of risk.

ii. Transactions shall be executed at a reasonable cost, taking into consideration prevailing market conditions and services and research provided by the executing broker.

iii. ***Permitted Investments***. Permitted investments shall be determined by the Board upon recommendation from the Investment Committee.

iv. ***Prohibited Transactions***. Prohibited transactions shall be determined by the Board upon recommendation from the Investment Committee.

v. ***Fees.*** Permitted fees and other fee guidelines shall be determined by the Board upon recommendation from the Investment Committee.

vi. ***Time Horizon***. Investment guidelines for the portfolio are based upon an investment horizon of a normal market/economic cycle (four to six years); therefore, interim fluctuations should be viewed with appropriate perspective.

vii. ***Risk Tolerance***. Risk tolerance guidelines shall be established by the Board upon recommendation from the Investment Committee.

V. Asset Allocation and Rebalancing

a. The Committee has established the following target asset allocation for the Foundation investment portfolio. While the asset allocation represents the long-term target for the total investment portfolio, allocation ranges have been provided to allow for reasonable fluctuations in the market value of the assets. However, since the target allocation also represents a specific risk/reward posture for the portfolio, it is the intention of the Committee to periodically rebalance the portfolio as detailed below in the asset allocation table.

b. ***Allocation Range***. Asset allocation targets and ranges shall be determined by the Board upon recommendation by the Investment Committee.

Asset Class	Target	Range	Primary Benchmark	Secondary Benchmark
Global Equity & Equivalents	80%	70-90%	MSCI ACWxUS	CPI +7%
Fixed Income & Equivalents	10%	5-20%	Bloomberg Barclays US Aggregate Bond	
Alternative Investments**	10%	0-20%	Alternative Policy Index*	CPI +4%
REITs / Real Estate	10%	0 - 20%	NAREIT / NCREIF	
Cash & Equivalents	0%	0 - 5%		
Total Portfolio			80% MSCI ACWxUS, 10% Bloomberg Barclays US Aggregate, 10% NAREIT/MCREIF	CPI+6%

*The overall objective of the alternative portion of the portfolio, if utilized, is to reduce the overall volatility of the portfolio and enhance returns. This portion will be measured against an appropriate benchmark, which will be determined based on investment type at the time of investment.
**Benchmark and allocation targets will default to “fixed income” if these portfolios are not funded. Targets and ranges above are based on market value of total Foundation assets.

c. ***Cash Flows and Rebalancing***. The Committee will consider asset classes that are listed in the table but are not part of the current target allocation “allowable” under this Policy. Over time in the pursuit of its investment objectives, inflation protection or risk control, the Committee may determine that investment in one or more of these asset classes are warranted. If it is determined that a long-term strategic investment in one of these asset classes is appropriate, the target policy will be modified to include an allocation to the respective additional asset class.

Any strategic changes to the target policy allocation must be approved by the Board of Directors in advance of implementation.

The Committee will monitor the aggregate asset allocation of the Foundation, and will rebalance to the target asset allocation based on market fluctuations that cause the overall asset allocation to fall outside of the listed ranges. If at the end of any calendar quarter, the allocation of an asset class (or aggregate group) falls outside of its allowable range, barring extenuating circumstances such as pending cash flows or allocation levels viewed as temporary, the asset allocation will be rebalanced into the allowable range. To the extent possible, cash contributions into and withdrawals from the Foundation will be executed proportionally based on the most current market values available. The Committee does not intend to exercise short-term changes to the target allocation. Investment managers are not expected to accumulate significant cash balances and will be provided written instructions for any deviation from this policy. Cash flows and rebalancing guidelines shall be as recommended by the Investment Committee.

VI. Measurement and Evaluation of Investment Performance

a. ***Performance Objective (Expected Return).*** Upon recommendation from the Committee, the Foundation Board shall approve a long-term performance objective that guides the investment activities of the Committee.

   i. Given the stated purpose of the Foundation, the Committee realizes the necessity of a long-term horizon when formulating investment policies and strategies. When evaluating the soundness of managers and strategies, the performance results of the Foundation’s various segments will generally be measured over a three to five year period. However, given the volatility of the capital markets, performance will be monitored on a quarterly basis as a means of identifying developing long-term trends. All investment results will be evaluated on a net total return basis (after all management fees and transaction related expenses). The specific objectives of the Foundation are as follows:

1. Earn an average annual rate of return that exceeds the Consumer Price Index for All Urban Consumers (CPI-U) by 2%.
2. Earn an average annual rate of return that exceeds the return of the target benchmark index as defined in section V.b. of this Policy.
3. In addition, it is expected that the long-term rate of return earned by the Foundation portfolio (as well as manager segments) will rank above the median when compared to a representative universe of other, similarly managed portfolios.

b. ***Allowable Investments***. Unless otherwise specifically stated in a manager addendum, each investment manager may invest and reinvest the assets in a diversified portfolio of fully negotiable, US dollar denominated fixed income, equity and money market securities provided they meet the following criteria: (sections VI.b.ii. through b.v. refer to the purchase or holding of individual securities; pooled fund guidelines are detailed in Section VI.b.i).

i. ***Pooled Funds.*** Investments made by the Foundation may include pooled funds. For purposes of this Policy pooled funds may include, but are not limited to, mutual funds, commingled funds, exchange-traded funds, limited partnerships, hedge funds and private equity.

Pooled funds may be governed by separate documents which may include investments not expressly permitted in this investment policy. In the event of investment by the Foundation into a pooled fund, the Foundation will adopt the prospectus and the investment policy of that pooled fund as part of this Policy.

ii. ***Equity Securities.***

1. Investment in all equity securities shall be limited to those actively traded on major stock exchanges and over-the-counter markets. Investments in individual companies must meet a minimum market capitalization requirement of $100 million.

2. No more than 7% of the market value of an investment manager's portfolio may be invested in the shares of a single issuer.

3. Investment in companies that have been publicly traded for less than one year are limited to no more than 10% of the market value of the total equity portfolio.

4. Investment in shares issued by companies outside the United States will be limited to securities of foreign corporations traded on major US exchanges or over-the-counter markets as well as US Dollar denominated mutual/commingled investment funds.

iii. ***Fixed Income Securities.***

1. Investment in individual corporate fixed income securities shall be limited to securities rated as investment grade (BBB/Baa) or better by either Standard & Poor's or Moody's at the time of purchase. Securities downgraded below the minimum rating by both rating agencies after purchase shall be reported to the Committee in writing along with a suggested course of investment action regarding the security. The overall fixed income portfolio should maintain an average quality rating of “A” or higher at all times.

2. No more than 10% of the market value of an investment manager's portfolio may be invested in the securities of a single corporate issuer.

3. Investments in Collateralized Mortgage Obligations (CMOs) shall be limited to 20% of the market value of the total fixed income portfolio and shall be restricted to securities issued by GNMA, FHLMC, or FNMA.

4. The average maturity of the total fixed income portfolio should not exceed 15 years. The maximum duration of the total fixed income portfolio should not exceed 6 years.

iv. ***Cash Equivalent Securities.*** Investments in cash and equivalent securities shall be limited to the following:

1. High quality money market mutual funds, which invest in investment grade money market instruments rated A1/P1 or higher respectively by Standard & Poor's or Moody's.

2. Direct obligations of the United States Government with a maturity of one year or less.

3. Commercial Paper with a maturity of 270 days or less rated A1/P1 or higher respectively by Standard & Poor's or Moody's.

4. Bankers acceptances issued by the largest 50 banks in the United States (in terms of total assets).

v. ***Security/Property Donations.*** It is the philosophy of the Committee to not directly or internally manage any portion of the Foundation's assets. Only those assets that cannot be disposed of because of donor restrictions or a lack of feasible marketability or liquidity will be internally managed. When there are no direct restrictions or extenuating circumstances regarding the donation of securities, these donations should be liquidated and invested into the overall long-term Foundation investment pool.

c. **Prohibited Investments.** Unless otherwise specifically stated in a manager addendum or implicitly approved through the purchase of a pooled fund, each investment manager is prohibited from the use of leverage, margin or the purchase of restricted stocks when managing portfolios.

d. ***Performance Review***. The Board shall conduct an annual review of the Foundation's investment assets to verify the existence and marketability of the underlying assets or to satisfy themselves that such a review has been conducted in connection with an independent audit, if any, of the Foundation's financial statements. The review of investment results will focus on adherence to investment policies and guidelines.

VII. Portfolio Selection, Evaluation & Review

a. **Manager/Strategy Selection.** When evaluating new strategies or investment advisors the Committee will consider past performance and volatility as well as an analysis of the quality and stability of the management company offering the investment. The Committee may add to or replace a portion of the Foundation's current management structure for any reason including changing market conditions, new investment opportunities or the failure of an investment or management company to meet the quantitative or qualitative guidelines included in this investment policy.

b. **Frequency of Measurement.** The Committee shall meet periodically with its consultant to review the returns of the Foundation versus its performance objectives on both an absolute and a risk adjusted return basis. These periodic meetings will also serve as a venue to review, adjust and affirm the various components of the Policy. It is the responsibility of each custodian and investment manager to supply the Committee with monthly statements which detail the specific assets of the account including cost, current market value, and all income and principal transactions within the account. The Foundation shall report periodically to the Sole Member.

c. **Expected Interim Progress Toward Multi-Year Objectives.** The Committee will generally follow the time horizons set forth in Section V of this Policy when making judgments about indications of inferior performance or strategic effectiveness. However, investment managers for the Foundation should be advised that the Committee intends to track the Foundation's interim progress toward its multi-year goals. If there is a clear indication that performance is substandard, that the organization responsible for the investment has undergone detrimental management changes or that a general investment strategy has lost its effectiveness in the marketplace, the Committee will not feel constrained by this Policy from taking immediate corrective action.

d. **Adherence to Published Investment Style.** Investment managers should note that their selection as an investment advisor for a portion of the Foundation's assets was based upon a particular investment style or approach. The Committee will monitor the Foundation's portfolio segments to make certain that each manager's investment approach remains continuous and consistent. Failure to immediately communicate and provide information on any changes in investment style or philosophy may be used as grounds for dismissal without review.

e. **Proxy Voting for Separately Managed Accounts.** Each equity investment manager shall have the full authority to vote proxies related to equity investments. The investment manager should discharge voting duties with care and loyalty to those people on whose behalf he is investing. Each investment manager is expected to report, in writing, annually to the Committee, the proxy decisions that were made.

f. **Manager Meetings.** When deemed appropriate by the Committee, but not more frequently than on an annual basis, investment managers of separately managed accounts are expected to meet with the Committee or its designee to review management organization issues, portfolio performance and capital market outlook.

VIII. Criteria for Investment Manager Review. The Committee wishes to adopt standards by which judgments of the ongoing performance of a portfolio manager may be made. If, at any time, any three (3) of the following is breached, the portfolio manager may be warned of the Committee's serious concern for the portfolio's continued safety and performance. If any five (5) of these are violated the consultant may recommend a manager search for that mandate.

- Four (4) consecutive quarters of relative under-performance verses the benchmark.
- Three (3) year trailing return below the top 50th percentile within the appropriate peer group and under performance versus the benchmark.
- Five (5) year trailing return below the top 50th percentile and under performance versus the benchmark.
- Three (3) year downside volatility greater than the index (greater than 100), as measured by down market capture ratio.
- Five (5) year downside volatility greater than the index (greater than 100), as measured by down market capture ratio.
- Style consistency or purity drift from the mandate.
- Management turnover in portfolio team or senior management.
- Investment process change, including varying the index or benchmark.
- Failure to adhere to the Foundation's investment policy, investment manager addendum or other compliance issues.
- Investigation of the firm by the Securities and Exchange Commission (SEC) or other regulatory agency.
- Significant asset flows into or out of the company or strategy.
- Merger or sale of firm.
- Fee increases outside of the competitive range.
- Servicing issues – key personnel stop servicing the account without proper notification.
- Failure to attain a 60% vote of confidence by the Committee.

Nothing in this section shall limit or diminish the Committee's right to terminate the manager at any time for any reason.

IX. **<u>Distributions / Spending.</u>** The Foundation shall use for its charitable purposes no more than eighty percent (80%) of the earnings (dividends, interest and capital gains) in each subsequent fiscal year. The amount of such earnings each fiscal year for this purpose shall be the earnings for the subject year, less expenses during the following fiscal year. Earning funds may not be carried over from year to year except for one year only. If the earning funds are not appropriated and expended, then the amount of the unused earnings shall go to the principal of the funds and shall not be subject to charitable use. The principal plus appreciation thereon shall at all times remain in the fund and not subject to expenditure.

X. <u>**Foundation Board Duties and Responsibilities.**</u>

a. The Foundation Board has ultimate responsibility for the investment and management of the Foundation's assets; and is therefore responsible for preparing and maintaining this Policy, avoiding prohibited transactions and conflicts of interest, and providing oversight of the invested assets and accounts.

b. The Foundation Board may delegate its authority to an Investment Committee, and the Foundation Board may hire outside experts as investment consultants, advisors or managers.

XI. <u>**Investment Committee**</u>

a. There shall be an Investment Committee. The Investment Committee is authorized by the Foundation Board to act on its behalf subject to the guidelines and limitations set forth in this Policy.

b. ***Composition and Qualifications.***

   i. The committee shall consist of not less than three (3) members, at least two (2) of which shall be Directors from the Board.
   ii. Committee members may include a licensed financial planner, licensed security broker or certified public accountant. These individuals may also be Directors from the Board.
   iii. Committee members shall be bonded. If a committee member is already bonded, fees for such bonding shall be paid by the Foundation from its operating funds.
   iv. Committee members shall review, sign and comply with the Foundation's conflict of interest policy.

c. ***Meetings and Quorum.*** The Committee shall meet quarterly at a publicly noticed meeting with seven (7) days' notice. Three members present at a Committee meeting shall constitute a quorum. Other individuals that may be required at the meetings of the Investment Committee shall include a majority of the Advisory Committee, if established, the Treasurer, and the Foundation Attorney.

d. ***Duties and Responsibilities.*** The Committee is responsible for:

i. Evaluating and making recommendations to the Board about investing the Foundation's assets.
ii. Managing the investment assets of the Foundation by prudently selecting investment options that diversify account assets to meet an established risk/return profile; and on an annual basis, making recommendations to the Board regarding portfolio parameters.
iii. Developing recommendations regarding investment objectives, asset allocation strategies and performance guidelines.
iv. Recommending investment consultants, advisors, managers and other vendors to the Board.
v. Controlling and accounting for all investment, recordkeeping, and administrative expenses associated with the invested asset accounts.
vi. Monitoring and supervising all investment options, services and vendors; and reviewing and evaluating investment results.
vii. Providing monthly performance reports to the Board.
viii. Ensuring an annual audit review is completed by an independent auditor with service fees to be expended from the Foundation's operating account.
ix. Avoiding prohibited transactions and conflicts of interest.

e. ***Investment Committee Advisory Board.*** The Committee may elect to establish an Investment Committee Advisory Board for the purpose of providing investment guidance and advice. In the event such an advisory board is established, no member of the advisory board shall be considered a voting member of the Committee. Advisory board members shall review, sign and comply with the Foundation's conflict of interest policy. Membership on the advisory board requires a commitment from members to attend all meetings of the Investment Committee, as directed or otherwise required by the Investment Committee.

f. ***Policy and Investment Recommendations.*** The Committee and its consultant will review the investment objectives and restrictions for the Foundation at least annually. These periodic strategic investment evaluations will be used as a platform for considering whether any elements of the existing policy are insufficient or inappropriate based on current capital market conditions or the Foundation's financial position. In particular, the Committee and its consultant will review the following:

i. The Foundation's willingness to tolerate downturns in asset values.
ii. Any changes in the Foundation's time horizon assumptions.
iii. Any changes in the Foundation's rate of return objectives.
iv. Convincing arguments presented by investment managers.
v. Areas found to be important, but not covered by policy.

Any policy, investment or other recommendation required of the Investment Committee to be made to the Foundation Board, must be recommend for approval by a majority of both the Investment Committee members present, and an Investment Committee Advisory Board, if one is established, prior to being submitted to the Foundation Board for consideration for approval.

XII. **Policy and Guideline Review Procedures.** The Investment Policy Statement and all other investment management guidelines shall be reviewed not less than annually by the Investment Committee, who shall provide a recommendation and report to the Foundation Board as to any changes to the policy or other guidelines, or whenever circumstances change to the extent that the policies are ineffective or inappropriate.

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