Community Foundation of the Florida Keys

Investment Policy Statement

Approved in August 2008 by the Board of Governors
Amended February 2009
Amended May 2011
Amended June 2013
Amended March 15, 2016
Amended August 16, 2016
Amended February 21, 2017
Amended December 12, 2017
Amended April 21, 2020
Amended January 18, 2022

Any change to this policy should be communicated in writing on a timely basis to all interested parties.

Table of Contents

Background and Purpose

The Vision *of the Community Foundation of the Florida Keys is* to be the premier convener, connector, and catalyst for positive change in the Florida Keys by engaging partners, raising endowment funds, and leveraging resources to solve problems.

The Mission *of the Community Foundation of the Florida Keys is* to connect people, resources and needs through philanthropy.

Investment Policy Statement Overview

This Investment Policy Statement (IPS) has been prepared by the Community Foundation of the Florida Keys (“the Foundation”), a tax-exempt Public Foundation under IRS Code 501(c)(3). The asset allocation strategy may change depending upon grants, operating expenses, and future contributions. The Foundation has hired an Investment Consultant (Consultant) to assist in designing and maintaining investment policies.

The purpose of this IPS is to assist the Foundation and its Consultant in effectively supervising, monitoring, and evaluating the management of the Foundation’s assets. The Foundation’s investment program is defined in the various sections of this IPS by:

1. Stating in a written document the Foundation’s attitudes, expectations, objectives, and guidelines in the management of their assets.
2. Setting forth an investment structure for managing the Foundation’s assets. This structure includes various asset classes, investment management styles, asset allocation and acceptable ranges that, in total, are expected to produce an appropriate 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 of money managers on a regular basis.
4. Encouraging effective communications between the Foundation, Investment Advisor/Consultant, Portfolio Managers, and other interested parties.
5. Complying with all applicable fiduciary, prudence and due diligence requirements experienced investment professionals would utilize, and with all applicable laws, rules, and regulations from various local, state, federal and international political entities that may impact the Foundation’s assets.

Statement of Objectives

The objectives of the Foundation 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 current assets and all future contributions. The objective is to maintain the level of services and programs in relation to average cost increases. This objective implies a Target Return as follows: 5yr CPI+ annually approved Grantmaking Rate + Weighted Average Administrative Fee (1.2%). The Target Return is based on a trailing five-year calculation.

2. Achieve Target Return within reasonable and prudent levels of risk.

3. Maintain an appropriate asset allocation based on a total return policy to meet the foregoing criteria.

Risk Tolerances
The Foundation recognizes and acknowledges some risk must be assumed in order to achieve the long-term investment objectives of the portfolio, and there are uncertainties and complexities associated with contemporary investment markets. In establishing the risk tolerances for this IPS, the Foundation's ability to withstand short and intermediate term variability was considered. Some interim fluctuations in market value and rates of return may be tolerated in order to achieve longer-term objectives.

Time Horizon
The investment guidelines for the portfolio are based upon an investment horizon of greater than five years; therefore, interim fluctuations should be viewed with appropriate perspective. With the exception of natural disasters, short-term liquidity needs are expected to be minimal, however, any unanticipated needs will be met from cash, future contributions, or rebalancing activities.

Asset Class Guidelines

The Foundation believes that long-term investment performance, in large part, is primarily a function of asset class mix. The Foundation has reviewed the long-term performance characteristics of the broad asset classes, focusing on balancing the risks and rewards.

History shows that while interest-generating investments, such as bond portfolios, have the advantage of relative stability of principal value, they provide little opportunity for real long-term capital growth due to their susceptibility to inflation. On the other hand, equity investments, such as common stocks, clearly have a significantly higher expected return 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 portion of the portfolio is sufficiently long (five years or greater).

Considering the Portfolio's investment objective, time horizon, risk tolerances, performance expectations, and asset class preferences, a long-term asset allocation strategy was identified as Growth. The goal of this investment strategy is primarily to seek growth on the investment while working to protect against inflation by investing mostly in stocks as well as some bonds.

After the allocation strategy is implemented, the Consultant is responsible for rebalancing the portfolio.   Any change in methodology will be communicated to the Foundation in writing contemporaneously. When necessary and/or available, cash inflows/outflows will be deployed in a manner consistent with the strategic asset allocation of the Portfolio.

The following factors will also be considered, if relevant, in managing and investing the investment portfolio and including any specific institutional funds, except as a donor's gift instrument otherwise requires and consistent with the Florida adoption of the Uniform Prudent Management of Institutional Funds Act (UPMIFA):

- 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

Foundation's overall investment portfolio

- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The needs of the Foundation and a given institutional fund to make distributions and to preserve capital; and
- An asset's special relationship or special value, if any, to the purpose of the Foundation.

Duties and Responsibilities

Foundation Board of Governors
As a fiduciary, the primary responsibilities of the Foundation are:

1. Prepare and maintain an investment policy statement.
2. Prudently diversify the account 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 accounts.
5. Monitor and supervise all service vendors and investment options.
6. Avoid prohibited transactions and conflicts of interest.

Investment Committee
The Investment Committee is a standing committee comprised of representatives from the Board, Advisors, and Community. They are responsible for overseeing the management of Foundation assets. They shall act solely in the best interest of the Foundation and in concert with the mission of the Foundation. They are authorized to engage the services of investment professionals. The Investment Committee's responsibilities include:

1. Setting and revising investment policies that the Board must approve. Developing investment objectives, asset allocation strategies and performance guidelines.
2. The Investment Committee has the authority to make minor adjustments in the asset allocation policy without further Board approval, provided that the stock bond mix is not changed by more than 5 percentage points.
3. Selecting an Investment Advisor/Consultant, Investment Managers and Custodians.
4. Reviewing and evaluating investment results and approving changes as needed.
5. Providing periodic performance reports to the Board.

Investment Consultant
The Investment Consultant shall report to the Investment Committee and serve as a focal point for gathering all information from Investment Managers regarding current and historical performance as well as future plans. The Consultant shall

supervise and direct the investment of the Foundations portfolio as specified in this IPS. Supervision is continuous, with limited discretion. Limited discretion means that the Consultant is responsible for assessing the appropriateness of asset allocation strategies but does not have discretion to change the strategy without the Committee's approval. The Consultant has discretion to rebalance the portfolio to maintain the asset allocation using the methodology approved by the Consultant's Investment Committee. The Investment Consultant shall communicate with the Investment Committee on an on-going basis and provide written reports on a quarterly basis comparing the performance of Investment Managers with their targets and benchmarks. This Investment Policy Statement shall guide the Consultant.

Custodians

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

1. Value the holdings.
2. Collect all income and dividends owed to the portfolio.
3. Settle all transactions (buy sell orders).
4. Provide statements to the Foundation.

Control Procedures

Performance Objectives
The Foundation acknowledges fluctuating rates of return characterize the securities markets, particularly during short-term time periods. Recognizing short-term fluctuations may cause variations in performance, the Foundation intends to evaluate Consultant performance from a long-term perspective.

The Foundation is aware the ongoing review and analysis of the Investment Consultant is just as important as the due diligence implemented during the selection process. The performance of the Investment Consultant will be monitored on an ongoing basis, and it is at the Foundation's discretion to take corrective action by replacing the Investment Consultant if they deem it appropriate at any time.

Monitoring of Investment Consultant
The Foundation has determined it is in the best interest of the Portfolio's participants that performance objectives be established for the Investment Consultant. Results will be periodically evaluated and compared to appropriate indices (or peer-performance benchmarks).

Measuring Costs
The Foundation will periodically review 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 Consultant is demonstrating attention to "best execution" in trading securities.

The Foundation will review this IPS every five years to determine whether stated investment objectives are still relevant and the continued feasibility of achieving the same. It is not expected that the IPS will change frequently. In particular, short-term changes in the financial markets should not require adjustments to the IPS.

Reviewed and accepted by:

____

Jennifer McComb
President/CEO

____

Susanne Woods
Board Chair

____

John DeWald
Investment Committee Chair

January 18, 2022

Addendum 1: Changes in the Portfolio's Spending Rate

Prior to April 2013: 4.50%
Effective as of January 2013: 4.25%

The Portfolio's Spending Rate is to be reviewed annually by the Investment Committee and any revisions or reaffirmations of the current spending rate are to be approved by the Foundation's Board of Governors. This spending rate is intended to represent a rate that is sustainable given the Foundation's long term investment outlook, objectives, desired allocation, and administrative fee percentage. Potential future revisions could occur because of any changes in any of these objectives, but the Spending Rate is not expected to vary by more than ¼% per year.

Proposed to be retained at November 16, 2021, the Board of Governors adopted a policy that retains the 4.25% Spending Rate.

Addendum 2: Donor Recommended Investment Managers

Introduction
The Foundation recognizes that the pooling of invested assets reduces administrative and investment-related expenses and thereby allows more money to go toward the charitable good. For this reason, the Foundation has established certain limitations and guidelines for situations when a donor wishes to recommend a specific Investment Manager to hold his or her fund.

Policy
Upon request by a donor at the time of a gift and establishment of a fund, and subject to the approval of the Foundation's Investment Committee, the Foundation may enter into a contract with an individual Investment Manager or management firm ("Recommended Manager") to manage assets given to the Foundation by said donor, provided:

Minimum Requirements

- The donor is making a gift of the agreed upon minimum of $100,000 to the Foundation for the purposes of establishing a new fund.

- The donor requests in writing, as a condition of the gift, that the gifted assets be held by the Recommended Manager.

- The Recommended Manager, at a minimum, must be a registered investment advisor under the Investment Advisors Act of 1940.

- The donor does not have a family relationship with the Recommended Manager or with the employees or owners of the Recommended Manager's firm.

- The assets must be managed in a separate account belonging to the Foundation and the donor may exercise no control over that account.

Fees
- The donor acknowledges that the fees and expenses charged by the Recommended Manager will be deducted solely from the total return on the funds held by the Recommended Manager. The Foundation will discuss

these fees and expenses with the Recommended Manager to reach an agreement establishing fees and expenses that are commensurate with the services the Recommended Manager will provide.

- The donor agrees that an annualized Investment Consultant's fee will be deducted from the total return on the funds.

Investment Management

- The donor acknowledges, and the Recommended Manager agrees that the Recommended Manager will communicate regularly with the Foundation and/or its consultant, will provide monthly investment performance reports to the Foundation, and inquiry only access to account data, where possible, to the Foundation's investment consultant.

- The donor acknowledges, and the Recommended Manager agrees that the Recommended Manager will adhere to this Investment Policy, specifically the investment objective and asset allocation strategy of the chosen Pool, as well as all investment instructions, advice and guidance provided by the Foundation and/or its consultant and will be evaluated according to the same criteria and benchmark requirements as apply to the other investment Managers holding funds for the Foundation.

- The Recommended Manager will play a primary role in applying due diligence standards to the Managers held in their respective accounts, including monitoring. The investment consultant will accept or reject each recommended Manager recommendation in order to coordinate the overall Manager selections and the implementation of the allocations across all recommended Managers for and to assure that adequate due diligence procedures have been applied

- The Recommended Managers will provide the investment consultant with their best investment vehicles for the approved asset classes of the Foundation's asset allocations. The investment consultant, in collaboration with the Recommended Managers, will determine the best mix of Managers available within each asset class to ensure an accurate implementation of the approved asset allocations. The Recommended Managers will be responsible for continuous monitoring of the Managers that they hold and will bring to the attention of the investment consultant any changes required or new investment recommendations based on their ongoing research and monitoring.

In the event that a fund has investment accounts with more than one Manager, grants paid from the fund will be disbursed from the accounts on a pro rata basis.

Revocation or Termination

- The donor and the Recommended Manager acknowledge that the Board of Directors of the Foundation may, at any time, revoke the privilege of the donor recommendation. The donor acknowledges that I.R.S. regulations require that the Foundation Board retain the sole discretion to terminate the Foundation's relationship with the Recommended Manager, and to transfer the funds held by the Recommended Manager to other investment Managers under any facts or circumstances that the Board in good faith believes warrant such termination and transfer. Such facts and circumstances will include but not be limited to a determination made in the sole discretion of the Board that the Recommended Manager has failed to meet benchmark requirements; has failed to perform comparably to other Managers; has charged fees that are incommensurate with services provided; or has otherwise failed to perform as requested by the Foundation.

- In the case of an agency donor, the board of the agency must pass a resolution directing the agency to request that the Foundation enter into a contract with a specifically named Manager. The agency donor must supply that resolution to the Foundation at the time of making its request.

- Any funds managed on a standalone basis by a Recommended Manager will increase or decrease as a result of its standalone investment performance. For Recommended Managers managing funds folded into a Pool, investment earnings on the Pool will be allocated proportionately to the endowed fund established by the donor in the same manner that said earnings are allocated to all of the Foundation's other endowed funds.

- Each instance of the requests contemplated by this Investment Policy will be evaluated individually. As always, the Board reserves the right to refuse any gift deemed to be against the best interests of the Foundation.