

Cedar Springs Presbyterian Church Foundation

Statement of Investment Policy

Purpose of the Investment Policy

The Investment Committee has adopted, and the Board has approved, the Investment Policy (the “Policy”) for these purposes:

- Provide clear investment objectives and performance expectations for the Fund as established by the Investment Committee and the Board of Directors.
- Establish guidelines and parameters pertaining to the asset allocation and investment risk of the Fund.
- Provide clear performance benchmarks for the Fund in which to evaluate the total fund performance and each of its asset class segments.
- Maintain the continuity of investment management over time through changes in Board members, Committee members, investment consultants, investment managers and the securities markets.
- Encourage realistic expectations of investment performance by the Board and Committee members.

The Policy is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.

Statement of Purpose of the Investment Fund

The Investment Fund (the “Fund”), has been formed exclusively for the benefit of the Cedar Springs Presbyterian Church Foundation, (the ‘Foundation’), and consists of the long-term investment assets of the Foundation. The Fund does not include assets of short-term donor advised funds, funds for which the donor has directed the investment approach or operating accounts such as cash held for current-year grant purposes.

The Fund exists in perpetuity to support the programs, mission and ministries of Cedar Springs Presbyterian Church, Knoxville, Tennessee. The practice of the Foundation Board of Directors (the “Board”) is to distribute 5% of an average of the previous 4 quarterly values of the Undesignated portion of the fund as of December 31, net of budgeted expenses and such other distributions as required.

The Board has appointed the Investment Committee (the “Committee”) to oversee the day-to-day management of the Fund. Upon Board approval, the Committee will engage an Investment Manager and, if appropriate, an Investment Consultant to assist in fulfilling its duties. The Committee is responsible for managing the Fund in accord with the policies of the Foundation and prudent fiduciary standards, balancing the short- and long-term needs of the Foundation.

Statement of Investment Policy

Duties and Responsibilities

To help orient members of the Committee and the Board, please refer to the attached Appendix A for a description of the duties and responsibilities of the Investment Committee, Investment Consultant and Investment Managers.

Investment Objectives of the Fund

The goal of the Fund is the long-term growth of assets designed to maintain a consistent, growing, annual distribution to the Foundation for grant purposes. The Foundation desires to achieve this goal without losing purchasing power after allowing for inflation.

The Foundation's distribution policy is 5% of Fund assets, calculated as directed by the Executive Committee of the Board of Directors of the Foundation. The implication of the Foundation's 5% distribution policy is that the long-term objective of the Fund over 10-30 years is to achieve a minimum annualized investment return of at least the Consumer Price Index (CPI) plus 5%, net of fees, in order to maintain the buying power of the remaining principal in the fund.

The objective of the Committee and Board is to structure a diversified portfolio that gives the Fund the best opportunity to meet its distribution policy and retain buying power. The mix of asset classes shall be allocated based on prevailing market conditions which, at times, may require substantial allocations to equity and equity-oriented investments. However, it is expected that the mix of assets will be allocated in accordance to the investment guidelines as specified below.

It is also understood that the short-term volatility of the capital markets make the long-term objective, by itself, inadequate. Thus, the Committee and Board will have a shorter-term objective which is to meet or exceed a composite benchmark made up of a weighted average mix of manager benchmarks in the same weights as the managers. This composite benchmark is detailed below.

As a non-taxable entity, the Foundation equally regards capital gains, dividends and interest as income from the Fund, which provides the Committee with flexibility in its investment tactics to achieve these objectives

Statement of Investment Policy

Investment Guidelines

Approved and Restricted Investments: Investments in asset classes and security categories other than those listed below -- including mutual funds or exchange traded funds that invest in them -- should not be made without prior approval of the Board. .

Cash & Equivalents

Cash for current year spending and grant making should be distributed to a Foundation operating account and not be part of the Fund. The Fund should invest cash in interest paying securities with average maturities of less than 12 months. Cash funds should be immediately saleable in very liquid markets and demonstrate negligible price fluctuations. Examples include broker money market funds, Treasury bills and certificates of deposit. The purpose of cash is short-term liquidity, thus the Committee should not take on additional risks in order to beat cash benchmarks.

Fixed Income Investments

The Fund should invest the fixed income allocation in credit obligations of U.S. or foreign governments, government agencies, FDIC-insured financial institutions, or investment grade corporations. Fixed income investments should be of sufficient value to fund at least two years of expected distributions to the Foundation and provide a cushion of relatively stable value during downturns in other asset classes. Investments in below investment grade corporate bonds (high-yield or junk), convertible bonds or preferred stocks are not considered fixed income investments in this Policy, but may be used as a part of the alternative investments allocation.

Equity Investments

The Fund should be primarily invested in the common stocks or American Depository Receipts (ADRs) of U.S. or foreign corporations. The Committee may also invest in real estate investment trusts (REITs) as a part of the Fund's equity allocation.

Alternative Investments

The Board considers alternative investments to consist primarily of limited partnerships that invest in a diversified group of hedge funds (hedge fund of funds) that may include many different strategies designed improve the risk/return characteristics of the Fund while avoiding permanent loss of capital. Such investments must be managed by a fund or funds manager that has passed a due diligence examination by the Committee. The Committee may not invest in private equity or private real estate funds without Board approval.

Statement of Investment Policy

Asset Allocation Guidelines

The Fund shall employ a broadly diversified mix of asset classes and investment strategies allocated to achieve the investment objectives of the Foundation. The Fund's allocations are expected to be managed within the allowable ranges specified below.

| <u>Asset Class</u> | <u>Minimum</u> | <u>Maximum</u> |
|--------------------------|----------------|----------------|
| Equity Investments | 30% | 60% |
| Alternative Investments | 10% | 30% |
| Fixed Income Investments | 10% | 35% |
| Money Market/Cash | 0% | 15% |

Asset Class Correlations

It is the Board's objective to invest in diverse asset classes to help the Fund achieve a relatively consistent volatility and return over time, and support the liquidity needs of the Foundation. The Committee should therefore consider the historical correlations of asset classes with each other when making allocation decisions. The Board recognizes that actual correlations may change over time and, during short-term economic or credit crises, can radically depart from historic or normal patterns.

Rebalancing and Tactical Allocations

The minimum and maximum allocation ranges are set by the Board to provide guidelines on the rebalancing and tactical allocations of the Committee. It is the policy of the Board to invest in a broadly diversified mix of asset classes and investment strategies for the long-term and not to practice market timing. The ranges shown above provide leeway for the Committee to over- or under-weight allocations to defend against market risks or capitalize on market opportunities without abandoning the long-term investment intent of the Policy. The Board believes that regular rebalancing and tactical allocations may be successful, however there is no guarantee that they will achieve the Committee's objectives. Reasons for changes in the asset allocation or strategy mix should be to take advantage of market opportunities, improve the overall return and risk profile of the Fund or to meet the liquidity needs of the Fund. Any changes to the asset allocation or strategy mix of the Fund should be noted in Committee reports to the Board.

Investment Diversification

The Fund should be well diversified to avoid the risk of permanent losses of capital from any single asset class, investment strategy, investment manager or security.

Statement of Investment Policy

Investment Manager Performance

It is the responsibility of the Committee to monitor the performance of fund of funds partnerships, mutual funds and other investments compared to their peers and appropriate benchmarks. The Board recognizes that the performance of any manager can lag its peers and benchmarks for periods of time. However, it is expected that managers should meet or exceed their performance benchmarks, net of fees, over a market cycle which is typically 3-5 years. Managers should also rank in the top third of a peer group of similar managers over a market cycle (3-5 years). The Committee endorses replacing managers if they change their investment philosophy or process, take excessive risks, lose key personnel, experience ownership changes, or if there is other evidence that the manager is unlikely to produce superior performance in the future.

Investment Performance Reports & Evaluation

On a calendar quarter basis, the Committee will issue an investment performance report, including a time-weighted calculation of the investment performance compared to the Fund's composite benchmark, a static benchmark of US stocks and bonds, and a real return benchmark. The Fund's benchmarks are detailed below

Static Benchmark: The purpose of the Static Benchmark is to create a baseline measure for investment performance and risk. It will help the Committee assess if the Fund's asset allocation and manager decisions are generating excess returns with reasonable amounts of risk. The Static Benchmark will be comprised of a constant mix of 60% Russell 3000 Stock Index and 40% Barclay's Aggregate Bond Index.

Composite Benchmark: The purpose of the Composite Benchmark is to determine if the managers within each partnership or an individual manager of a fund are adding value through security selection and tactics. The Composite Benchmark will be comprised of a weighted average mix of the following benchmarks in the same weights as the Fund's underlying investment managers.

- US Equity – Russell 3000 Stock Index
- International Equity – MSCI EAFE Index
- Emerging Market Equity – MSCI Emerging Markets Index
- Fixed Income – Barclay's Aggregate Bond Index
- Alternative Strategies: HFR Fund of Funds Composite Index

Real Return Benchmark: The Real Return Benchmark will be comprised of the change in the Consumer Price Index (CPI) + 5% return.

Statement of Investment Policy

The Chairman of the Committee will present reports of performance to the Board at each Board meeting. The Committee will also supply a brief monthly email bulletin to the Board identifying monthly value changes and other noteworthy comments.

Frequency and Methods of Communication from the Investment Consultant

The investment consultant will provide quarterly reports in written format to the committee illustrating the performance of the funds on an absolute and relative basis. He/she will also be available to make oral reports to the committee during the quarterly meetings and at all other times to provide assistance to the committee in determining the relative and absolute performance and asset allocation of the funds. The investment consultant shall possess experience and qualifications, such as the Certified Investment Management Analyst designation (CIMA) to the satisfaction of the committee.

Adopted by the Board of Directors

This Statement of Investment Policy was duly adopted on the 28th day of March, 2011, by the Board of Directors of Cedar Springs Presbyterian Foundation.

Attest: _____
Secretary

By: _____
Chairman of the Board of Directors

Appendix A – Statement of Investment Policy Duties and Responsibilities

Investment Committee

The Committee will make decisions solely in the interest of the Fund and for the exclusive purpose of meeting the financial needs of the Foundation. The Committee shall discharge its duties with the same care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

The Committee is responsible for conducting its affairs with spiritual sensitivity. Investments in companies with major operations in alcoholic beverages, tobacco products, gaming products or services, abortion products or services, pornographic material or other businesses that pander to base or destructive habits should be avoided. The Board recognizes that the affairs of the Fund are conducted in a fallen world that will often surface questionable matters if one digs deep enough. For this reason, the Board has set no other specific rules and relies on the Committee to be arbiter of such judgments.

Members of the Committee shall receive no compensation from the Foundation, investment consultant or money manager, and are expected to abide by the Conflict of Interest Statement adopted by the Foundation Board.

The specific responsibilities of the Committee include:

- Assist the Board in establishing an investment policy that will provide the parameters for accomplishing the investment objectives of the Fund.
- With Board approval, retain an investment consultant.
- Retain money managers who will achieve the investment objectives of the Fund.
- Review and evaluate investment results in the context of the performance benchmarks and the guidelines of the Policy.
- Take necessary corrective action when the investment performance is inadequate, including replacing money managers when necessary.
- Ensure that the costs of investment are fair and competitive.
- Work with the Foundation staff to prepare for the annual distribution to the Foundation and other cash flow need.

Appendix A

Statement of Investment Policy

Investment Consultant

With approval of the Board, the Committee may engage the services of an Investment Consultant (the “Consultant”) who possesses the necessary specialized skills and manpower to assist the Committee in implementing the investment Policy of the Fund. In addition to assisting the Committee in performing its duties listed above, the Consultant is responsible for performing such duties as:

- Assist the Committee in the preparation and maintenance of the investment Policy.
- Communicate major changes in economic outlook, investment practices, or other factors which might influence the Committee’s investment decisions.
- Make recommendations regarding investment strategies, asset allocations, benchmarks, and other decisions in accordance with the investment policy.

Duties and Responsibilities

- Research, recommend, and upon Committee approval, engage money managers who are likely to achieve the investment objectives of the Fund. Manager performance compared to index returns, peer performance, and the provisions of the Foundation Policy.
- Recommend when a money manger should be rebalanced or dismissed.
- Prepare and present a performance report of the Fund investments on a regular basis. Provide other information required by the Committee.
- Recommend when to rebalance asset levels to target levels or to make tactical allocation changes.
- Select a custodian that provides required services at a fair, competitive cost. Help the Foundation establish accounts with the custodian and coordinate customer service and transaction requests.
- Implement the buying and selling of assets as approved by the Committee and the Board.
- Cast proxy votes on behalf of the Committee in the soul interest of the Foundation and with consideration of the religious sensitivity of the Board of donors.

Appendix A

Statement of Investment Policy

Investment Manager(s):

The Committee is authorized to engage Money Managers (“Managers”) who possess the necessary skills, research capabilities, and manpower to select specific securities within an asset class or investment style. These may be SEC-regulated Managers, such as mutual fund or separate account managers. Because the Fund is a qualified investor under SEC rules, it may also entrust assets to Managers who are not regulated by the SEC, such as hedge fund managers. The Managers are responsible for achieving the objectives of the Fund for the portion of assets allocated to them, within the constraints of the Policy.

Managers shall be responsible for such duties as the following:

- Decide when to buy, sell, or hold individual securities according to the investment process of the Manager.
- Provide information and access to Consultant. Inform them of any change in philosophy, personnel, ownership, or other development that could prevent the Manager from achieving expected success.
- Vote proxies for individual securities in the interest of the Foundation.

Appendix B
Conflict of Interest Policy & Acknowledgement Form
Investment Committee

RESOLVED that the Corporation shall not enter into transaction with another entity in which a member of the Investment Committee has an interest unless the transaction is approved by the Board as provided below.

Such a transaction may be approved by the Board of Directors if: (a) the material facts of the transaction and the interest of the Investment Committee member in the entity are disclosed to the Board of Directors; and (b) the Board of Directors authorizes, approves or ratifies the transaction.

For the purpose hereof, a member of the Investment Committee has an interest in an entity if, but not only if: (a) he or she is owner, partner, director, officer, or employee of the entity; or (b) he or she receives any compensation as a result of the transaction.

I, _____, acknowledge that
I have read the above policy and agree to its terms.

Date

Signature

Appendix C

Practices Governing the Investment Committee

Authority of Investment Committee

The Investment Committee is a committee of the Cedar Springs Presbyterian Church Foundation. The committee may exercise the Board's authority vested in it, subject to the limitations set out in Article II, section 2.3, paragraph a) of the Foundation By-Laws. The responsibilities of the Investment Committee are outlined in the Statement of Investment Policy, Appendix A.

Committee Membership

In order to have a strengthened relationship between the Investment Committee and the Board, a minimum of two Board members will serve on the Investment Committee. They include a Board member, who serves as Chair of the Investment Committee, and the Foundation Treasurer. Both are voting members of the Committee. The Committee is comprised of a total of at least three members. Members are appointed by the Foundation Chair, with concurrence of the Board of Directors. They are appointed for one year terms. However, a three year service commitment is desired, unless otherwise determined. The Chair of the Investment Committee is appointed by the Foundation Chair, with concurrence by the Board of Directors. The Committee Chair and members of the Committee will possess complimentary skills and experience in the management of investments or other expertise as required. The Foundation Chair may attend any meeting and may cast a vote on any action. A staff liaison will attend all meetings to ensure continuity.

Meetings of the Investment Committee

The Investment Committee will hold regular meetings, at a minimum in advance of regularly scheduled Board meetings. It may also hold additional regular meetings, special meetings, or conduct telephone meetings in the interest of time or convenience. In general, meetings will be held at the offices of Cedar Springs Presbyterian Church. Members will be given sufficient notice by either written or electronic mail. Agendas will include an opening with prayer for stewardship, discernment and constituents. Minutes will be maintained that reflect discussions and decisions made. It is expected that members will attend all meetings for their duration unless providentially hindered. The staff liaison will ensure that an archive of investment reports and committee minutes are maintained.

Meeting Quorum

A quorum is constituted by the attendance of three individuals and may include the Foundation Chair. No proxies will be allowed. Each member is entitled to one vote. A majority vote carries decisions.

Appendix C

Practices Governing the Investment Committee

Performance reporting

The Chair presents a report at regularly scheduled Foundation Board meetings. The Committee provides the staff liaison with a monthly estimated statement of value of Fund. The Committee is responsible for investment-related special reports requested by the Board.

Legal Liability

Committee members are covered by a Director's and Officer's insurance policy of Cedar Springs Presbyterian Church. The Foundation, to the fullest extent permissible under law, indemnifies and holds harmless the Chair, members, staff, and agents against personal liability. The Foundation may advance, pay for, or reimburse the reasonable expenses incurred in the defense of any proceeding to which such individuals may be named.

Dismissal and Conflicts of Interest

All members are bound by the Foundation's Conflict of Interest policy. Members are expected to resign if they experience a personal crisis that requires spiritual healing and reduction in responsibilities; or if they are individually named in a criminal or regulatory authority action; or their employer company receives such notorious publicity that it jeopardizes the credibility of the Committee.