



**The Falls of the Ohio Foundation, Inc.**  
**Endowment Policy**  
Effective June 28, 2023

The Falls of the Ohio Foundation (the "Foundation") supports the natural, cultural, and historical resources of the Falls of the Ohio area, including the State Park. We do this by elevating the visitor experience, educating our community on the region's unique resources, and activating the Falls in new ways that deepen our community's connection to this significant landscape. To accomplish this, the Foundation will work with parties to establish permanent endowment funds that meet the mission and support the work of the Falls of the Ohio Foundation.

To do this the Foundation accepts donations of financial assets to establish endowment funds that the Foundation holds in trust and uses investment gains from these endowed assets to satisfy the Donors' charitable intent with support to the Falls of the Ohio Foundation's mission, objectives, and programs.

Donors who wish to establish an endowment fund are encouraged to coordinate their giving with the Foundation to assure it can be administered appropriately while honoring the Donor's charitable intent. This Endowment Policy is intended to help Donors establish meaningful endowment funds and works in conjunction with all other policies established by the Foundation, as those may change from time to time, and assists the Foundation's Board of Directors in effectively administering, investing, supervising, monitoring, and evaluating the performance and impact of the Foundation's permanently endowed assets.

**Endowment Fees**

Endowment funds may be established that align with the Foundation's mission, goals, and objectives. Individual named endowment funds may be established with a gift of \$25,000 or more. Annual administrative fees are tiered and assessed monthly on all endowment funds based on the size of the individual endowment fund balance. Additionally, investment management fees are charged to each endowment fund. The investment management fee is established with the investment manager and separately charged to each fund based on its percentage of total endowed assets.

**Individual Endowment Fees**

First \$100,000	2.00% of the fund balance
Next \$900,000	1.75%
Next \$1 million	1.50%
Next \$3 million	1.25%
Balance above \$5 million	1.00%

**Board Advised Unrestricted Funds**      2.00% of the fund balance

Fees for services over and above the normal administrative services provided for endowment funds will be negotiated with the donor or fund representative on a case-by-case basis.

**Spending Policy**

To reduce the likelihood of underperformance of the investment of the long-term pool, a high/moderate investment strategy is employed.

The maximum allowable spending rate for the Foundation shall be reviewed and set periodically by the Board of Directors of the Foundation (typically between 3%-5%). In setting the spending rate, the Board of Directors shall take into consideration general economic conditions, the possible effects of inflation or deflation, the expected total return from income and the appreciation of investments, other resources of the Foundation, and the investment policy of the Foundation.

As of June 28, 2023, the maximum spending rate available for grants, as set by the Board of Directors, is 4% of the twelve quarter average of the fair market value of a given endowment fund as of December 31 each year. The formula shall be applied on each January 1 to the twelve quarters ending the prior December 31, and withdrawals shall be made in the first quarter of the calendar year following each January 1 calculation. Additional amounts are expended from funds annually for administrative fees. The administrative fee schedule for endowed funds is outlined above, which is periodically reviewed by the Board of Directors. The spending rates for grants and administrative fees will be reviewed and set by the Board of Directors no less than annually.

New endowment funds may make disbursements beginning on January 1 following the December 31 at which the fair market value of a given fund can be averaged. For endowment funds invested with the Foundation for more than four calendar quarters but less than twelve calendar quarters as of June 30 each year, the spending rate shall be applied to the average fair market value over the number of calendar quarters the fund has been invested with the Foundation. Once the fund has been invested with the Foundation for more than twelve calendar quarters the spending rate is applied to the twelve quarter average of the fund’s fair market value as of December 31 each year.

### **Honoring Charitable Intent**

The Foundation will work with the Donor to ensure their charitable intent can be honored. In the event that there are unspent distributable amounts remaining at the end of the fiscal year which have not been granted or distributed per the Donor’s intent, the Foundation can decide to allocate the remaining distributable amount for expenditure in the following fiscal year unless a specific written request from the Fund Representative is received by June 1 requesting that all or part of the unspent distributable amount be added to the principal (corpus) of the fund.

### **Investment Policy Statement**

The Investment Policy Statement includes the following financial objectives:

- Follow a spending policy based on total return,
- Maintain the purchasing power of the long-term investment pool,
- Apply a smoothing rule to mitigate the effects of short-term market volatility on spending, and
- Maintain a constant funding support ratio.

The Foundation’s strategic asset allocation shall be consistent with achieving the above-stated Investment Objectives and Goals. The Committee works with an investment consultant to determine an appropriate allocation to equity and fixed income securities of the Foundation’s endowed assets and has established the following broad asset allocation guidelines:

<b>Asset Class</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Neutral Target + or – 5%</b>
Equities	60%	80%	70%
<i>US</i>			55%
<i>International</i>			15%
Fixed Income/Cash	20%	40%	30%
Alternatives	0%	10%	0%

The Committee has the authority within these minimum and maximum percentage amounts to tactically allocate assets to equities and fixed income and cash securities to maximize return or minimize risk consistent with the investment consultant’s and Committee’s views about current market environments. Further, the Committee may utilize investment managers with various investment styles (e.g., growth and value, active and passive) or capitalization and geographic focuses and varying types of investment vehicles (e.g., exchange traded funds (“ETFs”), mutual funds, common trust funds, limited partnerships) to achieve these goals consistent with the Allowable Investments section of this IPS.

## **Allowable Investments**

1. **CASH EQUIVALENTS**
  - Treasury Bills
  - Money Market Funds
  - Money Market Accounts
  - Commercial Paper
  - Repurchase Agreements
  - Certificates of Deposit
  - Guaranteed Investment Contracts issued by Best Rate "A" insurance companies (GICs)
2. **FIXED INCOME SECURITIES**
  - U.S. Government and Agency Securities
  - Corporate Notes and Bonds
  - Mortgage Backed Bonds
  - Asset Backed Bonds
  - Preferred Stock
  - Non-U.S. Government Securities
3. **EQUITY SECURITIES**
  - Common Stocks
  - Real Estate Investment Trusts (“REITs”)
  - Exchange-Traded Funds
  - Convertible Notes and Bonds
  - Convertible Preferred Stocks
  - Master Limited Partnerships
  - American Depository Receipts on Non-U.S. Companies
  - Stocks of Non-U.S. Companies (Ordinary Shares)
  - Covered Call Options
4. **POOLED OR MUTUAL FUNDS AND EXCHANGE-TRADED FUNDS**
  - Liquid fund vehicles that invest in securities as allowed in this statement. Minimum liquidity for pooled investment funds that are not registered as investment companies under the Investment Company Act of 1940 is monthly.
5. **DERIVATIVE INSTRUMENTS**

The widespread use of exchange traded futures and options, the increased liquidity of the interest rate swap market, and the profusion of mortgage derivatives have caused derivative securities to become a common and valuable part of the portfolio management process. Thus, derivative securities will be permitted under this statement of investment policy in pooled fund vehicles. With respect to all separately managed portfolios, unless a specific type of derivative security is allowed in this document, an investment manager must seek permission from the Committee to include derivative investments in the Foundation’s portfolio. In seeking this permission, an investment manager must present detailed information as to the expected return and risk characteristics of such investment vehicles.
6. **OTHER ALLOWABLE ASSET CLASSES OR INVESTMENT VEHICLES**

The Committee may invest up to 10% of Foundation assets directly in illiquid (less than monthly liquidity) private investment vehicles that invest in alternative asset classes and strategies such as hedge funds, private equity, real estate, timber, natural resources and other types of specialized investing provided the general partners or investment management firms overseeing the investments of these illiquid private investment vehicles are: 1) registered with the Securities & Exchange Commission (the “SEC”); and 2) oversee a minimum of \$500 million of investment assets in these types of strategies. Investment in any one illiquid private limited partnership is limited to 5% of Foundation assets. Investment benchmarks for the selected investment will be determined upon approval.

The Foundation’s investment program may be partially implemented through the use of mutual funds, ETFs, limited partnerships or other commingled investments funds. As such, it is recognized that the Allowable Investments identified above cannot specifically govern these commingled investment funds. It is expected, however, that any commingled investment funds utilized by the Foundation will substantially adhere to these guidelines. When utilizing mutual funds, the Consultant should ensure that the lowest cost share class is used. Further, when accessing an investment strategy through

an ETF, the Consultant should consider using limit orders to minimize the impact of unintended price fluctuation from net asset value (“NAV”). The Consultant is also required to notify the Committee if any guidelines are changed in the prospectus of any of these commingled investment funds.

The Foundation may from time to time receive "hard assets" such as real estate properties, oil and gas interests, gold, etc. In an effort to be responsive to all donors, the Committee will reserve the right to evaluate such assets and will on a case-by-case basis determine whether to hold them and include them in the Foundation’s assets or to liquidate and place the proceeds in more traditional vehicles.

### **Prohibited Investments and Transactions**

Unless expressly authorized by the Committee or utilized in executing an alternative asset class or strategy as identified above, investment managers are prohibited from:

1. Purchasing securities on margin or executing short sales; and
2. Engaging in investment strategies that have the potential to amplify or distort the risk of loss beyond a level that is reasonably expected, given the objectives of their asset class.

### **Investment Management - Assignment of Responsibilities**

All service providers as well as Committee members shall be independent of any potential conflicts of interest and may be asked to provide an affirmation of their independence on a periodic basis.

1. The *Committee* refers to the group of individuals appointed by the Board to administer and oversee the investments of the Foundation’s permanently endowed funds. The Committee will provide the Board with recommendations as to the following:
  1. Establishment and administration of this Investment Policy Statement;
  2. Determination of an overall strategic asset allocation;
  3. Selection and termination of investment managers, custodians, investment consultants and other specialists as they may be employed to assist in meeting its responsibilities and obligations.

The Committee shall conduct its responsibilities as outlined in this Policy. In seeking to fulfill its obligations under this policy, the Committee shall exercise prudence and appropriate care in accordance with the Uniform Prudent Management of Institutional Funds Act (hereinafter referred to as “UPMIFA” and added to Indiana Public Law as Indiana Code Sections 30-2-12-0.5 through 30-2-12-18).

As summarized for the purpose of this policy, UPMIFA requires that all investment actions and decisions must be based solely on what is in the best interest of the Foundation, its donors and beneficiaries, and conform to fundamental fiduciary duties of loyalty and impartiality. The Committee is under a duty to the Foundation to manage the Foundation’s investment assets as a prudent investor would, in light of the assets’ purposes, scope, objectives and other relevant circumstances.

UPMIFA further requires the exercise of reasonable care, skill, and caution while being applied to investments not in isolation, but in the context of the portfolio as a whole and as part of an overall investment strategy having risk and return objectives reasonably suited to the Foundation. In making and implementing investment decisions, the Committee has a duty to diversify Foundation investments unless, under special circumstances, the purposes of the Foundation are better served without diversifying. The Committee also must act with prudence in deciding whether and how to delegate authority, in the selection and supervision of agents, and incurring costs where reasonable and appropriate.

The Committee will periodically review this Policy to assure continued relevance of the guidelines, objectives, financial status and capital markets expectations as established in this Policy and will make recommendations to the Board for appropriate changes to the Policy.

**Investment Management – Selection Criteria** The investment objectives of the Foundation shall best be achieved by engaging the services of a professional investment manager, or managers, as deemed appropriate, to advise and direct investments. These managers shall have discretion in the selection of securities within the parameters of this policy.

The selection of managers will be made using the following criteria:

- Past performance, considered relative to other investments having the same investment objective. Consideration shall be given to both performance rankings over various times frames and consistency of performance.
- Length of time the fund has been in existence and length of time it has been under the direction of the current manager(s) and whether or not there have been material changes in the manager's organization, personnel, or compensation.
- Historical volatility and downside risk of each proposed manager.
- How well each proposed manager complements other managers in the portfolio.
- The current economic environment and how manager has performed historically in such an environment.

### **Donor-Recommended Investment Manager**

The Foundation recognizes that the pooling of investment assets reduces administrative and investment-related expenses and thereby allows more money to go toward the charitable purposes of the donor(s) to the Foundation. In certain situations, however, the Foundation may wish to consider engaging an investment advisor to manage a fund or funds outside the Foundation's investment pool. Generally, this will occur when a prospective donor has a long-standing and trusted relationship with a financial advisor or financial advisory firm currently holding the assets intended for donation to the Foundation. For this reason, the Foundation may allow a Donor to request an Donor-Recommended Investment Manager to provide a vehicle for the donor who wishes to establish a major endowment fund with the Foundation and yet desires to recommend that a specific investment manager, other than those utilized by the Foundation (the "Outside Manager"), be allowed to manage financial assets (cash/bonds/equities, etc.) contributed to establish the donor's fund.

It must be understood by all parties that a donor's contribution of financial assets to the Foundation is a completed gift, whether or not the donor is able to retain their recommended Outside Manager, and the Foundation is the owner of the donated assets, whether those assets are managed within the Foundation's pooled endowment investments or as a separately managed fund held by the Outside Manager. As such, the Foundation must have fiscal control over all monies in the Fund managed by the Outside Manager, in accordance with the Foundation's policies and corresponding fiduciary responsibility.

### **Approving an Investment Manager**

The Foundation's Board of Directors, or the Executive Committee working on behalf of the Board of Directors, may approve an Investment Manager. The Manager must, at a minimum, meet certain requirements including be a bank, insurance company, investment management company, or investment advisor. The Investment Manager must be a firm or person affiliated with a firm with sufficient capitalization, insurance, assets under management, management oversight and experience to demonstrate his or her/its capability to serve as an independent advisor as determined by the Board.

The Investment Manger must not be a Disqualified Person. The Internal Revenue Service may impose serious penalties on a public charity that engages in or allows disqualified gifts, grants, contracts or transactions. The Foundation takes great effort to avoid or prohibit transactions among persons who are prohibited from benefiting due to their relationships with donors. All relationships (personal and professional) between the donor and the donor's extended family, with the recommended Outside Manager and/or the manager's firm, must be disclosed for evaluation regarding compliance with federal tax law rules addressing private inurement and private benefit and/or any other applicable federal or state law.

The Investment Manager agrees to follow the Foundation's Endowment Policies and Investment Policy Statement. The Investment Manager will adhere to all investment instructions, advice and guidance provided by the Foundation, and will be evaluated according to the same criteria and benchmark requirements as apply to the other investment managers holding funds for the Foundation. In cases where an alternative investment policy and strategy is approved in advance by the Foundation for a fund, the Investment Manager will be evaluated according to criteria and benchmark requirements approved by the Foundation for that investment policy and strategy.

### **Investment Manager Performance Review and Evaluation**

Performance reports generated by the investment adviser shall be compiled at least quarterly and communicated to the Board

for review. The investment performance of total portfolios, as well as asset class components, will be measured against commonly accepted performance benchmarks. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this statement. The Board intends to evaluate the portfolio(s) over at least a three year period, but reserves the right to terminate a manager for any reason.

Investment managers shall be reviewed regularly regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results. An Investment Manager may be placed on Watch and a thorough review and analysis of the investment manager will be conducted.

The Board has determined it is in the best interest of the Fund that performance objectives be established for each investment manager. Investment Manager performance will be evaluated in terms of an appropriate market index (e.g. the S&P 500 stock index for large-cap domestic equity manager) and the relevant peer group (e.g. the large-cap growth mutual fund universe for a large-cap growth mutual fund).

The decision to retain or terminate an investment manager cannot be made by a formula. It is the Board's confidence in the investment manager's ability to perform in the future that ultimately determines the retention of a manager. The Committee recognizes that some risk is necessary to produce long-term investment results that are sufficient to meet the Fund's and Foundation's objectives. However, the investment managers will be evaluated regularly to ensure that the risk assumed is commensurate with the given investment style and objectives as compared with an appropriate benchmark.

**Outside Managers that are Pre-Approved:**

- Stock Yards Bank & Trust
- Axiom Financial Strategies Group
- Wells Fargo
- German American Bank
- Morgan Stanley
- MWM Advisory Services
- Charles Schwab & Co., Inc.
- Edward Jones
- Horizon Wealth Management
- PNC Bank
- Wesbanco Bank
- Glenview Trust Company
- Yates Financial Partners of Raymond James

The Board will review these Endowment Policies periodically to determine whether stated goals, objectives, spending and fee policies are inline and still relevant. It is not expected that these policies will change frequently. In particular, short-term changes in the financial markets should not require adjustments to these policies.

Approved: June 28, 2023

  
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Bill Reedy, Secretary

## **APPENDIX A**

### **Definitions**

*Investment Consultant* shall mean any individual or organization employed to act as a fiduciary in providing proactive recommendations and shall be held accountable for asset allocation policies [(i.e. stocks, bonds, cash, etc.) to support the Foundation's investment goals and objectives]; sub-asset and tactical asset allocation (i.e. large cap, small cap, international, alternatives, high yield bonds, etc.); investment style (i.e. growth versus value and active versus passive strategies); selection, monitoring and retention of investment managers (including periodic due diligence information prepared by the investment consultant on investment managers that may be retained by the Foundation); and reporting of Foundation and manager performance relative to agreed upon benchmarks and timeframes. The investment consultant is expected to meet with the Committee on a regular basis to discuss all items outlined above and to meet with the Board as requested. Acting as a fiduciary implies that the investment consultant will seek to minimize the Foundation's investment costs associated with all investment strategies and/or investment managers utilized.

*Investment Manager* shall mean any individual or organization employed to manage the investments of all or part of the Foundation's assets. Investment managers will have discretion to purchase, sell and hold the specific securities that will be used to meet the investment manager's specific investment objectives.

*Master Custodian* shall mean any organization employed to physically (or through agreement with a sub-custodian) maintain possession of securities owned by the Foundation, collect dividends and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The Master Custodian is responsible for promptly voting all proxies and related actions for any securities not held in accounts where investment discretion has been delegated to a third-party investment manager in a manner consistent with the long-term interests and objectives of the Foundation set forth herein. The Master Custodian shall keep detailed records of said voting of proxies and related actions and will comply with all regulatory obligations related thereto.

*Additional specialists* such as attorneys, auditors, actuaries, and others may be employed by the Board to assist in meeting its responsibilities and obligations to administer Fund assets prudently.

*Disqualified Person* shall mean an affiliation with the donor within the third degree (parent, spouse, child, grandchild, great grandchild, niece, nephew, or first cousin). These relationships include persons who are legally adopted. A Disqualified Person also includes direct business relationships.