

ENDOWMENT FUND GUIDELINES

Investment Guidelines:

The Endowment Funds shall be invested with the objective of preserving the long-term grant giving power of the Funds' assets while realizing appropriate investment income. The asset allocation of the Endowment Funds shall be determined from time to time by the Endowment Committee and approved by the Board. Such determination will be in consultation with fund managers or advisors and reflect a proper investment balance that meets the endowment's investment objective, tolerance for risk and the need for liquidity. Such review and determination is to be made not less than once a year.

Diversification

Endowment Fund will be diversified to limit the risk of loss resulting from the concentration of assets in a specific type of investment, specific maturity, specific issuer or sector unless the Endowment Committee, with Board approval, prudently determines that, because of special circumstances, the purposes of the Fund are better served without diversification. The Endowment Committee shall review the diversification strategy periodically, *provided, however*, that it shall review any decision to not diversify as frequently as circumstances require but, at a minimum, annually.

Responsibilities of the Board

In managing the financial assets of Western Reserve Junior Service League (WRJSL), the Board of Directors will act in good faith and with the care an ordinarily prudent person in like position would exercise under similar circumstances. When making investment and management decisions, the Board shall consider the purposes and mission of WRJSL, as well as the purposes of the Endowment Fund.

In making decisions regarding management and investment of the endowment's financial assets, the Board of Directors, as required by applicable law, shall consider the following factors, if relevant:

- (1) general economic conditions;
- (2) the possible effect of inflation or deflation;
- (3) the expected tax consequences, if any, of investment decisions or strategies;
- (4) the expected total return from income and the appreciation of its investments;
- (5) other resources available to WRJSL
- (7) the needs of WRSJL to make distributions vs the need to preserve capital; and
- (8) the endowment's special relationship or special value to the purposes of WRJSL.

The Board of Directors shall not make management and investment decisions regarding an individual asset in isolation but rather in the context of the specific Fund's portfolio of investments as a whole and as part of an overall investment strategy having risk and return objectives reasonably suited to the Endowment Fund and Service League. The Board shall make reasonable efforts to verify facts relevant to the management and investment of the funds and may incur only costs that are appropriate and reasonable in relation to the fund.

Within a reasonable time after the receipt of a gift of property or other financial assets, the Board shall make and carry out decisions regarding retaining or disposing of the property, or the rebalancing of the Endowment Fund to such gift in order to ensure compliance with the purposes, terms, and distribution requirements of WRJSL (including the diversification requirements and other aspects of this policy) as necessary to meet other circumstances of the organization and the requirements of applicable law, subject to any restrictions imposed by the terms of the gift.

The Board has delegated the responsibilities with respect to the management and investment of the Endowment financial assets to the Endowment committee of the Board. Such committee shall report to the Board on a regular basis and shall be subject to direction by the Board. Such responsibilities are delegated to the Endowment Committee include the rights and obligations set forth in this policy applicable to the Board (other than the right to amend this policy). The Board reserves the right to review and revise any decision of the Endowment Committee and reports required under this policy to be made to the Board may instead be made to the Endowment Committee, which, in turn, shall report to the Board on a regular basis.

Delegation of Management and Investment Authority to an External Agent

To the extent it considers prudent, the Board, based upon recommendation of the Endowment Committee, may delegate management and investment decisions to one or more external agents, such as a bank, investment advisor, investment manager or custodian, except where prohibited by the terms of a gift instrument.

The Board will act in good faith and with the care an ordinarily prudent person in like position would exercise under similar circumstances in (a) selecting, continuing or terminating any external agent (including assessing the agent's independence, including any conflicts of interest such agent has or may have; (b) establishing the scope and terms of the delegation, including the compensation to be paid; and (c) monitoring the agent's performance and compliance with the scope and terms of the delegation. The Board, in delegating the decision making to the Endowment Committee, shall conduct such due diligence as the Board deems appropriate, such as reviewing information regarding the external agent's experience, personnel, track record and proposed compensation as compared to appropriate peers.

Any external agent to which management and investment authority is delegated owes a duty to the WRJSL to exercise reasonable care, skill and caution to comply with the scope and terms of the delegation.

Via the Endowment Committee, any external agents shall provide the Board with reports on investment performance on a quarterly basis, at a minimum, and more frequently if so requested by the Board. The Board will assess at least annually the performance and independence of any external agent, including any conflicts of interest it may have. Any actual or potential conflicts of interest involving a member of the Board or officer or key employee of Service League with respect to the external agent must be disclosed and resolved pursuant to the conflict of interest policy and any conflicts of interest the agent may have involving service to Service League (*e.g.*, investment in deposits of a bank owned by the agent's brother) must also be disclosed to the Service League Board. Any contract between WRJSL and an external agent involving delegation of investment authority shall be terminable by WRJSL at any time, without penalty, upon no more than 60 days' notice.

The Board of Directors will also review from time to time the arrangements with any investment managers, investment advisors, custodians and the banks and other entities with which WRJSL maintains its financial assets to ensure that the costs and fees associated with each such arrangement are appropriate and reasonable in relation to the assets, the purposes and the skills available to WRJSL.

Spending from Endowment Funds

Decisions with respect to spending from the Service League endowment funds shall be made in accordance with the Endowment Spending Policy set forth in Appendix A of this policy.

Review of Investment Policy

The Board will review this policy, and shall amend the policy, from time to time as necessary to reflect developments affecting the Service League finances and activities.

Fund Dissolution:

Should WRJSL cease to be an on-going entity or economic circumstances should dictate the dissolution of the endowment fund, such recommendation is to be brought to the Board by the Endowment Committee for approval. Final proceeds of the fund shall be made in accordance with the Spending Policy noted in Appendix A.

**Endowment Spending Guidelines
For
Western Reserve Junior Service League (WRJSL)**

I. Purpose

The purpose of this Endowment Spending Policy is to set forth the standards and guidelines governing spending from the endowment funds.

An endowment fund is any fund, or a part of a fund, that, under the terms of the gift instrument, is not wholly expendable by Service League on a current basis. Funds that are not restricted as to expenditure under the terms of a gift instrument but have been so restricted by action of the Board are not endowment funds. Endowment gifts, unless specifically restricted by the donor are temporary restricted funds whose corpus is available for distribution upon approval by the Board. Specifically restricted endowment gifts will be considered permanently restricted donations and subject to the IRS and state rules which govern them.

II. Appropriating Endowment Funds for Expenditure

Decisions to appropriate funds from the endowment for expenditure or to accumulate such funds shall be made only by the Board of Directors. The Board shall authorize the Finance Committee of the Board to assist the Board in carrying out its responsibilities with respect to the expenditure of the Corporation's endowment funds. Such committee shall be authorized to make recommendations to the Board of Directors regarding the expenditure of the endowment funds but the final decision as to such matters shall be made by the Board. The Finance Committee, in making a recommendation to appropriate funds from the endowment for expenditure must act in good faith with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and must (a) consider the uses, benefits, purposes and duration for which the endowment fund was established and (b) consider each of the following factors, if relevant:

- (1) the duration and preservation of the endowment fund;
- (2) the purposes of the WRJSL and the endowment fund;
- (3) general economic conditions;
- (4) the possible effect of inflation or deflation;
- (5) the expected total return from income and the appreciation of investment
- (6) the WRJSL investment policy.

Decisions to appropriate endowment funds will be made on an annual basis and in accordance with any specific directives on spending that the donor has imposed. With the exception of fund management fees, fund expenditures are limited to grant gifts.

III. Documenting Spending Deliberations

The Finance Committee and the Board each shall keep record of its decisions regarding the appropriation of endowment funds for expenditure, describing the nature and extent of the consideration that the committee or Board gave to each of the eight factors listed in Section II above.

Unless permitted by the donor in the gift instrument, an annual distribution from the endowment fund in an amount exceeding seven (6) percent of the fair market value of the fund, calculated based on market values determined at least quarterly and averaged over a period of at least the last twenty quarters ending with the last quarter of the fiscal year preceding the distribution (or for the number of quarters in existence for endowments more recently created), will create a rebuttable presumption that such distribution was imprudent.

Accordingly, should the Finance Committee recommend and/or the Board decide, after acting in accordance with standards as set forth above, that making an annual distribution in excess of seven (6) percent from such endowment fund is prudent, the Finance Committee and the Board each shall ensure that the written record documenting its recommendation or decision includes a detailed statement of the basis upon which the Board committee and/or Board determined that such annual distribution was prudent.

IV. Dissolution of Endowment

Based upon Board approval proceeds remaining in the fund are to be disbursed by the Community Research Committee in accordance with guidelines already established for the grants to commence with the next available funding period and continue with each succeeding funding period until all endowment funds are depleted except where prohibited by the terms of a gift instrument. In which case, every effort is to be made to reach the donor for specific instructions as to disbursement. If these efforts should fail, the remaining funds from the donor are to be disbursed to a similar organization with like mission based upon approval of the Board.

President

Date