CUMBERLAND COMMUNITY FOUNDATION
INVESTMENT POLICY STATEMENT

Approved by CCF Board on June 20, 2013

Purpose

The purpose of this Investment Policy Statement (IPS) is to assist the Board of Directors (Board) of Cumberland Community Foundation, Inc. (the Foundation) and its Investment Consultant (Consultant) in effectively supervising, monitoring and evaluating the investments and other assets of the Foundation.

The Investment Policy Statement details an investment structure for managing the Foundation's investable assets consistent with the cash needs of the Foundation. This structure includes various asset classes, investment management styles, and asset allocation models and parameters that, in total, are expected to produce an appropriate level of diversification and total investment return over a long-term time horizon. The Foundation will rely on this structure to obtain maximum returns to provide consistent and reliable funding to our grant recipients.

Background

Cumberland Community Foundation, Inc. is a public foundation established to serve a broad range of charitable purposes primarily in the Cumberland County, NC area. Because the Foundation expects to operate in perpetuity, wise stewardship of the funds entrusted to it is essential to the Foundation's mission. In recognition of its fiduciary responsibilities, the Board has adopted the following statement of investment policy. These guidelines relate to those gifts and donations in the form of endowments with long-term benefit objectives, those monies set aside and designated by the Board as quasi-endowment and to those contributions received for the current benefit of the institution and community.

Objectives

The overall investment objective of the Foundation is to preserve and protect fund principal while achieving a long-term positive net rate of return. In order to accomplish this, the Foundation has adopted and implemented a Spending Policy by which a set percentage is based on a rolling average of asset values from the previous twelve quarters. The spending rate shall be set and approved annually by the Board of Directors based on the Investment Committee's recommendation.

SCOPE

The Board of Directors are fiduciaries, and are responsible for the management of the assets of the Foundation. The Board of Directors shall discharge its duties solely in the interest of the Foundation, with the care, skill, prudence, and diligence that under the circumstances then prevailing, a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character with like aims.

Assignments of Responsibility

Investment Committee

Within the broad framework of this Investment Policy Statement set by the Board of Directors, the Investment Committee shall have direct responsibility for the oversight and management of the Foundation's investments and for the establishment of investment policies and procedures.

The Investment Committee shall:

1. Prepare and maintain this investment policy statement to establish investment objectives, policies and guidelines.

2. Review this IPS at least annually. 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. This document is intended to be flexible enough to accommodate economic, political and market fluctuations.

3. Manage the Fund's assets to meet the Foundation's short and long term financial needs.

4. Prudently select and monitor the Foundation's investments.

5. Enact proper control procedures and account for all investment, record keeping and administrative expenses associated with the Fund while communicating all material information to the board.

6. Prudently and diligently engage, monitor and supervise all professional experts including asset managers, investment advisors, investment consultant(s), and custodians.

7. Avoid prohibited transactions and conflicts of interest.

Investment Consultant
The Board may retain an objective, third-party Investment Consultant to assist the Board in managing the overall investment process. The Consultant will be responsible for guiding the Board through a disciplined and rigorous investment process to enable the Board to meet its fiduciary responsibilities.

The Consultant's role is that of a non-discretionary advisor to the Board of Directors and Investment Committee. Investment advice concerning the investment management of Fund assets will be offered by the Consultant, and will be consistent with the investment objectives, policies, guidelines and constraints as established in this statement. Specific responsibilities of the Consultant include:

1. Assisting in the development and periodic review of investment policy.

2. Conducting asset manager searches.

3. Providing "due diligence," or research, on the asset manager(s).

4. Monitoring the performance of the asset manager(s) against meaningful benchmarks to provide the Investment Committee with the ability to determine the relative progress toward the investment objectives.

5. Recommending the addition or deletion of asset managers.

6. Communicating matters of policy, manager research, and manager performance to the Investment Committee.

7. Reviewing Fund investment history, historical capital markets performance and the contents of this investment policy statement to any newly appointed members of the Board.

8. Providing timely recommendations based on due diligence considering rebalancing, regulatory compliance, replacement of managers, performance and any other material information.

9. Providing complete quarterly performance reviews and reports. Additional reports will be provided on an as needed or requested basis.

10. Monitoring the portfolio mix. Neither the upper nor the lower limits of the asset allocations are intended to require portfolio activity for the sole purpose of complying

with the guidelines; however, deviation from these guidelines will be treated as discussion topics at the quarterly meetings with rebalancing considered at least quarterly. It is recommended that the target allocation be maintained so that the Fund will be able to achieve its long-term goals.

Investment Advisors

Cumberland Community Foundation may on occasion select local brokers to serve as Investment Advisors to manage certain accounts. The Investment Advisors shall be proactive in advising and making recommendations to the Investment Committee regarding:

1. Appropriate asset allocation models based on Investment Policy goals.

2. Asset Manager Selection.

3. Monitoring and performance evaluation on no less than a quarterly basis.

The Investment Advisors shall comply with the investment parameters set forth in the Investment Policy Statement.

Asset Managers

As distinguished from the Investment Advisors and Consultant, who are responsible for managing the investment process, asset managers are responsible for making discretionary investment decisions (security selection and price decisions) in accordance with the stated goals of the fund as outlined in the prospectus. Asset Managers will typically manage mutual funds, separate accounts or Exchange Traded Funds (ETFs). Specific responsibilities of the Asset Manager(s) include:

1. Make decisions to buy, sell, or hold various securities.

2. Provide copies of all available statements, documents, and reports in a timely manner after the close of each period.

3. Communicate any major changes to economic outlook or investment strategy which would affect expected performance to the Investment Consultant and the Investment Committee.

4. Vote proxies and keep all records that will be governed by the Asset Manager's client agreement.

5. Conform to all applicable SEC regulations as well as all state and federal laws.

6. Notify the Investment Consultant of any material change in the investment management personnel or ownership of the Asset Manager, within 45 days of occurrence.

Custodians (Local Brokers acting as Custodians)
Custodians are responsible for the safekeeping of the Foundation's assets. The specific duties and responsibilities of the custodian are:

1. Maintain separate accounts by legal registration.

2. Value the holdings.

3. Collect all income and dividends owed to the Fund.

4. Accept all orders and settle transactions in a timely manner

5. Provide monthly reports that detail transactions, cash flows, securities held and their current value, and change in value of each security and the overall portfolio since the previous report.

6. In the normal course of portfolio management, custodians will be instructed to buy and/or sell various securities. They will also be the recipients of new money. Cash will be generated and often held awaiting re-balancing or new purchase decisions. The investment objective of this cash is preservation and stability of principal. For this purpose, custodians shall provide a money market, or equivalent, invested in high quality, liquid investments. Custodians are also requested to notify CCF if there are any large (one hundred thousand dollars or more) cash balances uninvested for more than 90 days.

Procedures

The following procedures are shared by both the Investment Consultant and the Investment Advisors:

Asset Manager Selection

The Consultant or Investment Advisor's selection of asset manager(s) must be based on prudent due diligence procedures. The Consultant and/or Investment Advisor will apply the following due diligence criteria in selecting each investment manager.

1. *Regulatory oversight:* Each asset manager should be a regulated bank, an insurance company, a mutual fund organization, or a registered investment adviser.

2. *Correlation to style or peer group:* The product should be highly correlated to the asset class of the investment option. This is one of the most critical parts of the analysis since most of the remaining due diligence involves comparisons of the manager to the appropriate peer group.

3. *Performance relative to a peer group:* The product's performance should be evaluated against the peer group's median manager return for 1-, 3- and 5-year cumulative periods or longer if deemed relevant.

4. *Performance relative to assumed risk:* The product's risk-adjusted performance (Alpha and/or Sharpe Ratio) should be evaluated against the peer group's median manager's risk-adjusted performance.

5. *Minimum track record:* The product's inception date should be greater than three years or have an equivalent track record in the same strategy.

6. *Assets under management:* The product should have at least $75 million under management.

7. *Holdings consistent with style:* The product should have no more than 20% of the portfolio invested in "unrelated" asset class securities.

8. *Expense ratios/fees:* The product's fees should generally not be in the bottom quartile (most expensive) of their peer group. Exceptions can be made for specialty strategies.

9. *Stability of the organization:* There should be no perceived organizational problems – the same portfolio management team should be in place for at least two years. Previous track record can be taken into consideration.

Asset Manager Performance Review and Evaluation

The Investment Consultant is responsible for monitoring and reporting on the performance of Asset Managers. Performance reports generated by the Investment Consultant (or Investment Advisor) shall be compiled at least quarterly and communicated to the Investment Committee for review. The investment performance of total portfolios, as well as asset class components, will be measured against commonly accepted performance benchmarks. The Consultant shall report on all accounts designated by CCF, including those of the Custodians and Advisors. 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 Investment Committee along with Consultant intends to evaluate the portfolio(s) over at least a three year period, but reserve the right to terminate a manager for any reason including the following:

1. Investment performance which is significantly less than anticipated given the discipline employed and the risk parameters established, or unacceptable justification of poor results.

2. Failure to adhere to any aspect of this statement of investment policy, including communication and reporting requirements.

3. Any legal, SEC and/or other regulatory agency proceedings affecting the manager.

4. There is an observable documented deviation that a manager is deviating from his/her stated style and/or strategy

Asset managers shall be reviewed regularly by the Consultant/Advisor 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.

Asset Class Guidelines and Restrictions

The Board believes long-term investment performance, in large part, is primarily a function of the mix of asset classes. 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 is acceptable given the time horizon for the equity portion of the portfolio.

As a result, the following investments were selected in order to provide a diversified asset allocation. Whenever possible, CCF shall own diversified mutual funds, ETFs or other instruments that contain the following asset classes:

Allowable Assets

1. Cash Equivalents
    - Treasury Bills
    - Money Market Funds
    - STIF (Short Term Investment Funds)
    - Commercial Paper
    - Banker's Acceptances
    - Repurchase Agreements
    - Certificates of Deposit

2. Fixed Income Securities
    - U.S. Government and Agency Securities

- Investment Grade Corporate Notes and Bonds
- Mortgage Backed Bonds
- Collateralized Mortgage Obligations
- Foreign Debt

3. Equity Securities
    - Common Stocks
    - American Depository Receipts (ADRs)
    - Stocks of Non-U.S. Companies (Ordinary Shares if appropriate)

The Foundation may make a temporary investment of cash that may be held uninvested for a period no longer than 6 months. These funds shall be held in liquid form in any of the following investments, unless the governing instrument provides for other investments in which the temporary investment of cash or funds is permitted, such as a money market fund:

1. A short term trust-quality investment fund;

2. Direct obligations of the United States or of its agencies;

3. A deposit with a bank or savings and loan association, including a deposit with the custodian itself or any bank subsidiary corporation owned or controlled by the bank holding company that owns or controls the custodian, whose deposits are insured by the federal deposit insurance corporation, if the rate of interest paid on that deposit is at least equal to the rate of interest generally paid by that bank or savings and loan association on deposits of similar terms or amounts.

Prohibited Assets and Transactions
The Board, at its discretion, may decline any donation deemed unacceptable. Prohibited direct investments and transactions include, but are not limited to the following:

1. Private Placements
2. Options
3. Short Selling
4. Margin Transactions

Asset Managers may use the above investment disciplines, as long as they are used as part of their overall investment process and are detailed in their prospectuses and/or subscription agreements.

Prohibited Transactions – Donor Advised Funds
Notwithstanding any other provision hereof, the Foundation shall not accept any gift of an interest in a business enterprise for a donor advised fund that would subject the Foundation to tax under section 4943 of the Internal Revenue Code, concerning "excess business holdings." Any proposed gift that would result in donor advised funds holdings:

- A 20% or greater interest in a business of in an entity or,
- Any interest in an entity in which any interest is owned by a donor or advisor to the donor advised fund, by a family member or any such person, or by an entity in which any of the foregoing persons has an interest,

shall be referred to the Foundation's counsel for an opinion on the possible application of Code section 4943.

Ownership of unincorporated businesses that are not substantially related to the fund's purposes is also prohibited.

Guidelines for Alternative Investments

In recognition of the increasing opportunity in today's investment universe, the Investment Committee may consider Alternative Investment vehicles, if deemed prudent. Examples of these strategies may include:

Alternative Investments/Low Correlation Strategies

- Real Assets
- Real Estate
- Natural Resources, Energy, Timber
- Private Equity & Private Equity Fund of Funds
- Hedge Funds & Fund of Funds
- Managed Futures
- Commodities
- Specialty Fixed Income
  - Enhanced Fixed Income: High Yield, Convertibles, ABS
  - Fixed Income Securities of Foreign Governments and Corporations
  - Preferred securities
- Specialty Equity
  - Hedged Equity
  - Multi Strategy
  - Long/Short
  - Arbitrage

Investment in any one Alternative Investment strategy shall be limited to not more than 5% of the value of the total assets of the portfolio at the time of initial investment. An Alternative investment may be made if, in the judgment of the Investment Committee, the investment is likely to enhance the performance and diversification of the Foundation's investment portfolio. In determining whether the investment meets the standard or prudence, the Investment Committee may consider the actual and/or expected risk and return characteristics of a universe of similar investments or appropriate benchmarks.

Asset Allocation Guidelines

Management of the Foundation assets shall be monitored to the Asset Allocation Guidelines provided in the table on the following page.

Asset Class:	Min. Wt.	Max Wt.	Target Wt.
Equities:	35%	70%	52%
Fixed Income:	15%	50%	30%
Alternatives:	0%	35%	15%
Cash & Equivalent:	0%	30%	3%

Policy unanimously approved by the Board of Directors on June 20, 2013.

Board Secretary