

Kentucky Equal Justice Center
Investment Policy
Mason Fund and Other Major Gifts

The Board of Kentucky Equal Justice Center establishes this policy to guide investment of:

- the major gift received from the Mason Foundation for the benefit of Maxwell Street Legal Clinic
- additional contributions to the resulting Mason Fund

Unless the terms of other major gifts provide otherwise, these policies also shall guide investment of other donations, grants or major gifts made with the expectation of long term investment rather than short term use as income.

Duties of the Investment Committee

The Kentucky Equal Justice Center Board has established an Investment Committee. Under this policy the Investment Committee shall:

- meet at least twice a year to review the investment portfolio to assess performance and ensure compliance with this policy
- review this policy annually during a meeting to assure it continues to be consistent with donors' intent, the organization's current needs and long term goals

The Investment Committee shall prepare minutes and shall report to the Board at the next Board meeting following each of its own meetings. In addition, the Investment Committee may:

- recommend to the Board a process for selecting an investment manager and, once one is selected, shall meet at least annually with the manager
- elect to forego an investment manager in favor of self-managed investment in index and mutual funds within the investment management guidelines set out below.

Absent an investment manager, the Investment Committee may direct the Director of KEJC to execute purchases and sales of assets and disbursement of funds consistent with this policy. Other than automatic reinvestment of income, no purchases or sales of assets shall be made without prior approval of the Investment Committee. Initial investments in mutual funds shall be limited to funds with a Morningstar rating of four or five stars.

Statement of Objectives

KEJC seeks long-term appreciation of assets and consistency of investment performance without undue exposure to risk. This objective will be accomplished through a balanced strategy of investment in equities, fixed income instruments and cash equivalents in a mix which is conducive to participation in rising markets while providing adequate protection in falling markets.

Investments managed under this policy generally shall pursue growth until income can provide significant support for special purposes, projects or general operations without substantially impeding growth. To that end, disbursements generally shall not exceed 3.0% of assets until a portfolio reaches \$100,000 and 5.0% thereafter.

Designations and instructions of donors will be observed. If funds are placed in an endowment, the original historic value will be protected and withdrawals from that portion of assets will not be permitted. Unless special circumstances exist, disbursements will be approved as part of the annual budget process.

Special Provisions for Mason Fund Disbursements

Mason Fund investments additionally shall be guided by the following instructions of donors as expressed in the letter accompanying their gift:

Income: Income earned will be distributed for the benefit of Maxwell Street Legal Clinic.

Appreciation: Funds generated by appreciation of assets will be used only if the Board deems it to be in the best interests of Maxwell Street Legal Clinic.

Original Corpus: Funds representing the original corpus of \$50,000 will be used only in rare situations in which the Board deems the action to be in the best interest of Maxwell Street Legal Clinic, both short and long term, and, during her lifetime, in consultation with and full consideration of the advice of the Clinic's founding volunteer, Marilyn Daniel.

To help provide for growth, annual distributions shall not be required. If distributions from the Mason Fund are approved, they shall not exceed \$500 in 2017 and 2018, \$750 in 2019 and \$1,000 in 2020, after which they shall be governed by the limitations above.

Investment Management Guidelines

Asset classes: Funds shall be invested to allocate assets among equities, fixed income debt instruments and cash equivalents within the following ranges:

Equities	60% to 85%
Fixed Income	15% to 40%
Cash equivalents	0% to 10%

Social Screening: The Investment Committee may recommend that all or any portion of the assets be invested in vehicles screened for health, environmental, civil rights, workers' rights or other impacts that reflect the organization's mission. Socially screened mutual funds shall be monitored to ensure that returns do not vary markedly from comparable non-screened funds.

Asset Performance Benchmarks: The Investment Committee may use Morningstar ratings and index comparisons available through Vanguard to assess a mutual fund asset's performance, including online charts comparing fund performance with indexes relevant to the asset class. Mutual funds that no longer achieve a four or five star Morningstar rating shall be considered for liquidation and reinvestment.

Investment Manager Benchmarks: Should the Investment Committee select an investment manager, the selection process shall include evaluation and selection of benchmarks for performance of each class of managed assets.

Portfolio Performance Benchmarks: To assess overall performance during self-management, the Investment Committee may select a combined benchmark of indexes for stocks and bonds, using high profile, reliable indexes for each class of assets in approximate proportion to asset allocation.

Prohibited Transactions: As long as portfolios are self-managed, investments shall be made only in high-rated equity and bond mutual funds and, for cash, in money market funds, and not in individual equity or bond positions. Should the committee select an investment manager, the selection process shall include specification of prohibited investments, e.g., commodities, options trading or margin purchases.

Diversification: While under self-management, funds shall be placed in at least three mutual funds and total investments shall observe the asset class ranges above.

Restrictions: Not more than \$100,000 shall be invested in bank certificates of deposit of any single issuer. All mutual funds shall be publicly traded and shall permit sale at any time without penalty.

Approved by the Investment Committee

Date: July 10, 2017

Approved by the Board:

Date