INVESTMENT POLICY STATEMENT

For

Prepared August 2016

Cornerstone Advisors Asset Management, LLC
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Summary</td>
</tr>
<tr>
<td>Purpose</td>
</tr>
<tr>
<td>Background</td>
</tr>
<tr>
<td>Authority and Responsibility</td>
</tr>
<tr>
<td>Guidelines and Objectives</td>
</tr>
<tr>
<td>- Guidelines</td>
</tr>
<tr>
<td>- Statement of Objectives</td>
</tr>
<tr>
<td>- Time Horizon</td>
</tr>
<tr>
<td>- Risk Tolerances</td>
</tr>
<tr>
<td>- Performance Expectations</td>
</tr>
<tr>
<td>- Asset Allocation Constraints</td>
</tr>
<tr>
<td>- Rebalancing of Strategic Allocation</td>
</tr>
<tr>
<td>Securities Guidelines</td>
</tr>
<tr>
<td>Selection of Money Managers</td>
</tr>
<tr>
<td>Control Procedures</td>
</tr>
<tr>
<td>- Duties and Responsibilities of the Money Managers</td>
</tr>
<tr>
<td>- Brokerage Policy</td>
</tr>
<tr>
<td>- Performance Objectives</td>
</tr>
<tr>
<td>- Monitoring of Money Managers</td>
</tr>
<tr>
<td>- Fee Policy</td>
</tr>
<tr>
<td>Monitoring of Investment Manager</td>
</tr>
</tbody>
</table>
EXECUTIVE SUMMARY

Type of Fund: Foundation

Current Assets: $46,500,000 (as of 07/31/16)

Planning Time Horizon: Greater than 5 years

2015 CMA Modeled Return: 6.6% (4.1% over CPI)
25 Year Historical Return: 7.9% (2.5% over CPI)

Risk Tolerance: Moderate, Losses not to exceed -13%/year, statistical confidence level of 95%

<table>
<thead>
<tr>
<th>Asset Allocation</th>
<th>Lower Limit</th>
<th>Strategic Allocation</th>
<th>Upper Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Equity</td>
<td>36%</td>
<td>46%</td>
<td>56%</td>
</tr>
<tr>
<td>Large Cap Broad</td>
<td>36%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small Cap Value</td>
<td>5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small Cap Growth</td>
<td>5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>International Equity</td>
<td>4%</td>
<td>14%</td>
<td>24%</td>
</tr>
<tr>
<td>Domestic Fixed Income</td>
<td>10%</td>
<td>25%</td>
<td>40%</td>
</tr>
<tr>
<td>Liquid Alternatives</td>
<td>0%</td>
<td>10%</td>
<td>20%</td>
</tr>
<tr>
<td>Cash</td>
<td>0%</td>
<td>5%</td>
<td>10%</td>
</tr>
</tbody>
</table>

Evaluation Benchmark: Total return to exceed performance of Callan’s median Small Endowment/Foundation Fund database or a weighted index comprised of: 36% CRSP US Large Cap, 10% Russell 2000, 14% MSCI ACWI ex US, 25% Barclays Capital Aggregate, 10% Blended Alternative Benchmark; 5% 90-day T-Bill.
PURPOSE

The purpose of this Investment Policy Statement (“IPS”) is to assist the Finance Committee (“Committee”) of the Central Susquehanna Community Foundation (“Foundation”) in effectively supervising, monitoring and evaluating the investment of the organization’s foundation assets (“Fund”). The Fund's investment program is defined in the various sections of the IPS by:

- Stating in a written document the Foundation's attitudes, expectations, objectives and guidelines for the investment of all Fund assets.

- Setting forth an investment structure for managing all Fund assets. This structure includes various asset classes, investment management styles, asset allocation and acceptable ranges that, in total, are expected to produce a sufficient level of overall diversification and total investment return over the long-term.

- Providing guidelines for each investment portfolio that control the level of overall risk and liquidity assumed in that portfolio, so that all Fund assets are managed in accordance with stated objectives.

- Encouraging effective communications between the Foundation, the Investment Manager (“Manager”) and all the service providers.

- Establishing formal criteria to monitor, evaluate and compare the performance results achieved by the money managers on a regular basis.

- Complying with all applicable fiduciary, prudence and due diligence requirements that experienced investment professionals would utilize, and with all applicable laws, rules and regulations from various local, state, federal and international political entities that may impact Fund assets.

This IPS has been formulated, based upon consideration by the Committee of the financial implications of a wide range of policies, and describes the prudent investment process that the Foundation deems appropriate.

BACKGROUND

The Central Susquehanna Community Foundation is the community foundation for Columbia, Montour, Northumberland, Snyder, Union and lower-Luzerne Counties.

Its purpose is to encourage increased philanthropy that will benefit the charities and communities located in this region, improving the quality of life today and for generations to come. The community foundation provides a vehicle for individuals, businesses, and nonprofit organizations to help their community through charitable giving. A wide range of planned giving options are available, and as a community foundation, we are able to offer the maximum tax benefits to our donors.
The Central Susquehanna Community Foundation was established in 1999 as the Berwick Health and Wellness Foundation and changed to the current name in 2003. The Central Susquehanna Community Foundation serves as the administrator of the Berwick Health and Wellness Fund, but it has also expanded its mission and geographic area in order to provide a wide range of charitable giving services.

Although the community foundation serves an expanded region, the Berwick Health and Wellness Fund will continue to provide grants only in its original service area, which includes 23 boroughs and townships in greater-Berwick.

The Central Susquehanna Community Foundation is recognized nationally by the Council on Foundations as one of 600 community foundations in the country that meet its standards. The Foundation is also a member of Community Foundations for Pennsylvania and is the sixth largest community foundation in the state.

**AUTHORITY AND RESPONSIBILITY**

The Committee, most of whose members have financial and investment experience, oversees the management of the Fund. While the Foundation’s primary objectives are to provide protection of principal and reasonable income and capital growth, it is clear that a growing asset base generates growing future income. This objective is pursued as a long-term goal for maximum reward without exposure to undue risk.

The Committee reviews the Investment Manager's performance quarterly and reviews achievement of objectives and adherence to policy annually. The Manager has discretion to manage the day-to-day operations of the fund within the guidelines of this policy statement and the Custodian prepares monthly reconciliation on the fund portfolio, provides securities processing and is responsible for the safekeeping of fund assets.

**Other Pertinent Investment Factors**

- The Foundation chooses to adopt an investment policy pursuing a total return approach to the management of assets in the Fund and elects to be governed by 15 Pa.C.S.A. §5548(c).

- Each year the Foundation sets a spending policy. This policy is applied to the average value of Fund assets as calculated over 16 rolling quarters.

- Absent unusual circumstances, stocks and bonds donated to the Foundation shall be sold upon receipt and the proceeds invested in accordance with this Statement of Policy.

- The Committee may employ a Manager to gather, process, analyze, and display the pertinent information needed to effectively and efficiently implement policy and monitor the progress of the Fund versus stated objectives. The Manager may have discretion to act within the guidelines of this policy statement.
GUIDELINES AND OBJECTIVES

Statement of Objectives

The objectives of the Fund have been established in conjunction with a comprehensive review of the current and projected financial requirements. The objectives are:

(1) To maintain the purchasing power of the current assets and all future contributions. The objective is to maintain the level of services and programs in relation to the average cost increases. This requires establishing an equilibrium-spending rate. The Board of Directors of the Foundation will declare a new spending rate for each fiscal year not to exceed 5% of the Fund’s market value.

(2) To maximize return within reasonable and prudent levels of risk.

(3) To maintain an appropriate asset allocation based on a total return policy that is compatible with a flexible spending policy, while still having the potential to produce positive real returns.

(4) To control costs of administering the Fund and managing the investments.

Time Horizon

The investment guidelines are based upon an investment horizon of greater than five years, so that interim fluctuations should be viewed with appropriate perspective. Similarly, the Fund's strategic asset allocation is based on this long-term perspective.

Short-term liquidity requirements have been anticipated and will be handled from contributions and/or the amount allocated to cash.

Risk Tolerances

The Committee recognizes the difficulty of achieving the Fund's investment objectives in light of the uncertainties and complexities of contemporary investment markets. The Foundation also recognizes that some risk must be assumed to achieve the Fund's long-term investment objectives.

In establishing the risk tolerances of the IPS, the ability to withstand short and intermediate term variability were considered. These factors were:

- The Foundation has a development program designed to increase the fund’s assets over the next several years.
- The Fund’s donor base expects the Foundation to adopt a long-term investment perspective.
In summary, the Foundation’s prospects for the future, current financial condition, and several other factors, suggest collectively that the Fund can tolerate some interim fluctuations in market value and rates of return in order to achieve long-term objectives.

**Performance Expectations**

The desired investment objective is a long-term rate of return on assets that is at least 6.6%, which is 4.1% greater than the anticipated rate of inflation as measured by the Consumer Price Index (“CPI”).

The Committee realizes that market performance varies and that a 6.6% rate of return may not be meaningful during some periods. Accordingly, relative performance benchmarks for the managers are set forth in the "Control Procedures" section.

Over a complete market cycle, the Fund's overall annualized total return, after deducting for advisory, money management, and custodial fees, as well as total transaction costs, should perform above the median of Callan's Small Endowment/Foundation Fund universe or above a customized index comprised of market indices weighted by the strategic asset allocation of the Fund.

**Asset Allocation Constraints**

The Committee believes that the Fund's risk and liquidity posture are, in large part, a function of asset class mix. The Committee has reviewed the long-term performance characteristics of various asset classes, focusing on balancing the risks and rewards of market behavior. The following asset classes were selected:

- Domestic Large Capitalization Equities
- Domestic Small Capitalization Equities
- International Equities
- Domestic Fixed Income
- Alternative Investments
- Cash

Based on the Fund's time horizon, risk tolerances, performance expectations and asset class preferences, an efficient or optimal portfolio was identified. The current strategic asset allocation of the Fund can be found in the executive summary on page one:

**Rebalancing of Strategic Allocation**

The percentage allocation to each asset class may vary as defined in the Executive Summary of this document.

When necessary and/or available, cash inflows/outflows will be deployed in a manner consistent with the strategic asset allocation of the Fund. If there are no cash flows, the allocation of the Fund will be reviewed quarterly.
If the Manager judges cash flows to be insufficient to bring the Fund within the strategic allocation ranges, the Manager shall decide the procedure necessary to effect transactions to bring the strategic allocation within the threshold ranges.

SECURITIES GUIDELINES

Every Portfolio Manager selected to manage Fund assets must adhere to the following guidelines. The following securities and transactions are not authorized unless receiving approval from the Manager. These restrictions are not applicable to the “Alternative Investment” asset class.

(1) Letter stock and other unregistered securities; commodities or other commodity contracts; and short sales or margin transactions.
(2) Securities lending; pledging or hypothecating securities;
(3) Investments in the equity securities of any company with a record of less than three years' continuous operation, including the operation of any predecessor.
(4) Investments for the purpose of exercising control of management.

In addition, the guidelines set forth in the prospectus shall prevail for all mutual fund investments.

**Domestic Equities:**

- Equity holdings in any one company should not exceed more than 5% of the market value of the Fund's equity portfolio.
- Allocation to any one economic sector should not be excessive and should be consistent relative to the broad equity market and to managers following similar style disciplines.
- The Portfolio Manager shall emphasize quality in security selection and shall avoid risk of large loss through diversification.
- The Portfolio Manager shall have the discretion to invest a portion of the assets in cash reserves when they deem appropriate. However, the managers will be evaluated against their peers on the performance of the total funds under their direct management.
- Holdings of individual securities shall be liquid enough to allow for easy monetization.

**International Equities:**

- Equity holdings in any one company shall not exceed more than 5% of the International Equity portfolio.
- Allocation to any one economic sector should not be excessive and should be consistent relative to a broadly diversified international equity market and to managers following similar style disciplines.
Allocations to any specific country shall not be excessive relative to a broadly diversified international equity manager peer group. It is expected that the non-US equity portfolio will have no more than 40% in any one country.

The Portfolio Manager may enter into foreign exchange contracts on currency provided that use of such contracts is limited to hedging currency exposure existing within the manager's portfolio. There shall be no direct foreign currency speculation or any related investment activity.

**Domestic Fixed Income:**

- All fixed-income securities held in the portfolio should have a Moody's, Standard & Poor's and/or a Fitch's credit quality rating of no less than "BBB-". U.S. Treasury and U.S. government agencies, which are unrated securities, are qualified for inclusion in the portfolio.
- No more than 20% of the market value of the fixed income portfolio shall be rated less than single "A" quality, unless the manager has specific written authorization.
- The exposure of the portfolio to any one issuer, other than securities of the U.S. government or agencies, shall not exceed 5% of the market value of the fixed income portfolio.
- Holdings of individual issues shall be large enough for easy liquidation.
- The Portfolio Manager may contract to purchase securities for a fixed price at a future date beyond customary settlement provided that cash or cash equivalents are maintained sufficient to make payment in full.

**Cash/Cash Equivalents:**

- Cash equivalent reserves shall consist of cash instruments having a quality rating of A-2, P-2 or higher. Eurodollar Certificates of Deposits, time deposits, and repurchase agreements are also acceptable investment vehicles.
- Any idle cash not invested by the investment managers shall be invested daily through an automatic interest bearing sweep vehicle managed by the custodian.

**SELECTION OF MONEY MANAGERS**

The Manager will select an appropriate money manager (“Money Managers”) or managers to manage the Fund assets. Portfolio managers must meet the following minimum criteria:

1. Be a bank, insurance company, investment management company, or investment adviser as defined by the Registered Investment Advisers Act of 1940.
(2) Provide historical quarterly performance numbers calculated on a time-weighted basis, based on a composite of all fully discretionary accounts of similar investment style, and reported net and gross of fees.

(3) Provide performance evaluation reports prepared by an objective third party that illustrate the risk/return profile of the manager relative to other managers of like investment style.

(4) Provide detailed information on the history of the firm, key personnel, key clients, fee schedule, and support personnel. This information can be a copy of a recent Request For Proposal (RFP) completed by the manager.

(5) Clearly articulate the investment strategy that will be followed and document that the strategy has been successfully adhered to over time.

(6) Selected firms shall have no outstanding legal judgments or past judgments which may reflect negatively upon the firm.

The Manager may also select appropriate mutual funds to manage a portion of the Fund’s assets. Mutual funds must meet the following minimum criteria:

(1) Funds must correspond to the asset classes outlined in the Foundation’s IPS. For example, the growth component of the IPS must be implemented with a mutual fund invested in growth stocks.

(2) The fund’s manager must have been in place for three years or more.

(3) The funds must have been following the same investment strategy for at least three years.

(4) The fund must have sufficient assets under management so that any single client does not represent more than 10% of the fund.

**CONTROL PROCEDURES**

**Duties and Responsibilities of the Money Managers**

The duties and responsibilities of each money manager retained by the Foundation include the following:

(1) Managing the Fund assets under its care, custody and/or control in accordance with the IPS objectives and guidelines set forth herein, and also expressed in separate written agreements when deviation is deemed prudent and desirable by the Investment Manager.

(2) Exercising investment discretion [including holding cash equivalents as an alternative] within the IPS objectives and guidelines set forth herein.
(3) Promptly informing the Investment Manager in writing regarding all significant and/or material matters and changes pertaining to the investment of Fund assets, including, but not limited to:

a. Investment strategy
b. Portfolio structure
c. Tactical approaches
d. Ownership
e. Organizational structure
f. Financial condition
g. Professional staff
h. Recommendations for guideline changes
i. All legal material, SEC and other regulatory agency proceedings affecting the firm.

(4) Promptly voting all proxies and related actions in a manner consistent with the long-term interests and objectives of the Fund set forth herein. Each money manager shall keep detailed records of said voting of proxies and related actions and will comply with all regulatory obligations related thereto.

(5) Utilize the same care, skill, prudence and due diligence under the circumstances then prevailing that experienced, investment professionals acting in a like capacity and fully familiar with such matters would use in like activities for like Funds with like aims in accordance and compliance with applicable laws, rules and regulations from local, state, and federal entities as it pertains to fiduciary duties and responsibilities.

(6) Acknowledge and agree in writing to their fiduciary responsibility and fully comply with the entire IPS set forth herein, and as modified in the future.

Brokerage Policy

All transactions effected for the Fund will be "subject to the best price and execution." A manager will not utilize brokerage from the Fund assets to effect “soft dollar” transactions without the express written permission of the Manager.

Performance Objectives

Investment performance will be reviewed at least annually to determine the continued feasibility of achieving the investment objectives and the appropriateness of the IPS for achieving those objectives.

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.
**Monitoring of Money Managers/Mutual Funds**

Quarterly performance will be evaluated to test progress toward the attainment of longer term targets. It is understood that there are likely to be short term periods during which performance deviates from market indices. During such times, greater emphasis shall be placed on peer-performance comparisons with managers employing similar styles.

On a timely basis, but not less than four times a year, the Investment Manager and the Committee will meet to focus on:

- The Portfolio Manager's adherence to the IPS guidelines;
- Material changes in the mutual fund’s/manager's organization, investment philosophy and/or personnel; and,
- Comparisons of the mutual fund’s/manager's results to appropriate indices and peer groups, specifically:

<table>
<thead>
<tr>
<th>Asset Category</th>
<th>Index</th>
<th>Peer Group Universe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large Cap Equity</td>
<td>CRSP US Large Cap Index</td>
<td>Large Cap Core Style</td>
</tr>
<tr>
<td>Core</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small Cap Equity</td>
<td>Russell 2000 Growth</td>
<td>Small Cap Growth Style</td>
</tr>
<tr>
<td></td>
<td>Russell 2000 Value</td>
<td>Small Cap Value Style</td>
</tr>
<tr>
<td>International</td>
<td>MSCI ACWI ex US</td>
<td>International Equity Style</td>
</tr>
<tr>
<td>Alternative Investments</td>
<td>Blended Alternative Benchmark</td>
<td>Lipper Absolute Return Style</td>
</tr>
<tr>
<td>Domestic Fixed Income</td>
<td>Barclays Capital Aggregate</td>
<td>Core Bond Style</td>
</tr>
<tr>
<td>Cash</td>
<td>90 Day T-Bills</td>
<td>Money Market Database or Active Cash</td>
</tr>
</tbody>
</table>

The risk associated with each mutual fund’s/manager’s portfolio, as measured by the variability of quarterly returns (standard deviation), must not exceed that of the benchmark index and the peer group without a corresponding increase in performance above the benchmark and peer group.

In addition to the information covered during the quarterly reviews, the Manager and the Committee will meet at least annually to focus on:

- The Portfolio Manager’s performance relative to mutual funds/managers of like investment style or strategy. Each manager is expected to perform in the upper half of the manager's respective style universe.
The Fund's investment performance results compared to the Portfolio Manager's overall composite performance figures to determine unaccounted for dispersion between the manager's reported results and the Fund's actual results.

The Manager is aware that the ongoing review and analysis of mutual funds/money managers is just as important as the due diligence implemented during the mutual fund/manager selection process. Accordingly, a thorough review and analysis of the Portfolio Manager will be conducted, should:

- A mutual fund/manager perform in the bottom quartile (75th percentile) of their peer group over an annual period.
- A mutual fund/manager falls in the southeast quadrant of the risk/return scatterplot for a three-year time period.
- A mutual fund/manager has a three-year risk adjusted return fall below that of the median manager within the appropriate peer group.

Furthermore, performance which may require the replacement of a Portfolio Manager include:

- Mutual funds/managers that perform below the third quartile (75th percentile) of their peer group over a rolling three-year period.
- Mutual funds/managers that perform below the median (50th percentile) of their peer group over a five-year period.
- Managers with negative alphas for a three-year time period.

Major organizational changes also warrant immediate review of the mutual fund/manager, including:

- Change in professionals
- Significant account losses
- Significant growth of new business
- Change in ownership
- Change in investment philosophy or process
- Change in investment style

The performance of the Foundation's investment managers/mutual funds will be monitored on an ongoing basis and it is at the Manager's discretion to take corrective action by replacing a manager/mutual fund if they deem it appropriate at any time for any reason.

**Fee Policy**

Given the importance of investment fees on the total return of the Fund, the Committee has adopted a fee policy that outlines acceptable costs associated with managing the Fund. The targeted fee (inclusive of all third party service providers) shall be 0.65% (sixty-five basis points) per year. There will be times in which this level will be breached due to underlying commingled fund cost
changes, but Manager will undertake corrective measures or receive the approval of the Committee to continue being outside this established band.

**Monitoring of Investment Manager**

The Committee shall review the performance of the Manager on a regular basis using the same criteria for the whole portfolio that each Portfolio Manager is expected to achieve. The Manager shall be responsible for coordinating all communications between the Committee and service providers.

The Manager, as a fiduciary of the Fund, is required to provide unbiased investment services to the Foundation and must inform it of any changes to key personnel, investment strategy or other organizational issues. The Manager shall provide to the Foundation any information deemed appropriate to ascertain its ability to fulfill its duties.