



96 Library Street, Hudson, Ohio 44236

Private Funds Investment Policy 11/2016

I. Introduction

The Board of Trustees of the Hudson Library and Historical Society (Library) is responsible for establishing the Investment Policy applicable to all funds received or held by the Library in order to ensure the safety, liquidity and yield associated with all such funds. The Board of Trustees also provides ongoing oversight of the Fiscal Officer and Deputy Fiscal Officer to assure said policies are properly implemented and maintained. Responsibilities for key roles are outlined in Appendix A.

Investment policies will distinguish between the handling of Public Funds (i.e., those generated through local real estate taxes and through the taxpayer funded Summit County allocation of the State of Ohio Public Library Fund) and Private Funds (i.e., funds generated by bequests, donations, concessions to or from other private activities of the Hudson Library). All Public Funds of the Library shall be invested in strict accordance with the Ohio Revised Code, Uniform Depository Act, Section 135, (<http://codes.ohio.gov/orc/135>). A Public Funds Investment Policy Statement approved by the Board of Trustees exists and is separate and distinct from that for Private Funds.

II. Investing Authority

With the adoption of this Policy, the Board of Trustees delegates investment authority to the Finance Committee. The Finance Committee shall exercise its fiduciary obligation solely in the interests of the Library and in accordance with the wishes of the Board of Trustees as described in this policy.

III. Types of Private Funds

Private Funds will further be distinguished by those subject to: 1) donor mandated investment instructions governing investments thereof (Donor Mandated Private Funds), and 2) those that are not subject to investment constraints or mandates (All Other Private Funds). The monthly Financial Report, indicating resultant investable funds totals by time period, provides the information necessary to prepare for appropriate contingencies.

All Donor Mandated Private Funds are to be identified and listed as Appendix B to this policy, and shall be invested strictly in accordance with any governing investment restrictions.

IV. Authorized Investments

All Other Private Funds received shall initially be deposited in a Private Funds Checking Account. Based upon cash flow projections, the Fiscal Officer will determine what funds are available to be transferred from such Private Funds Checking Account to the account established for the investment of All Other Private Funds (hereafter, the "Investment Account"), so as to maximize the amount of All Other Private Funds that are invested.

All Other Private Funds comprising the Investment Account shall be deposited with a Custodian authorized and registered with the Securities and Exchange Commission and is a member of the National Association of Securities Dealers, Inc. Said Custodian will be recommended by the Finance Committee and approved



96 Library Street, Hudson, Ohio 44236

by the Board of Trustees, following the solicitation of proposal for services by the Fiscal Officer from at least three such financial institutions having a business presence in Hudson, Ohio.

Permitted investment of All Other Private Funds shall be limited to passively managed index related exchange-traded (ETF) stock and bond funds which carry a current Morningstar (or a similar investment research firm) Star Rating of either 4 or 5 along with a Morningstar Analyst Gold rating. Asset allocation of All Other Private Funds comprising the Investment Account is governed by the guidelines found in Appendix C. An 'invest and hold' philosophy to realize long term growth will govern the investment of All Other Private Funds. The Fiscal Officer will maintain an account with Morningstar, Inc. for purposes of assessing and comparing investment results and alternatives and for electronic advices concerning the rating changes of current investments. Any ETF investment in the Investment Account that fails to maintain at least a Morningstar Rating of 4 shall be placed on a Watch List by the Fiscal Officer and brought to the attention of the Finance Committee. The Finance Committee will evaluate the investment and recommend corrective action to the Board of Trustees. If necessary, upon Board of Trustees authorization said investment will be sold and replaced by another authorized ETF investment.

Initial investment and subsequent changes in the portfolio of All Other Private Funds shall be recommended by the Finance Committee and documented in the meeting minutes. The Finance Committee Chairperson shall present said recommendations to the Board of Trustees for approval. Upon Board of Trustees authorization, the investment or change shall be initiated by the Fiscal Officer and/or Deputy Fiscal Officer.

At the start of each fiscal year, the Finance Committee shall set aside an amount of up to \$35,000 from the Investment Account to be used for collection development & programming over the course of the fiscal year. The set-aside shall be funded with income earned in the Investment Account during the previous year. If Investment Account income exceeds the amount designated, the additional income shall be reinvested, along with other Private Funds, in the Investment Account.

V. Reporting

The Custodian will prepare monthly and annual reports that detail transactions, cash flows, securities held and their current value, and changes to the value of each security in the Investment Account since the previous report.

The Fiscal Officer or Deputy Fiscal Officer will prepare and deliver to the Finance Committee a monthly performance report for All Other Private Funds utilizing the services of Morningstar.

VI. Review

Services of the Custodian shall be reviewed at least annually by the Finance Committee. More frequent reviews may be authorized, as conditions may warrant, by the Finance Committee. Any subsequent change of the custodian will be recommended by the Finance Committee and approved by the Board of Trustees.

This Private Funds Investment Policy will be subject to review, comment and recommendation by a qualified Independent Financial Advisor, at inception and at least biennially thereafter, with the Finance Committee. The Finance Committee will report the results of said review to and, if warranted, make recommendations to the Board of Trustees. The Finance Committee has the discretion to engage with the Financial Advisor as deemed appropriate. Any subsequent change of the Independent Financial Advisor will be recommended by the Finance Committee and approved by the Board of Trustees.



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Copies of this policy will be provided to the Custodian and the Independent Financial Advisor.



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APPENDIX A

Roles & Responsibilities Private Funds Investment Policy

Finance Committee

The primary responsibilities of the Finance Committee are to:

1. Prepare and maintain this Private Funds Investment Policy.
2. Prudently diversify the Investment Account assets to meet an agreed upon risk/return profile.
3. Prudently select investment options.
4. Oversee and manage all investment, record keeping and administrative expenses associated with the Investment Account.
5. Monitor and supervise all service vendors and investment options.
6. Avoid prohibited transactions and conflicts of interest.

Fiscal Officer (Including Deputy Fiscal Officer)

Upon direction & instruction from the Finance Committee:

1. Initiate RFPs from prospective Custodians.
2. Receive monthly reports from the Custodian for distribution.
3. Generate Morningstar reports for ETFs in Investment Account upon request of the Committee.
4. Provide initial investment or investment change instructions to the Custodian.

Custodian

Custodians are responsible for the safekeeping of the assets in the Investment Account. The specific duties and responsibilities of the Custodian are to:

1. Value the holdings.
2. Collect all income and dividends owed to the Investment Account.
3. Settle all transactions (buy-sell orders).
4. Provide timely monthly and annual reports that detail transactions, cash flows, securities held and their current value, and changes to the value of each security in the Investment Account since the previous report.

Independent Financial Advisor (Fee for Service)

The Independent Financial Advisor serves as an objective, third-party professional retained to assist the Finance Committee in managing the overall investment process. The Finance Committee shall meet with said advisor on a biennial basis, or more frequently as the Finance Committee so desires.



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APPENDIX B

Donor Mandated Private Funds

The Library currently does not hold any Donor Mandated Private Funds.



HUDSON LIBRARY & HISTORICAL SOCIETY

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APPENDIX C

All investments are to be made in one or more of the below listed capital markets. No single investment shall represent more than 35% of the total Investment Account at the time the ETF is initially purchased.

Capital Market

Capital Market Data last updated December 31, 2015. Returns include a default inflation rate of 1.7%.
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	Return (%)	Risk (%)	Underlying Index	Peer Group
Large Cap Equity	8.2	15.5	SBBI Large Company Stocks	Large Blend
Mid Cap Equity	8.6	17.5	Russell Mid Cap	Mid-cap Blend
Small Cap Equity	9.0	21.3	SBBI Small Company Stocks	Small Blend
International Equity	8.7	17.4	MSCI EAFE	Foreign Large Blend
Emerging Market Equity	9.6	23.6	MSCI Emerging Markets	Diversified Emerging Markets
High Yield Bond	4.5	8.3	Credit Suisse High Yield Bond Index	High Yield Bond
Long-term Bond	3.5	10.0	Barcap U.S. Long Gov/Credit Bond	Long Term Bond
Intermediate-term Bond	2.9	4.5	Barcap U.S. Intern. Gov/Credit Bond	Intermediate Term Bond
International Bond	3.5	10.2	Citigroup World Gov Bond ex US	World Bond
Money Market	2.6	1.2	SBBI 30 day US Treasury Bill	Money Market Taxable