

SAMPLE ORGANIZATION POLICIES & PROCEDURES

Policy Name: Investment Policy

Approved by Committee: Approved by ORG Budget & Finance Committee on 06/23/2020 for recommendation to the full ORG Board.

Approved by Board: Approved by ORG Board of Directors on 08/20/2020

INVESTMENT POLICY

This statement of Investment Policy is set forth to:

- Establish a clear understanding of investment policy and objectives for ORGANIZATION NAME assets.
- Assign and define the responsibilities of all involved parties.
- Develop specific guidelines and limitations for the ORG Board of Directors, the ORG Finance and Budget Committee, ORG's President and CEO, and investment manager(s) to ensure that assets are being managed in accordance with this policy and with prudent standards as established in common trust law.
- Provide a basis for the evaluation of the investment performance of assets.

This policy is designed to establish an attitude and philosophy that will guide ORG's Board of Directors, ORG's Finance and Budget Committee, ORG's President and CEO, and investment manager(s). It is the intent of this policy to provide investment objectives that are sufficiently specific to be meaningful, but sufficiently flexible to be practical.

Types of Investments

The funds for which ORG's Board of Directors has responsibility include the following:

- Operating, short-term sweep investment accounts, and payroll and benefit accounts
- Unrestricted investment funds (short-term needs and temporarily restricted assets)
- Permanently restricted endowment funds
- Unrestricted/Board Designated long-term investment funds

Description of Fund Types and Fund Balance Goals:

1. Operating, short-term sweep investment accounts, and payroll and benefit accounts

- A. These funds represent amounts set aside for the current operations of ORG.
- B. If ORG's long-term investable funds are less than a year's projected operating expenses at the beginning of the fiscal year, then ORG must have 40% of projected operating expenses available in short-term investable funds on April 1 of that fiscal year to fund negative periods of cash flow throughout that year. Amounts contained in operating and payroll accounts may be included when determining whether the 40% of projected operating expenses are available on April 1.
- C. The goal for these funds is to maximize returns while maintaining an acceptable level of risk and providing cash flow for current operations.

2. Unrestricted investment funds (short-term needs and temporarily restricted assets)

- A. These funds represent amounts set aside for operational cash flow dips as well as funds given to ORG for which the donor's restriction has not yet been met.
- B. The goal for these funds is to maximize the return maintaining an acceptable level of risk

and a level of liquidity needed for operational use.

3. Permanently restricted endowment funds

- A. These funds represent amounts designated as permanently restricted by a donor – principal to be held in perpetuity while income earned to be used to further the mission of ORG. Income use can either be restricted or unrestricted by the donor.
- B. The balance should be the sum of all permanently restricted funds.
- C. The goal for these funds is to maximize the value while maintaining long-term investable funds REAL rate of return over time to average 3.5 %.

4. Unrestricted/Board Designated long-term investment funds

- A. These funds present long-term investment funds for ORG.
- B. Generally, ORG will maintain long-term investment funds at a level ranging from 100% to 300% of the annual operating budget.
- C. The goal for these funds is to maximize the return while maintaining long-term investable funds REAL rate of return over time to average 6.0%.

Assignment of Responsibility

Day-to-day management of all funds is delegated by the ORG Board of Directors to the ORG Board Chair, ORG Board Treasurer, and President and CEO. The Board Treasurer will be responsible for evaluating and selecting particular categories (CD's, Money Market, Treasuries, etc.) of investments for operating and short-term needs. The Board Treasurer is delegated the responsibility to select a particular investment within a category of investments (i.e. a particular CD within the CD category).

Upon advice of the ORG Finance and Budget Committee, ORG's Board of Directors may select one or more investment consultants to serve as its advisor pursuant to qualifications established for the position. The investment consultant(s) shall offer investment advice concerning the investment management of the unrestricted/board designated long-term investment funds consistent with this policy. The investment consultant(s) shall acknowledge in writing acceptance of responsibility as fiduciary held to the prudent expert rule. Specific responsibilities of the investment consultant(s) include:

- Assisting in the development and periodic review of investment policy.
- Conducting investment manager searches when requested.
- Reporting monthly investment statements to the CEO and Board Treasurer.
- Reporting quarterly investment benchmarking results to the ORG Budget & Finance Committee.
- Communicating to the ORG Budget & Finance Committee any major changes to economic outlook, investment strategy, or any other factors that affect implementation of the investment process, or the investment objectives.
- Informing the ORG Budget & Finance Committee regarding any qualitative change to investment management organizations e.g., changes in portfolio management personnel, ownership structure, investment philosophy, etc.
- Annually providing to the Board Treasurer and the ORG auditor a current SOC-1 Report.
- Discretionary asset allocation and manager selection.

The investment manager(s) shall have full discretion to make all investment decisions for the assets placed under its jurisdiction pursuant to this policy. The investment manager(s) shall acknowledge in writing acceptance of responsibility as a fiduciary held to the prudent expert rule. Specific responsibilities of the investment manager(s) include:

- Discretionary investment management including decisions to buy, sell, or hold individual securities, and to alter asset allocations within the guidelines established in this policy and its employment contract.
- Reporting quarterly investment performance results to the investment consultant.

- Communicating to the investment consultant any major changes to economic outlook, investment strategy, or any other factors that affect implementation of the investment process, or the investment objectives.
- Informing the investment consultant regarding any qualitative change to investment management organization e.g., changes in portfolio management personnel, ownership structure, investment philosophy, etc.

Policy Regarding Operating, Short-Term Sweep Accounts and Payroll and Benefit Accounts, and Unrestricted Short-term Investment Funds

Operating Funds, and Unrestricted Short-term Investment Funds are those needing the greatest liquidity. The maturity of such investments shall be structured to meet projected cash needs of ORG. The funds shall be invested in short-term investments with maturities of one year or less.

Permitted investments are:

- Depository accounts—demand deposits, checking accounts, overnight sweep accounts, savings accounts, bank money market accounts, certificates of deposit, etc.—with financial institutions having an investment grade rating or better.
- U.S. Treasury bills, notes and bonds. These investments have no limit and shall include securities issued by federal agencies backed by the full faith and credit of the U.S. government. These investments may be purchased indirectly through a mutual fund exclusively devoted to investment in U.S. Government Securities.
- Money market securities. Money market securities may comprise no more than 25% of the portfolio. Each individual institution must have at least \$500 million total capitalization.
- All depository accounts must be covered within FDIC or SIPC insurance limits.

Policies regarding Permanently Restricted and Long-term Unrestricted Investment Funds

Investment management of the permanently restricted and long-term unrestricted investment funds shall be in accordance with the following asset allocation guidelines. This table serves as the primary asset allocation guideline. All subsequent asset allocation tables for specific investment categories are to be governed by the primary asset allocation table. Specific investment asset allocation strategies may not at any point exceed the upper limits as identified in the primary asset allocation table:

Security Type	Lower Limit	Target Allocation	Upper Limit
Cash Equivalents	0%	2.5%	10%
Fixed Income/Bonds	15%	27.5%	60%
Equities	30%	50%	85%
Alternative Investments	0%	20%	30%

Cash Equivalents

Uninvested funds (small balances) and interest income may be invested in a money market fund maintained by the investment manager.

Fixed Income Securities

Investments in Fixed Income securities shall be in accordance with the following asset allocation guidelines:

Security Type	Lower Limit	Target Allocation	Upper Limit
US Core Fixed Income	10%	22.5%	50%
International Fixed Income	0%	5%	10%

A minimum of two thirds (2/3) of the fixed income portfolio is to consist of U.S. governmental securities and/or U.S corporate investment grade securities. Up to one third (1/3) of the fixed income portfolio may be invested in US corporate securities that are below investment grade or international fixed income securities. The aggregate market value of an investment or security issued by any one company shall not exceed 5% of the fund's fixed income assets measured at market.

Equity Securities

Investments in equity securities shall be in accordance with the following asset allocation guidelines:

Security Type	Lower Limit	Target Allocation	Upper Limit
Large Cap	20%	30%	50%
Mid/Small Cap	0%	10%	20%
Developed International	0%	10%	20%
Emerging Markets	0%	5%	10%

The investment objective of the equity portion is to achieve a competitive growth of capital (total return) when compared with various market indices of comparable portfolios over a market cycle (average cycle is five years to ten years).

The portfolio is to consist of equities and cash. The investment manager is responsible for the allocation of assets between these two classes. However, ORG's preference is to be fully invested in equities except for relatively rare market conditions. Market timing is not an acceptable investment strategy.

Equities selections are to consider all common stocks listed on The New York Stock Exchange, The American Stock Exchange, and NASDAQ (National Market) for which there is a strong market providing ready salability of the specific security. Equity mutual funds may be used as long as these policy guidelines are observed, including the use of American Depositary Receipts and international mutual funds.

Alternative Investments

Investments in alternative investments shall be in accordance with the following asset allocation guidelines:

Security Type	Lower Limit	Target Allocation	Upper Limit
Hedge Fund of Funds	0%	14%	18%
REITS – Fund of Funds	0%	3%	10%
Long/Short	0%	3%	10%

The investment objective of the alternative investment portion is to achieve a competitive growth of capital (total return) when compared with various market indices of comparable portfolios over a market cycle (average cycle is five years to ten years), as well as maintaining a low correlation to traditional

investments, therefore providing a reduction in expected risk and volatility.

The valuation of hedge fund to funds investments will be done on a monthly basis, with a one-month lag which is standard practice. All pricing and valuations will be the responsibility of the investment manager.

The portfolio need not represent a cross section of the economy. The investment manager is to select the industry groups and concentrations to maximize returns and provide prudent diversification, however, the following restrictions apply:

1. No more than 5% of the portfolio, measured at market, may be invested in the stock of any one corporation.
2. No more than 25% of the portfolio, measured at market value, may be invested in any one sector as defined by the S&P 500. However, should the S&P 500 contain a sector that exceeds 25%, the fund's assets may equal and/or exceed by 3 percentage points that specific S&P 500 sector allocation.
3. The style of investment suggests moderate tolerance for capital fluctuation during difficult phases of a market cycle.
4. Except to the extent they are backed by the full faith and credit of the federal government and are deemed by the ORG Budget & Finance Committee to be necessary for the future growth and protection of ORG, the following direct transactions are prohibited (indirect transactions are permitted if held through mutual funds or other indirect vehicles):
 - A. Short sales;
 - B. Put and Call option strategies;
 - C. Margin purchases;
 - D. Securities of investment manager's or consultant's corporation or parent corporation;
 - E. Direct investment in tangible assets such as real estate, oil and gas, precious metals, etc. However, indirect investment in real estate is permitted through a mutual fund that holds shares in real estate investment trusts.

Evaluation Benchmark

Total return of permanently restricted and long-term unrestricted investment funds should be at least comparable to the performance of a policy index based on the strategic asset allocation to various broad asset classes. Specifically, the policy index will be a weighted index that equates to the target allocation for the portfolio defined as follows:

- 2.5% Citigroup 3 Month T-Bill (Fixed Income Money Market)
- 22.5% Barclay's U.S. Government Credit (Fixed Income/Bonds)
- 15% Russell 1000 Value (Large/Mid Cap)
- 15% Russell 1000 Growth (Large/Mid Cap)
- 5% Russell 2000 (Small Cap)
- 10% MSCI EAFE Index (Developed International)
- 5% MSCI Emerging Markets Index (Emerging Markets)
- 5% Citigroup Non-USD World Government Bond Index
- 10% HRFI FOF Conservative Index (Hedge Funds)
- 10% HRFI FOF Strategic Index (Hedge Funds)

We will regularly examine the underlying strategies to ensure they are performing at a reasonable level to their appropriate benchmark in order to ensure we are utilizing the best of breed strategies in building the multi-asset class portfolio and to decide if and when changes in strategies and/or vehicles should be considered.

Over the investment horizon established in this policy, it is the goal for the long-term investable funds REAL rate of return over time to average 6.0% of the total portfolio.

Total return should be evaluated and analyzed after taking into consideration any and all applicable

transaction costs and investment management and advisory fees that impact the net portfolio performance. Total return should be evaluated and analyzed based upon the performance of the entire portfolio, rather than by each specific utilized sub-sector.

Donated Assets

Marketable securities should be sold within three business days (unless the investment manager feels that holding the donated asset is in accordance with the portfolio strategy) with proceeds reinvested in a manner consistent with this ORG Investment Policy and the ORG Gift Acceptance Policy.

Proceeds will be reinvested in a manner consistent with this ORG Investment Policy.

Reviews

The ORG Finance and Budget Committee will carefully monitor and review all investments made pursuant to this policy and the Treasurer will provide regular reports thereon and when necessary to the ORG Executive Committee and the ORG Board of Directors.

This statement of investment policy shall be reviewed at least annually by the ORG Budget & Finance Committee to determine its appropriateness. The ORG Board of Directors must approve any change to the policy.

Conflicts of Interest (Also see ORG's Conflicts of Interest Policy)

Board members and members of the Budget & Finance Committee must disclose in writing to the President and CEO or his/her designee any potential or actual conflicts of interests which exist with regard to ORG's investments.

Investments should generally not be made with companies or brokerages which employ or might otherwise cause conflict with current Board members. In the event that research concludes that a particular investment (e.g. an insured CD) at one of these institutions is comparable to the type of security or deposit being selected, such an investment will be permitted.

Any potential or actual conflicts of interest between any investment advisor and any investment manager must be disclosed by the investment advisor and the investment manager in writing to the President and CEO or his/her designee.

Fiscal Year-End Checklist

- Real Rate of Return
- Fiduciary Responsibility
- SOC-1 Report
- FDIC
- SIPC