

NONPROFIT INVESTMENT POLICIES SAMPLE

I. PURPOSE

The purposes of the following investment guidelines, which are to reviewed annually by the board of directors of the organization, are to:

Establish the investment objectives, policies, guidelines and eligible securities relating to any investments owned or controlled by the organization and any of its subsidiary organizations.

- Identify the criteria against which the investment performance of the organization's investments will be measured.
- Communicate the objectives to the Board, staff, investment managers, brokers, donors and funding sources that may have involvement.
- Serve as a review document to guide the ongoing oversight of the management of the organizations' investments.

II. GUIDELINES FOR INVESTING:

The investment goal of the total fund is to achieve a total return (income and appreciation) of 5% after inflation, over a full market cycle (3-5 years). The following guidelines apply to the three main investment asset classes:

Money Market Funds: Allowable range: Minimum 5%; Maximum 45% of total assets

A quality money market fund will be utilized for the liquidity needs of the portfolio whose objective is to seek as high a current income as is consistent with liquidity and stability of principal. The fund will invest in "money market" instruments with remaining maturities of one year or less, that have been rated by at least one nationally recognized rating agency in the highest category for short-term debt securities. If non-rated, the securities must be of comparable quality.

Equities: Allowable Range- Minimum 20%; Maximum 60% of total assets

The equity component of the portfolio will consist of high-quality, large capitalization, domestic (U.S.) equity securities traded on either the New York, NASDAQ or American Stock exchanges. The securities must be screened for their above average financial characteristics such as price-to-earnings, return-on-equity, debt-to-capital ratios, etc.

No more than 5% of the equity portion of the account will be invested in any one issuer. As well, not more than 20% of the equity portion of the account will be invested in stocks contained within the same industry.

It is acceptable to invest in an equity mutual fund(s) adhering to the investment characteristics identified above, as long as it is a no-load fund, without 12(b)(1) charges, which maintains an expense ratio consistent with those other funds of similar investment styles as measured by the Lipper and/or Morningstar rating services.

Prohibited equity investments include: initial public offerings, restricted securities, private placements, derivatives, options, futures and margined transactions.

EXCEPTIONS TO THE PROHIBITED INVESTMENT POLICY MAY BE MADE ONLY WHEN ASSETS ARE INVESTED IN A MUTUAL FUND(S), THAT PERIODICALLY UTILIZES PROHIBITED STRATEGIES TO MITIGATE RISK AND ENHANCE RETURN.

Fixed Income: Allowable Range- Minimum 35%; Maximum 75% of total assets

Bond investments will consist solely of taxable, fixed income securities that have an investment-grade rating (Baa or higher) that possess a liquid secondary market.

No more than 5% of the fixed income portfolio will be invested in corporate bonds of the same issuer. As well, not more than 20% of the fixed income portfolio will be invested in bonds of issuers in the same industry.

The maximum *average maturity* of the fixed income portfolio will be 10 years, with not more than 25% of the bond portfolio maturing in more than 10 years.

Prohibited securities include: private placements, derivatives (other than floating-rate coupon bonds), margined transactions and foreign denominated bonds.

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III. PERFORMANCE MEASUREMENTS STANDARDS:

The benchmarks to be used in evaluating the performance of the two main asset classes will be:

Equities: *S&P 500 Index*- Goal: exceed the average annual return of the index over a full market cycle (3-5 years)

Fixed Income: *Lehman Brothers Government/Corporate Index*- Goal: exceed the average annual return of the index over a full market cycle (3-5 years).

It will be the responsibility of the Board of Directors Investment Committee to regularly review the performance of the investment account and investment policy guidelines, and report to the Board of Directors at least quarterly with updates and recommendations as needed.

IV. SPENDING POLICY AND RESERVE FUND:

Each year, the nonprofit is authorized to withdraw **up to 5%** of the total market value of the insurance premium reserve investment account (market value to be determined as of the last business day of the preceding year) for the organization's operating purposes. The dollar amount

and timing of any distribution(s) from the investment account will be left up to the discretion of the Executive Director and the Treasurer.

A segregated reserve portfolio will be funded annually with a contribution in January of each year for the preceding year, equal to 25% of the *net* total return (income plus market value appreciation, after any fees and spending amounts distributed) which will be utilized to off-set any premium losses that may occur related to the insurance coverage offered by the organization. In the event that there are not enough funds in the reserve account to cover the entire loss, the remaining deficit will be taken from the insurance premium reserve investment account.

The reserve account will be invested solely in a money market fund as described in paragraph II, above, and where prudent, in U.S. Treasury securities with maturities of less than one year.

SAMPLE:
For Illustrative
Purposes Only