

# ABC Charity

## Administrative Reserve Investment Policy Statement

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### Purpose and Scope

The ABC Charity (hereinafter “Charity”) Board of Directors has responsibility for the management and investment of the organization’s financial assets, including the Administrative Reserve Fund, (hereinafter “Reserve”). The purpose of the Reserve is to enable the Charity to continue operations during significant unexpected losses of income and/or significant unexpected increases in expense. The Charity also maintains a Line of Credit at (name of institution) in the amount of \$ (amount). The Reserve shall work in tandem with the Line of Credit, which also serves as a source of cash during operational shortfalls.

For the Reserve, the Board will follow an investment policy that seeks to achieve a reasonable long-term total return, consistent with acceptable investment risk, derived both from appreciation of capital and from earnings and distributions with respect to capital.

### Roles and Responsibilities / Assignment of Investment Authority

The Board delegates to the Investment Committee the responsibility to formulate and update the Reserve Investment Policy Statement (IPS), to select one or more investment managers to manage the Reserve, and to recommend to the Board for approval, any changes to the IPS that the Committee determines to be appropriate. The Investment Committee may, by contract, designate one or more investment managers, to hold for safe-keeping, to provide advice regarding, or to invest the designated assets of the Reserve. The investment manager shall invest assets only with well-established and financially sound organizations.

### Spending Policy

The target spending rate of the Reserve is 6% annually, although it is anticipated that in most years no distribution will be taken from the Reserve. Circumstances may arise such that a large distribution from the Reserve may be required in any given year.

### Investment Goals and Objectives

The long-term investment goal of the Reserve is to maximize total return consistent with a moderate risk profile for the assets.

### Asset Allocation Policy and Guidelines

The assets of the Reserve shall be invested in a diversified portfolio within the following ranges:

	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
U.S. Equities	45%	57%	65%
Large Cap	30%	37%	55%
Mid Cap	0%	10%	20%
Small Cap	5%	10%	20%
International Equities	5%	8%	20%
Fixed Income	30%	35%	55%
Cash Equivalents	0%	0%	10%

Appropriate domestic equities shall consist of publicly traded, common or preferred stocks, in most cases listed on national security exchanges, issued by corporations having market capitalization of \$300 million and above. Equity holdings should be diversified by investing across a spectrum of market capitalizations. Diversified investments including exchange traded funds, closed-end mutual funds, and open-end mutual funds are also appropriate investments within the equity assets. In no case shall a single security exceed 10 percent, nor shall a single industry exceed 20 percent, of the total market value of the invested assets.

Investment in foreign equities should be limited to American Depository Receipts, exchange traded funds, closed end mutual funds, and open end mutual funds.

Appropriate fixed income investments may include U.S. Treasury and Federal Agency debt obligations, corporate bonds, asset backed securities, mortgage-backed securities, certificates of deposit, and fixed income mutual funds that invest in substantially similar instruments. Corporate debt obligations should have a Standard and Poor's rating of A or higher and should be limited to intermediate maturities. It is expected that the fixed income assets will be primarily invested in investment grade fixed income securities to mitigate risk.

Cash equivalent securities shall have stated maturities of one year or less. Excluding of the United States Government and its agencies, no single issue or issuer may exceed 5% of the total assets. Commercial paper is to be rated no lower than A-1 by Standards & Poor's, P-1 by Moody's, or F-1 by Fitch's. Money market funds and bank short-term investment funds may be used for the investment of cash equivalents, provided all of the above diversification and quality definitions are met by the stated guidelines of the funds.

No investment manager shall engage in short sales, purchases on margin, or purchases of options.

### **Rebalancing Method and Frequency**

Investment portfolios may be rebalanced automatically by computer program or manually by the investment manager, so long as the portfolio is rebalanced at least annually.

### **Review and Reporting**

The Investment Committee shall meet at least once per year to review the performance of managers with regard to conformance with the investment policies, as well as the level of risk, growth, and income of the assets. The Investment Committee shall keep minutes of its proceedings and shall report its deliberations to the Board at its next regularly scheduled meeting.

The Investment Committee shall meet at least once per year with each investment manager to review the performance of the investment manager. At that time, the investment manager will be expected to present to the Investment Committee an investment outlook on general assets strategy for the ensuing period and a general forecast of economic conditions and market trends for the future.

The investment manager will be expected to provide monthly statements to the Charity in a manner and fashion necessary to facilitate the proper recording of all transactions and earnings. The investment manager will be expected to provide performance measurements to the Charity no less than annually.

### **Gift Acceptance**

The investment manager will be expected to provide a platform through which donors may make gifts of securities to the Charity, and to convert those gifts to cash either to be invested in the Reserve or to be forwarded to

the Charity. Whether the securities gift will become part of the Reserve will be determined on an individual basis, and in consultation with the donor.

### **Performance Evaluation**

In addition to providing performance data on a time-weighted total-return basis, each investment manager will compare performance to a blended benchmark of appropriate indices including but not limited to the following: Standard & Poors 500 Index (Large Cap), Standard & Poors 400 Index (Mid Cap), Standard & Poors 600 Index (Small Cap), US Aggregate Bond Index (US Bonds), and the MSCI EAFE Index (Non US/CA Stock).

### **Conflict of Interest**

The Investment Committee and all investment managers are expected to make decisions regarding the investment portfolio that are in the best interests of Charity. No investment manager shall make direct investments in commodities or in real estate in which he/she is a participant or underwriter, unless the acquisition is made in the secondary market. No investment manager shall acquire any equity issue in which he/she is a participant or underwriter, unless the acquisition is made in the secondary market. No investment manager shall make any other investment that would violate the manager's fiduciary responsibility to the Charity.

### **Fulfilling Fiduciary Duty**

The Board has the fiduciary responsibility to conserve and protect the assets of the Reserve, by prudent management, to prevent exposure to undue and unnecessary risk while allowing the flexibility to maximize investment opportunities. To that end, the Board may establish from time to time specific investment guidelines, including levels of risk, to which the Investment Committee and any manager contracted to invest assets of the Reserve shall adhere, although the Investment Committee may adopt stricter guidelines from time to time where appropriate.

*Date of Adoption:*