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SAMPLE
INVESTMENT & RESERVE POLICY

INTRODUCTION

This statement of Investment Policy has been adopted by the Board of Directors of [Organization Name] to provide guidelines for the investment of funds.

For the purposes of managing investment risk and optimizing investment returns within acceptable risk parameters, funds held by [Organization Name] will be divided into three separate investment pools. The three investment pools shall be called "Operating Fund", the "Operating Reserve Fund", and the "Restricted Reserve Fund".

With the exception of the Restricted Reserve Fund, it is not [Organization Name] policy to build cash for reasons of investment purposes other than proper execution of its mission. Membership dues are fully intended to be used in pursuit of [Organization Name] vision, mission and goals. Nevertheless, business operating cash needs can vary providing the opportunity for [Organization Name] to hold cash at varying maturities and thus maximize returns.

The purpose of the Operating Fund is to provide sufficient available cash to meet the routine day-to-day financial obligations of all operations of [Organization Name] in a timely manner. Normally, the balance in the Operating Fund will not exceed three months worth of normal operating requirements.

The purpose of the Operating Reserve Fund is also to meet anticipated annual expenses and to hold membership dues received, but not yet, earned in trust. Accordingly, the balance in the Operating Reserve Fund will normally not exceed nine months worth of budgeted operating expenses.

The purpose of the Restricted Reserve Fund is to provide financial stability to the organization. The establishment of a Restricted Reserve Fund is an essential part of the financial management of [Organization Name]. Building reserves is a sound business practice as well as a way for saving for major capital purchases, ensuring that funds will be available for special programs, and having funds available in the event of special emergencies, a major downturn in the economy or other contingencies.

PROCEDURES

1. The following procedures will be followed to ensure the investment policy statement is consistent with the current mission of [Organization Name] and accurately reflects current financial condition:
 - A. This investment policy shall be reviewed annually by the Finance Committee, which will recommend any necessary revisions to the Board of Directors.
 - B. The Board of Directors will have final approval on any changes to the policy.
2. The following procedures will be used to determine the dollar amounts to be placed in the various funds.

Operating Fund

- A. In January of each year, [Organization Name] Finance Committee will recommend to the Board of Directors and the Executive Director a dollar amount equal to at least three months of normal operating expenses to be maintained in the Operating Fund.
- B. Monthly, the Executive Director will review the additions to and disbursements from the Operating Fund and approve an appropriate transfer from the Operating Reserve Fund an amount necessary to maintain the Operating Fund at a three-month level.

Operating Reserve Fund

- A. All membership dues, grants, contract income received but unearned will be placed in the Operating Reserve Fund.
- B. Monthly, the Executive Director will withdrawal membership dues, grant and contract income earned from the Operating Reserve Fund and place them in the Operating Fund. Earned income shall be defined to those fees [Organization Name] is legally entitled to because of actual expenditures against budget or grant funds.

Restricted Reserve Fund

- A. Annually, the Finance Committee will recommend to the Board of Directors, the dollar amount to be placed in the Restricted Reserve Fund.

- B. Normally, the Board of Directors will approve additions to and withdrawals from the Restricted Reserve Fund on an annual basis or as needed for special projects.
3. It is anticipated that an Investment Advisor may be sought to manage that portion of [Organization Name] funds held in Operating Reserves and Restricted Reserves. The Finance Committee will recommend the selection of an Investment Advisor to the Board of Directors.
 4. It is anticipated that mutual funds of varying investment objectives may be sought to manage portions of [Organization Name] funds. The following procedure shall be used for the selection of such funds.

The Finance Committee, in consultation with the Investment Advisor and [Organization Name] Executive Director, will determine a periodic asset allocation of the funds set aside for investment. The asset allocation will be based on a thorough review and discussion of the associated risks the Finance Committee, on behalf of [Organization Name], determines appropriate with due regard to the mission. Included will be a thorough discussion of appropriate investment objectives and what targeted rate of return might best meet these objectives. Resultant specific mutual fund recommendations by the Investment Advisor will also be reviewed and approved by the Finance Committee.

It is anticipated that the Finance Committee will meet from time to time with the Investment Advisor to review the objectives and to be kept informed about trends in the economy, and in the financial markets. It is recognized that market shifts may require the Investment Advisor to recommend rapid changes in market position. These changes will be handled by a Finance Committee conference call set up by the Executive Director or the Treasurer who is chairperson of the Finance Committee. All such changes shall be by a majority agreement by members of the Finance Committee.

OPERATING FUND

Purpose

The purpose of the Operating Fund is to provide sufficient available cash to meet the financial obligations of [Organization Name] in a timely manner.

Investment Objectives

The investment objectives of the Operating Fund are:

1. Preservation of capital;
2. Liquidity;
3. To optimize the investment return within the constraints of (1.) and (2.) above.

Allowable Investments

The Operating Fund may be invested as follows:

1. Interest bearing checking accounts in federally insured banks and savings and loans not to exceed federally insured amounts;
2. Federally insured Certificates of Deposit not to exceed \$100,000 per institution with maturity of 60 days or less.

Maturity

The maturities on investments for the Operating Fund shall be limited to 60 days or less. The Executive Director shall be responsible for scheduling maturities in relationship to cash flow requirements.

Reporting

The Executive Director shall include information in the monthly financial report to the Board of Directors, which includes a schedule of investments, interest income year to date and current yield.

OPERATING RESERVE FUND

Purpose

The purpose of the Operating Reserve Fund is to meet expenses occurring during a given budget year, improve the return on funds held for expenditure during the year, manage investment risk and hold funds received but not yet earned.

Investment Objectives

The investment objectives of the Operating Reserve Fund are:

1. Preservation of Capital;
2. Liquidity;
3. Optimize the investment return within the constraints of (1) and (2).

Allowable Investments

The Finance Committee, Executive Director and any Investment Advisor retained by [Organization Name], with Board approval, shall recommend the investment of [Organization Name] Operating Reserve Funds to the Board of Directors within the following parameters:

1. Federally insured Certificates of Deposit not to exceed \$100,000 per institution;
2. Short-Term (less than twelve months) Direct obligations of the U.S. Government, its agencies and instrumentalities.

Maturity

The Operating Reserve Fund shall invest in securities appropriate for a one to three year investment horizon.

Reporting

The Executive Director shall prepare a performance report on a semi-annual basis to be presented to the Finance Committee, which shall in turn present the report to the Board of Directors. The report will include a schedule of investments, interest income year to date, current yield and total return.

RESTRICTED RESERVE FUND

Purpose

The purpose of the Restricted Reserve Fund is to provide financial stability and to enhance the purchasing power of funds held for future expenditures. Additions to or withdrawals from this fund must have prior approval of Board of Directors.

Investment Objectives

The objectives of the Fund should be pursued as a long-term goal designed to maximize the returns without exposure to undue risk. It is understood that fluctuating rates of return are characteristic of the securities markets. The greatest concern should be long-term appreciation of the assets and consistency of total portfolio returns. Recognizing that short-term market fluctuations may cause variations in the fund performance, the expectations of the fund will be to achieve the following objectives over a three to five year time period:

1. The portfolio's total return should exceed the increase in the Consumer Price Index by 2% per year.
2. The portfolio's total return should exceed the increase in the Treasury Bill Index by 1% per year.
3. The portfolio should be invested to minimize the likelihood of low negative total returns, defined as a one-year return worse than negative 5%.

Investment Guidelines

The investment policies and restrictions presented in this statement serve as a framework to achieve the investment objectives at a level of risk deemed acceptable. These policies and restrictions are designed to minimize interfering with efforts to attain overall objectives. The Finance Committee, in consultation with the Executive Director and the Investment Advisor has broad responsibility, with Board approval, to shift the commitment of assets among assets classes and maturities within the constraints of this Investment Policy.

Fixed Income

Investment in fixed income securities will be managed actively to pursue opportunities presented by changes in interest rates, credit ratings, and maturity premiums. The investments may be selected from U.S. corporate debt securities and obligations of the U.S. Government, its agencies and instrumentalities. These investments will be subject to the following limitations:

1. The weighted average maturity of the portfolio must be 5 years or less.
2. Investments in securities of a single issuer (with the exception of the U.S. Government and its agencies) must not exceed 10% of the portfolio at cost.

Equities

The part of the portfolio invested in stock mutual funds should be representative of the overall stock market. The objective of the stock portfolio is to equal or surpass the S & P 500 Index (net of expenses) over a five-year period.

Prohibited Investments

The following investments are prohibited:

1. Any securities issued by companies that knowingly discriminate against persons with disabilities, women or minorities;
2. Letter stock;
3. Options, except in mutual funds;
4. Commodity or futures trading, except in mutual funds where the trading objective is to preserve principal;
5. Short selling;
6. Margin transactions;
7. Foreign bonds and stocks, unless the bonds are dollar denominated.
8. Private placements.

Reporting

The Executive Director shall prepare a report to the Finance Committee on a semi-annual basis. The report shall contain a schedule of holdings, asset class percentages, and performance compared to the objectives. The Finance Committee shall review the report, present the report to the Board of Directors and make recommendations for change.