**Investment Policy Statement**

**Organization: [Nonprofit Organization Name]**

**Date: [Current Date]**

**I. Purpose**

The purpose of this Investment Policy Statement (IPS) is to establish clear guidelines and objectives for the investment management of the $3,000,000 endowment fund of [Nonprofit Organization Name]. This document aims to ensure a disciplined and consistent approach to managing the fund’s assets.

**II. Investment Objectives**

The endowment fund’s primary objectives are:

1. **Capital Preservation**: Minimize the risk of significant loss of principal.
2. **Capital Appreciation**: Achieve long-term growth to support the organization’s mission.
3. **Income Generation**: Produce a reliable stream of income to meet annual distribution needs.

**Restricted Funds**

The Restricted Funds aim to preserve and enhance their purchasing power while ensuring liquidity requirements are met. Investments may include certificates of deposit, Treasury bills, mutual funds, exchange-traded funds, equities (with specific limitations or exclusions), fixed income securities, and cash-equivalent investments. The Board of Directors, in consultation with managers or advisors (or delegating to an external manager), will determine the asset allocation, balancing the Fund's investment objectives, risk tolerance, and liquidity needs.

**Endowment Funds**

The Endowment Funds are invested to preserve their long-term real purchasing power while generating appropriate investment income. Assets may include certificates of deposit, Treasury bills, commercial paper, bankers acceptances, repurchase agreements, mutual funds, exchange-traded funds, equities (including common stock, preferred stock, convertible securities, and others, whether traded on an exchange or not), fixed income securities, real estate, commodities, natural-resource-related stock, hedge funds, derivatives, alternative investment vehicles, and cash-equivalent investments. The Board of Directors, in consultation with managers or advisors (or delegating to an external manager), will determine the asset allocation, balancing the Fund's investment objectives, risk tolerance, and liquidity needs.

**III. Spending Policy**

The endowment fund will make annual distributions of up to 5% of its average market value, calculated over the trailing 12 quarters. This distribution supports the operational and programmatic needs of the organization.

**IV. Risk Tolerance**

The organization has a moderate risk tolerance, recognizing the necessity of taking on some investment risk to achieve the desired returns and support the organization’s long-term goals.

**V. Time Horizon**

The endowment fund is intended to exist in perpetuity, and the investment strategy is designed with a long-term focus to ensure the sustainability of the fund.

**VI. Asset Allocation**

The target asset allocation for the endowment fund balances growth, income, and risk management:

* **Equities (55-75%)**
  + Domestic Equities: 35-50%
  + International Equities: 10-25%
  + Emerging Markets: 0-10%
* **Fixed Income (15-35%)**
  + Domestic Bonds: 10-20%
  + International Bonds: 0-10%
  + High Yield Bonds: 0-5%
* **Alternative Investments (5-20%)**
  + Real Estate: 0-10%
  + Commodities: 0-5%
  + Private Equity: 0-5%
* **Cash and Cash Equivalents (0-10%)**

**VII. Rebalancing Policy**

The portfolio will be reviewed semi-annually, and rebalancing will occur as needed to maintain asset allocations within the established ranges. This ensures the portfolio remains aligned with the organization’s investment strategy and risk tolerance.

**VIII. Performance Monitoring and Review**

The Investment Committee will review the endowment fund’s performance on a quarterly basis, comparing it against relevant benchmarks and peer groups. The IPS will be reviewed annually to ensure it continues to meet the organization’s objectives and market conditions.

**IX. Roles and Responsibilities**

* **Board of Directors**: Provides overall governance and approves the IPS.
* **Investment Committee**: Implements the IPS, selects and monitors investment managers, and recommends any changes to the Board of Directors.
* **External Investment Managers**: Manage specific portions of the portfolio in accordance with the IPS guidelines.

**X. Ethical and Social Considerations**

The organization may incorporate Environmental, Social, and Governance (ESG) criteria into investment decisions to align with its mission and values. Investments conflicting with the organization’s principles may be excluded from the portfolio.

**Approval**

This Investment Policy Statement has been reviewed and approved by the Board of Directors of [Nonprofit Organization Name] on [Date].