**Investment Policy Statement**

**Organization: [Nonprofit Organization Name]**

**Date: [Current Date]**

**I. Purpose**

The purpose of this Investment Policy Statement (IPS) is to establish a clear understanding of the investment goals, objectives, and management policies for the $3,000,000 endowment fund of [Nonprofit Organization Name]. This IPS outlines the responsibilities of the Board of Directors, the Investment Committee, and any external investment managers.

**II. Investment Objectives**

The primary investment objectives for the endowment fund are:

1. **Preservation of Capital**: Protect the principal from significant losses.
2. **Growth of Capital**: Achieve long-term growth to support the organization’s mission.
3. **Income Generation**: Provide a stable and predictable income stream, targeting a 5% annual distribution.

**Operating & Program Fund**

The Operating & Program Fund aims to preserve assets to cover operating expenses while ensuring immediate liquidity for the Corporation’s ongoing programmatic and operational needs. Funds may be held in the Corporation’s checking account for day-to-day operations and invested in other cash-equivalent instruments such as savings accounts, money market accounts, certificates of deposit with appropriate maturities, Treasury bills, and other easily liquidated investments. The Corporation’s professional staff will periodically review and adjust the allocation of Operating & Program Fund assets between the checking account and other cash-equivalent investments based on cash-flow needs. These allocations will be regularly reported to the Board, which may direct changes as necessary and consider reallocating a portion to the Reserve Funds if sufficient assets are available.

**Reserve Funds**

The Reserve Funds are invested to preserve their long-term real purchasing power while generating appropriate investment income. Assets may include certificates of deposit, Treasury bills, mutual funds, exchange-traded funds, equities (traded on a U.S. public exchange or otherwise specified exclusions), fixed income securities, and cash-equivalent investments as appropriate. The Board of Directors, in consultation with managers or advisors (or delegating to an external manager), will determine the asset allocation. This allocation will balance the Fund's investment objectives, risk tolerance, and liquidity needs.

**III. Spending Policy**

The endowment fund will support annual distributions of up to 5% of the fund’s average market value, calculated over the previous 12 quarters. This amount will be used to support the operational and programmatic needs of the organization.

**IV. Risk Tolerance**

The organization has a moderate risk tolerance. While it is important to preserve capital, the organization recognizes that taking on some investment risk is necessary to achieve the desired returns and maintain the purchasing power of the endowment over time.

**V. Time Horizon**

The endowment fund is intended to exist in perpetuity. Therefore, the investment strategy will be long-term, focusing on growth and income over an indefinite time horizon.

**VI. Asset Allocation**

The following target asset allocation has been established to balance the need for growth and income with the organization’s risk tolerance:

* **Equities (50-70%)**
  + Domestic Equities: 30-50%
  + International Equities: 10-20%
  + Emerging Markets: 0-10%
* **Fixed Income (20-40%)**
  + Domestic Bonds: 10-20%
  + International Bonds: 5-10%
  + High Yield Bonds: 0-10%
* **Alternative Investments (0-20%)**
  + Real Estate: 0-10%
  + Commodities: 0-10%
  + Hedge Funds: 0-10%
* **Cash and Cash Equivalents (0-10%)**

**VII. Rebalancing Policy**

The portfolio will be reviewed quarterly, and rebalancing will occur when asset allocations fall outside of the established ranges. Rebalancing will ensure that the portfolio remains aligned with the target asset allocation and risk profile.

**VIII. Performance Monitoring and Review**

The Investment Committee will review the performance of the endowment fund at least quarterly. Performance will be evaluated against appropriate benchmarks and peer groups. The Investment Committee will also review the IPS annually to ensure it remains relevant and aligned with the organization’s goals and objectives.

**IX. Roles and Responsibilities**

* **Board of Directors**: Provides overall governance and approves the IPS.
* **Investment Committee**: Oversees the endowment fund’s investments, implements the IPS, and recommends any changes to the Board of Directors.
* **External Investment Managers**: Selected by the Investment Committee to manage portions of the portfolio in accordance with the IPS. They are responsible for the day-to-day management of the investments, reporting, and adherence to the guidelines outlined in the IPS.

**X. Ethical and Social Considerations**

The organization may consider environmental, social, and governance (ESG) factors in its investment decisions to align with its mission and values. Investments in industries or companies that conflict with the organization’s mission may be excluded.

**Approval**

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