**Investment Policy Statement**

**Organization: [Nonprofit Organization Name]**

**Date: [Current Date]**

**I. Purpose**

The purpose of this Investment Policy Statement (IPS) is to outline the investment goals, strategies, and guidelines for managing the $3,000,000 endowment fund of [Nonprofit Organization Name]. This document serves to guide the management of the fund’s assets with a focus on achieving the organization’s long-term objectives.

**II. Investment Objectives**

The primary objectives for the endowment fund are:

1. **Capital Preservation**: Protect the principal from significant losses.
2. **Capital Appreciation**: Achieve long-term growth to support the organization’s mission.
3. **Income Generation**: Generate a steady income stream for annual distributions.

**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.

**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 distribute up to 5% of its average market value, calculated over the previous 12 quarters, each year. This policy aims to provide stable support for the organization’s operations and programs while maintaining the fund’s long-term viability.

**IV. Risk Tolerance**

The organization has a balanced risk tolerance, accepting moderate volatility in exchange for higher long-term returns. Preserving capital remains important, but the organization understands the necessity of some risk to achieve growth and income objectives.

**V. Time Horizon**

The endowment fund is managed with a perpetual time horizon, focusing on sustaining the fund’s value and supporting the organization’s mission indefinitely.

**VI. Asset Allocation**

To achieve the investment objectives, the following target asset allocation is established:

* **Equities (60-80%)**
  + Domestic Equities: 40-60%
  + International Equities: 10-20%
  + Emerging Markets: 5-10%
* **Fixed Income (10-30%)**
  + Domestic Bonds: 10-20%
  + International Bonds: 0-10%
  + High Yield Bonds: 0-5%
* **Alternative Investments (5-15%)**
  + 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 quarterly, with rebalancing to occur if asset allocations deviate from target ranges by more than 5%. This practice ensures the portfolio remains aligned with the organization’s investment strategy.

**VIII. Performance Monitoring and Review**

The Investment Committee will evaluate the fund’s performance quarterly, comparing results to appropriate benchmarks and peer groups. An annual review of the IPS will ensure it remains aligned with the organization’s goals and market conditions.

**IX. Roles and Responsibilities**

* **Board of Directors**: Provides overall oversight and approves the IPS.
* **Investment Committee**: Oversees the implementation of the IPS, selects and monitors investment managers, and recommends changes to the Board.
* **External Investment Managers**: Engaged to manage specific portions of the portfolio, following the IPS guidelines.

**X. Ethical and Social Considerations**

The organization may consider Environmental, Social, and Governance (ESG) factors in its investment decisions to align with its mission. Investments conflicting with the organization’s values 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].