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## ANACORTES FAMILY CENTER INVESTMENT POLICY

### A. Policy Statement

The objective of this document is to establish policies governing the Anacortes Family Center's (AFC) funds not used for purposes of daily operations. The operating reserve fund is intended to permit the organization to continue to operate during difficult financial times. The board restricted fund has a longer-term outlook and is to be used for specific board designated purposes, and is established with the intention of eventually achieving some independence from outside funding sources. The replacement reserve is required by certain grant covenants and exists to pay for major repairs and/or replacements to the facility or various parts thereof.

Some examples for use of operating reserve funds are as follows:

1. Maintain current level of operations while the AFC addresses longer-term solutions to potential operating problems.
2. Maintain current level of operations while the AFC identifies substitute funds should a major funding source or sources not renew their funding.

Some examples for the use of board-restricted funds are as follows:

1. Startup for a major new program that will be expected to attract sufficient funding on its own in order to maintain operating expenses
2. Maintain current level of operations during an extended period of possible grant funding shortfalls.
3. Capital improvements to the AFC facility and/or program
4. Long term funding for specific programs/activities within the AFC

An example for use of the replacement reserve would be replacement of the AFC roof.

The primary investment objective of this policy is capital preservation, growth and liquidity.

#### **Operating Reserve**

The AFC will maintain an operating reserve of amount equal to approximately 3 months of the annual operating budget. Higher amounts can be maintained at the discretion of the Board. The operating reserve will be reviewed by the Finance Committee at least annually to see if the organization is in compliance with this policy.

The operating reserve funds will be invested in various instruments that provide short-term stability, relatively short maturities and liquidity. Examples of such investments are money market funds, certificates of deposit, and US Gov't obligations. Other investments may be utilized upon the advice of the AFC investment advisor.

The operating reserve will be funded from unrestricted net assets available from the operations of the AFC. In the event that the funds are drawn down, an amount should be built into the annual budget going forward to replenish the operating reserve on a schedule to be determined by the Board, but to be done so as expeditiously as possible.

Any spending of the operating reserve must be approved in advance by the Board.

### **Board Restricted Funds**

Board-restricted funds differ from the operating reserve in that they are intended to be invested for a longer term with the intention of capital growth over time. They may be funded from unrestricted assets resulting from operations or from either undirected or directed donor gifts.

The Board-restricted funds may be invested directly, through mutual funds or bond funds in cash or equivalents, balanced/allocation target-risk funds, US fixed income, US/Global inflation-protected bonds, international bonds, US Equities, International equities, US/International REITs and other similar classes of instruments as may be recommended by the investment advisor and approved by the Board.

### **Investment Advisor**

The Board will act as a prudent investor and will work in concert with its investment advisor/manager to select appropriate investments. While the overall portfolio will be generally conservative, it's recognized that such investments carry an element of risk. The Board seeks long-term growth in its portfolio; however, it is understood that short to midterm results may underperform or outperform the overall market or the specific benchmarks for the investment classes.

The Board will engage an investment advisor/manager who will be responsible for recommending specific investments to be made and to purchase those investments on behalf of the AFC. The Board will approve the investment policy and may delegate to the Finance Committee the responsibility of working with the investment advisor to select and manage the specific investments for each of the funds/reserves. The Finance Committee will receive regular reports on the portfolio and will report the results to the Board. The Finance Committee will meet with the investment advisor/manager at least every 6 months for an overall review. At its option, the Board may choose to meet with the investment advisor on an annual basis.

Spending of any Board-restricted funds will require a vote of the Board. When spending donor-designated funds, the Board will make its best effort to allocate those funds in keeping with the intent of the donor.

### **Replacement Reserve**

The replacement reserve is to be funded from operations. The amount added to the replacement reserve annually shall be in keeping with the covenants imposed by certain grants restricted to or intended for the AFC structure itself.

The replacement reserve should be invested on a conservative basis, with the intention of outpacing inflation while preserving capital. The AFC board will work with the investment advisor/manager to select appropriate investment instruments intended to achieve this goal.

An allocation of funds from the replacement reserve shall require a vote of the Board.