



Young Audiences New Jersey & Eastern Pennsylvania Investment and Spending Policy

Introduction

This statement of investment policy was adopted by the Board of Trustees of Young Audiences New Jersey & Eastern Pennsylvania (YA) on March 20, 2013 to provide for the creation of, and guidelines for the management of, various funds held by the organization. These policies supersede any and all prior actions regarding investment and spending policies.

For the purposes of managing investment risk and to optimize investment returns within acceptable risk parameters, the following funds will be created and held in segregated accounts.

- **“Operating Fund”**
- **“Operating Reserve Fund”**
- **“Scholarship Fund”**
- **“Endowment Fund”**

Procedures

I. The following procedures will be followed to ensure the investment and spending policy statement is consistent with the mission of YA and accurately reflects current financial conditions:

- A. The Finance Committee shall review this investment policy annually.
- B. The Finance Committee will recommend any changes in this policy to the Board of Trustees. The Finance Committee is expected to propose revisions to the policy whenever the existing policy would impede meeting the investment and/or spending objectives.

II. The following procedures will be used to determine the dollar amounts to be placed in each of the various funds.

- A. The President & CEO or his/her designee will recommend the dollar amounts to be held in investments in the Operating Fund.
- B. At the end of each fiscal year, 50% of any surplus in the operating budget is to be invested in the Operating Reserve Fund.
- C. Donor specified gifts from YA’s Capital Campaign are invested in the Scholarship and Endowment Funds.

III. Any securities donated to YA will be sold promptly.

Delegation of Authority

The Finance Committee is a fiduciary, and is responsible for directing and monitoring the investment management of the various fund assets on behalf of YA. As such, the Finance Committee is authorized to delegate certain responsibilities to professional experts in various fields. These include, but are not limited to Investment Management Consultant, Investment Advisor, Custodian, and additional specialists.

It is anticipated that the services of a professional investment advisor may be sought to manage portions of the Operating Reserve, Scholarship and/or Endowment Funds. The following procedure shall be followed to engage a new or replace a current investment advisor:

- A. The Finance Committee will recommend the hiring or replacing of an investment advisor to the Board of Trustees.
- B. The Finance Committee will nominate prospective candidates and send a Request for Proposal, which may include proof of regulatory registration(s), to each candidate.
- C. The Finance Committee will review proposals, interview candidates and ascertain any potential conflicts of interest to determine appropriate investment advisor(s).
- D. The Finance Committee will document the basis for their choice of candidate and make the hiring recommendation to the Board of Trustees, who shall have the final approval.

Operating Fund

Purpose

The purpose of the Operating Fund is to provide sufficient cash to meet the day-to-day financial obligations of YA in a timely manner.

Investment Objectives

The investment objectives of the Operating Fund are:

- Preservation of Capital
- Maintain Liquidity
- Optimize the investment return within the constraints above.

Investment Guidelines

Allowable Investments

The President & CEO and Finance Committee will invest the YA Operating Fund as follows:

1. Interest bearing savings/checking accounts;
2. Certificates of Deposit at insured commercial banking organizations;
3. Money market funds;
4. Direct obligations of the U.S. Government, its agencies and instruments or funds that invest in these instruments.

The Finance Director of the organization will have the authority to move money within any of these Operating Fund investment alternatives upon notification to the President & CEO.

Maturity

The maturities on investments for the Operating Fund shall be 15 months or less.

Reporting

The President & CEO or his/her designee shall prepare the following reports for presentation on at least a quarterly basis to the Board of Trustees;

1. Schedule of investments;
2. Interest income year-to-date.

Spending Guidelines

Funds are disbursed on an as-needed basis to meet operating expenses. Checks are signed by the President & CEO, or in his/her absence, another authorized signer.

Operating Reserve Fund

Purpose

The purposes of the Operating Reserve Fund are to meet the expenses occurring as a result of unanticipated activities; to fund a special project or initiative; and to improve the return on the funds held for expenditure.

Investment Objectives

The investment objectives of the Operating Reserve Fund are:

- Preserve capital
- Maintain liquidity
- Achieve modest appreciation to match the rate of inflation.

Investment Guidelines

Allowable Investments

The President & CEO and Finance Committee will invest the Operating Reserve Fund as follows:

In general, the Operating Reserve Fund will be split 60% in cash/cash alternatives and 40% equity. It is expected, due to the fluctuations in market value in the equity section of this fund, that the original 60/40% split between cash and equities will change. A fluctuation of +/- 10% will be permitted to occur without any change being required. However, if the investments in either of these two sections become more than 70% or less than 30% then money should be moved to maintain a more equal balance.

The Finance Committee will notify the Board of Trustees in a timely fashion if these guidelines are not followed. The Finance Committee must approve investments in the equity portion of the Operating Reserve Fund.

Maturity

The Operating Reserve Fund shall have a weighted average maturity of three years or less.

Reporting

The President & CEO or his/her designee shall prepare the following reports for presentation on at least a quarterly basis to the Board of Trustees:

1. Schedule of Investments;
2. Interest Income year-to-date;
3. Current yield.
4. Total Return

Spending Guidelines

Disbursements from the Operating Reserve Fund must be approved by the Board of Trustees. In the event that funds are withdrawn from this fund, it is expected that such withdrawals will be replenished in accordance with a plan that will be approved by the Board of Trustees. Exceptions to this must be approved by the Board of Trustees.

Scholarship Fund

Purpose

The purpose of the Scholarship Fund is to support the mission of YA. It is intended to be a source of funds to subsidize programs for underserved schools and communities and to develop new initiatives,

Investment Objectives

The investment objectives of the Scholarship Fund are:

- Preservation of Capital
- Maintain Liquidity
- Optimize the investment return within the constraints above.

Investment Guidelines

Allowable Investments

The President & CEO and Finance Committee will invest the YA Scholarship Fund as follows:

1. Interest bearing savings/checking accounts;
2. Certificates of Deposit at insured commercial banking organizations;
3. Money market funds;
4. Direct obligations of the U.S. Government, its agencies and instruments or funds that invest in these instruments.

YA may employ one or more investment advisors of varying styles and philosophies to attain the Fund's objectives.

Maturity

The maturities on investments for the Scholarship Fund shall be 15 months or less.

Reporting

The President & CEO or his/her designee shall prepare the following reports for presentation on at least a quarterly basis to the Board of Trustees;

1. Schedule of investments;
2. Interest income year-to-date.

Spending Guidelines

A minimum of 10% of the Scholarship Fund balance at 6/30 of the prior fiscal year shall be spent in the current fiscal year or as directed by the donor. Spending from the Scholarship Fund will be at the discretion of the President & CEO and based on budgetary needs and the purpose of the Fund.

Endowment Fund

Purpose

The purposes of the Endowment Fund are to provide permanent funding for the mission of YA and to support the long-term operations of the organization. The principal is not intended to be a reserve to offset budget deficits or to be a source of funds for special initiatives or programs.

The assets of the Endowment shall be managed in such a way as to facilitate the organization's goals and objectives as outlined by the Board of Trustees. The donated principal is intended to be permanent.

Investment Objectives

In order to meet its needs, the investment strategy of the Endowment Fund is to emphasize total return; that is, the aggregate return from capital appreciation and dividend and interest income.

Specifically, the primary objective in the investment management of the Endowment Fund shall be:

1. Long-term growth of capital – To emphasize the long-term growth of principal while avoiding excessive risk.
2. Preservation of purchasing power – To achieve returns in excess of the rate of inflation plus spending over the investment time horizon in order to preserve purchasing power of assets.

Investment Guidelines

General Principles

1. Investments shall be made solely in the interest of YA and Endowment Fund.
2. The assets shall be invested with care, skill, prudence, and diligence under the circumstances then prevailing that a prudent investor acting in like capacity and familiar with such matters would use in the investment of a like fund.
3. Investment of these funds shall be so diversified as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.
4. YA may employ one or more investment advisors of varying styles and philosophies to attain the Fund's objectives.
5. Cash is to be employed productively at all times by investment in short-term cash alternatives to provide safety, liquidity and return.

Specific Investment Goals

Over the investment time horizon established it is the goal of the Endowment Fund assets to realize a total return in excess of the rate of inflation, as measured by the Consumer Price Index.

The goal of the investment advisor shall be to meet or exceed the market index selected and agreed upon by the Finance Committee that most closely corresponds to the general principles stated above.

Allowable Assets

The President & CEO and Finance Committee will invest the Endowment Fund as follows:

- Cash & cash alternatives;
- Equities, including funds which invest in equities;
- Fixed Income Securities;
- Additional investments as deemed appropriate by our investment advisor(s).

Reporting

The Endowment Fund will be evaluated at least semi-annually on a total return basis. The evaluation will be based on the stated investment goals. Comparisons will show results for the year-to-date and longer-term returns. The report will be prepared by the Treasurer, or his/her designee and will be presented to the Finance Committee at least semiannually. The Finance Committee will present a report to the Board of Trustees at least annually.

Spending Guidelines

Spending from the Endowment Fund shall be calculated using a three-year rolling average. On March 31st of each year, as part of the budget preparation process, the account value of the portfolio for the preceding 12 quarters shall be averaged. This twelve (12) quarter average is then multiplied by 4% to determine the total maximum distribution from the Endowment Fund for the coming year.

All funds and withdrawals from the endowment fund will be managed in accordance with the Uniform Prudent Management of Institutional Funds Act.

If the total maximum distribution is not spent in the fiscal year, the unspent portion will be invested in the Operating Reserve Account.

The first valuation and approval for distribution of funds shall occur on March 31, 2016. No spending shall be made prior to the above date unless directed by the Board of Trustees (see below).

Advance approval for distributions in excess of 4% must be obtained by a two-thirds vote of the Board membership. Voting process and procedures shall be in accordance with the regulations outlined in the Bylaws.