

# INVESTMENT POLICIES

## **Introduction**

It is the policy of Extended Child Care to treat all assets of the organization, including those funds that are legally unrestricted, as though Extended Child Care holds them in a fiduciary capacity for the purpose of accomplishing the organization's tax-exempt mission. As such, the policies described in this section are to be interpreted in light of that overall sense of stewardship and the investment standards of Extended Child Care shall be those of a prudent investor.

## **Delegation of Authority**

The board of directors of Extended Child Care has delegated supervisory authority over its investing activities to the Finance Committee of the board. The Finance Committee is responsible for regularly reporting on the organization's investments to the full board of directors.

The Finance Committee is authorized to retain one or more Investment Counselors to assume the investment management function. In that regard, the Finance Committee may enter into agreements with, delegate investment authority to, pay compensation to, and receive reports from one or more Investment Counselors.

## **Investment Objectives**

Extended Child Care's investment objectives are the preservation and protection of the organization's assets, as well as the maintenance of liquid reserves to meet obligations arising from unanticipated activities, by earning an appropriate return on investments.

## **Allowable Investments**

Investments of Extended Child Care shall be made exclusively with the following securities:

1. Federally-insured Certificates of Deposit, not to exceed \$100,000, including interest, at commercial banks or savings and loan institutions;
2. U.S. Treasury securities and securities of Federal agencies and instrumentalities;
3. Repurchase agreements with financial institutions collateralized by U.S. Treasury or Federal agency securities;
4. Corporate bonds and notes rated A or better by Moody's and Standard & Poors;
5. Commercial paper rated P-1/A-1 by Moody's and Standard & Poors;
6. Money market funds that invest in securities approved under these guidelines.

Extended Child Care shall not engage in margin transactions, short selling, commodity transactions or use of derivatives.

### **Diversification**

No more than 10% of the investments of Extended Child Care shall be in the securities of any one issuer, with the exception of obligations of the U.S. government, its agencies and instrumentalities, and federally insured certificates of deposit.

### **Accounting Treatment**

All purchased investments shall initially be recorded at cost. All investments acquired by donation to Extended Child Care shall initially be recorded at their fair market value as of the date of donation. Donated investments shall be recorded as unrestricted, temporarily restricted, or permanently restricted income and net assets based on the existence or absence of such restrictions, as defined earlier.

Subsequent to acquisition, it shall be the policy of Extended Child Care to carry all equity securities with readily determinable fair market values and all debt securities at their market values. Adjustments to market value shall be made in the accounting records and financial statements of Extended Child Care on an annual basis.

Adjustments to market value result in unrealized gains and losses on investments. Such gains and losses resulting from contributed investments shall be classified as unrestricted, temporarily restricted, or permanently restricted based on the existence or absence of explicit restrictions on such appreciation and depreciation from the donor, as defined earlier.

### **Procedures and Reporting**

The following procedures will be followed to ensure that investments are properly managed and that these investment policies are consistent with the mission of Extended Child Care and accurately reflect the current financial condition of the Organization:

1. The Finance Manager shall maintain a schedule of investments and reconcile this schedule with the general ledger and with investment account statements on a monthly basis. The schedule of investments shall include the following information with respect to each investment:
  - a. Date acquired
  - b. Method of acquisition (purchase or donation)
  - c. Cost or basis at acquisition
  - d. Description of investment
  - e. Interest rate (if applicable)

- f. Date of maturity (if applicable)
  - g. Holder/issuer of security
  - h. Current market value
  - i. Unrealized gain or loss
  - j. Accrued interest receivable (if applicable)
  - k. Income received, year-to-date (i.e. interest, dividends, etc.)
2. The Finance Manager and Investment Counselor shall prepare a schedule of investments for presentation on a quarterly basis for the Finance Committee and on an annual basis for the Board of Directors.
  3. The quarterly investment reports shall detail the portfolio's composition and performance for the quarter and year-to-date, along with a comparison to budget and to the prior year.
  4. The annual investment report shall be presented to the Board of Directors at the time the Extended Child Care audit is presented, outlining in detail the investment portfolio's composition and performance for the fiscal year, along with a comparison to appropriate market indices. The report will show results for the most recently completed fiscal year and for last three years.
  5. Investment policies shall be reviewed annually by the Executive Director and the Finance Manager, working with the Finance Committee, to determine any appropriate modifications.
  6. The Finance Committee will make recommendations for any revisions or modifications to the investment policy to the Board of Directors for their approval.

