

SAMPLE CHAPTER INVESTMENT POLICY

STATEMENT OF PURPOSE

The purpose of this Statement is to establish a clear understanding of the intentions of the Board of Directors of the (*chapter name*) of the Association of Fundraising Professionals concerning the investment policies and objectives of the investment portfolio. This Policy Statement outlines an overall philosophy that is specific enough to create an investment strategy and sufficiently flexible to allow for changes in the economy and the securities markets. This Statement sets forth risk and return guidelines to construct and monitor a portfolio designed to meet the chapter's goals.

STATEMENT OF INVESTMENT OBJECTIVES

The primary investment objective is:

- To provide the maximum return on investments with a moderate level of risk

Assets should be diversified at all times to provide reasonable assurance that investment in a single security or class of securities will not have a significant impact on assets. Specifically, the portfolio shall have diversified investment options with materially different risk and return characteristics.

THE PRUDENT PERSON RULE

In making investment decisions and supervising and managing assets, a person with investment responsibility for AFP (*chapter name*) should act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of like character and with like aims.

The (*title of officer*) shall serve as liaison between the Board of Directors of the AFP (*chapter name*) and the Investment Advisor(s). The Board of Directors will (*choose one – annually, bi-annually, quarterly*) monitor investment reports prepared by the Investment Advisor.

DEFINITION OF RESPONSIBILITIES

- The Investment Advisor shall recognize that the AFP (*chapter name*) Board of Directors' stewardship responsibilities include the need to maintain safety of principal..
- Investment of assets will be segregated into (*specify number*) accounts: (*specify Operating, Designated, etc*). Individual securities and mutual funds will be used as the preferred investment vehicles.

- The Investment Advisor shall work with the Board of Directors or their designee to determine the appropriate asset allocation models to be implemented for each account. The Investment Advisors shall have discretion to manage the individual securities and funds, within asset allocation guidelines established by the Board of Directors.
- The Investment Advisor shall provide the AFP (*chapter name*) with quarterly performance reports.
- The Investment Advisor shall meet with the AFP (*chapter name*) Board of Directors annually to review the investment policy and performance. Additional meetings may be called at the discretion of the Board of Directors.

ASSET ALLOCATION AND RE-BALANCING

Asset allocation guidelines shall be consistent with its investment objectives and risk tolerance. These guidelines are designed to provide the highest probability of meeting or exceeding return objectives with the lowest possible risk.

Investments in each of the asset classes shall adhere to the following ranges:

- Equities (*many nonprofits feel most comfortable in the 40-60% range*);
- Fixed Income (*many nonprofits feel most comfortable in the 30-40% range*);
- Cash & Equivalents (*usually 5-10%*).

Should a segment violate the minimum or maximum guidelines because of market fluctuations, a review will be initiated. Unless a major shift occurs it is anticipated that, if necessary, re-balancing of the portfolio will be done on an annual basis.

PERFORMANCE MONITORING

The (*choose one - Executive Committee, Finance Committee*) shall work with the Board of Directors' liaison to the Investment Advisor(s) to monitor the overall performance of each asset class of securities or funds to insure that objectives are being met.

Monitoring will include the following:

- Maintaining a short-term and long-term perspective;
- Determine whether each asset class and fund has:
 - Performed satisfactorily when compared with the specific objectives for its portfolio;
 - Produced results that compare favorably to other investment managers or funds with similar portfolios.

The (*Executive or Finance*) Committee will closely examine:

- Poor performance relative to objectives. A calendar year in which performance is below the 50th percentile of other similar investments or

funds, and/or performance is below the relevant benchmark(s) will be evaluated. An asset class or fund that fails to meet the above hurdles for two consecutive calendar years will be evaluated for replacement;

- The departure of one or more key investment professionals;
- A change in ownership or control of the investment management organization;
- Growth of assets.

INVESTMENT ADVISOR

The *(same as above – Executive Committee or Finance Committee)* shall recommend for approval to the Board of Directors the services of an Investment Advisor for a period not to exceed 3 years, to provide assistance in setting policies, goals and guidelines; asset allocation and investment strategy; securities and fund selection; and performance reporting and monitoring.

APPROVAL

This investment policy shall be reviewed periodically by the Board of Directors or their designee to determine if any revisions are warranted by changing circumstances – including, but not limited to, changes in financial status, risk tolerance, or changes involving the investment managers.

The signature below serves as confirmation that the provisions, objectives and guidelines of this document are applicable and accepted as the active investment policy statement of the *(name of chapter)* of the Association of Fundraising Professionals.

NAME: _____

SIGNATURE: _____ DATE: _____

Chapter President

IMPORTANT INFORMATION TO CONSIDER WHEN FORMULATING YOUR INVESTMENT POLICY:

- Large chapters with significant annual revenues will require a more detailed/complex policy than small chapters who may utilize fewer and shorter term investment vehicles. Sample policies are meant as “starting points” for chapters to tailor to meet their specific needs.
- Investment objectives – before writing this portion of the policy think carefully about exactly what you want to achieve for each account:
 - Growth – if you are saving for some capital expenditure
 - Income – if you wish to use the interest or part of the interest to fund specific programs, chapter operations, provide scholarships, etc.
- **Operating Account** – This would be a short-term account funded by membership dues, registration for educational events, etc. Short term investment of these funds is desired as these funds are usually only held for less than one year. Suitable investment options are Money Market funds, Treasury Bills or US Government Agency obligations.
- **Designated Account** – This would be a longer term investment account and would be funded by board reserve allocations and year-end excesses that the Board determines should be transferred to the fund. Income is not usually a significant factor; the emphasis should be on growth. The Board will need to decide if principal is to be held long-term with dividends and interest reinvested or whether a specific percentage of interest will be used to fund specific chapter programs or priorities, with the balance being reinvested in the fund. Suitable equity investments options include: Domestic Growth Stocks, Domestic Value Stocks, Foreign/International Equity Fund(s). Suitable fixed income investments include: Short and Medium-Term Bond Fund(s).
- Investment Advisors should provide materials with explanations of each type of investment vehicle to all Board Members in advance so that they will have the opportunity for review prior to making investment decisions.
- If investments include more than one fund (operating, designated, etc). the Board of Directors will be required to advise the Investment Advisor *prior* to the beginning of the fiscal year as to the minimum cash that will be required to meet budgeted requirements for the fiscal year.

To review the Association’s investment policy, visit the link below in the Member Gateway:

http://www.afpnet.org/content_documents/afp_investment_policy_rev102002.pdf

