



MONETARY MANAGEMENT AND INVESTMENT POLICY

Bainbridge Island Senior Community Center

This revised and restated policy is adopted by the board of directors of Bainbridge Island Senior Community Center (BISCC) effective August 12, 2020. Its purpose is to provide improved guidelines for the management and control of all monetary assets held by the organization. This policy supersedes the previous policy entitled "Investment Policy" as amended December 12, 2018. In addition to this policy, Endowment Funds, if received, will also be subject to the Endowment Management and Spending Policy (a separate document).

To ensure this policy statement is consistent with the mission of BISCC the Finance Committee is directed to review this policy annually and recommend amendments, if any, to the Board of Directors.

To assist the Board of Directors in these financial matters, the Finance Committee acts as its fiduciary and is responsible for directing and monitoring the management of the various monetary assets. The Finance Committee is authorized but not required to engage professional assistance in meeting the responsibilities as set forth in this policy. The BISCC President, Vice President or Treasurer, acting together or independently, may execute the necessary financial transactions to implement this policy.

The Finance Committee will periodically review the need for operating liquidity and the Strategic Plan for longer-term financing needed for planned expansion and capital improvements. The Finance Committee will reevaluate these needs at least quarterly. Consideration should be given to the rates of inflation (deflation), anticipated rate of return, expense budgets and projected contributions and support. With these considerations in mind, the finance committee is directed to allocate assets first to operating deposits and reserve liquidity and secondly to longer-term investments, as set forth below.

If a professional investment manager is considered advantageous (or a new professional is desired), the Finance Committee will seek proposals from 3 or more professionals. Upon review of the proposals and after conducting selected interviews of the final candidates the Finance Committee will seek engagement approval from the Board of Directors. An engagement contract may then be presented to the Executive Committee for signing.

Operating and Reserve Funds

The purpose of these asset groupings is to provide sufficient cash liquidity to finance the day to day business activities of BISCC and to provide a reasonable reserve for unanticipated events or circumstances that may require additional liquidity on short notice. These balances are usually held in demand deposits and short-term fixed income accounts but may also be held in the Investment Fund so long as the funds are readily available.

Monetary Management and Investment Policy (continued)

The general investment guidelines for the operating and reserve assets are as follows:

1. Demand deposit or Interest-bearing checking account
2. Certificates of Deposit at insured commercial banking institutions
3. Money market funds that invest in government backed securities
4. Interest bearing savings accounts
5. Direct obligations of the U.S. Government, its agencies and instrumentalities
6. Mutual funds or ETF's (Exchange Traded funds) that invest in direct obligations of the U.S. Government, its agencies and instrumentalities.

The status of the operating and reserve balances together with related earned income shall be included in the comprehensive financial reports normally provided to the Board of Directors monthly.

Investment Fund

The purpose of this Fund is to provide secure long-term funding for the mission of BISCC. The assets of the Investment Fund shall be managed in such a way as to facilitate the Strategic Plan.

The principal objective of this Fund is to seek the highest rate of total return within a reasonable and well diversified risk exposure. The assets shall be invested with care, skill, prudence, and diligence and diversified among the following asset classes:

1. Liquid Deposits and Fixed Income (at least 10% and maximum of 90%):
 - a. Savings Deposits
 - b. Money market funds
 - c. Certificates of deposit
 - d. U.S. Treasury Bills and Agency securities
 - e. Corporate Bond Funds
 - f. Preferred stock
 - g. Mortgage Backed Securities
2. Equity Securities (at least 10% and maximum of 90%)
 - a. Common stocks including ETF and INDEX funds
 - b. Convertible notes and bonds
 - c. Convertible preferred stocks
 - d. American Depositary Receipts of non-US companies (ADRs)
 - e. Standardized put and call options – maximum 10% (see below).

Monetary Management and Investment Policy (continued)

Standardized puts and calls may only be used for hedging activities and income generation through selling of puts against core portfolio holdings. Puts and Calls are not intended to be used in a speculative manner or in place of underlying securities. These derivatives may also be used to hedge against security value changes when a sale or purchase is desired but delayed temporarily for other reasons.

Performance Reporting

The Investment Fund will be evaluated monthly by the Treasurer on a total return, mark to market, basis. A report will be prepared by the Treasurer or his delegate monthly and will be presented to the Finance Committee. Such report will be made available to the Board of directors monthly and discussed in detail at least quarterly.

Endowment Fund

The BISCC Endowment Fund is intended to provide current and long-term support to the mission of BISCC. As a permanently restricted Fund it is perpetual in nature and must be managed for long-term sustainability as well as current support. Withdrawals from the Fund for current annual support are limited to certain amounts as set forth and described in the BISCC Endowment Management and Spending Policy. Aside from these limited withdrawals, the Fund should be managed for long-term preservation and accumulation. In developing the appropriate investment strategy for the endowment assets, the provisions of the BISCC Endowment Management and Spending Policy need to be considered.

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:

- Long-term growth of capital – To emphasize the Long-term growth of principal while avoiding excessive risk. Short-term volatility consistent with the volatility of a comparable market index is anticipated and is likely to occur.
- Preservation of purchasing power – To achieve returns in excess of the combined rate of inflation and spending over the investment time horizon.

Monetary Management and Investment Policy (continued)

General Principles

1. Investments shall be made solely in the interest of BISCC and the 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. BISCC may employ one or more investment managers of varying styles and philosophies to attain the Fund's objectives.
5. Cash is always to be employed productively by investment in short-term cash equivalents to provide safety, liquidity and return.

The Endowment Fund requires that all investment assets be invested in marketable securities, defined as securities that can be traded quickly and efficiently for the Endowment Fund, with minimal impact on market price.

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 manager 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.

Asset Classes and Allocation

Investment management of the assets of the Endowment Fund shall be in accordance with the following asset classes and allocation percentages within each class.

Asset Class	Minimum	Maximum
Equities	10%	90%
Fixed Income	10%	90%
Cash Equivalents	0%	20%
Derivatives	0%	10%

The Finance Committee may employ investment managers whose investment disciplines require investment outside the established asset allocation guidelines. However, taken as a component of the aggregate portfolio, such disciplines must fit within the overall asset allocation guidelines established in this statement.

Monetary Management and Investment Policy (continued)

The general investment guidelines for the Endowment Fund are as follows:

1. Cash Equivalents
 - a. Treasury bills
 - b. Money market funds
 - c. Commercial paper
 - d. Bankers' acceptances
 - e. Repurchase agreements
 - f. Certificates of deposit
2. Fixed Income Securities
 - a. U.S. Government and Agency securities
 - b. Corporate notes and bonds (investment grade, at least BBB)
 - c. Preferred stock
3. Equity Securities
 - a. Common stocks including ETF and INDEX funds
 - b. Convertible notes and bonds
 - c. Convertible preferred stocks
 - d. American Depositary Receipts of non-US companies (ADRs)
 - e. Standardized put and call options
4. Mutual Funds that invest in securities as allowed in this statement to ensure marketability and liquidity, equity investments shall be executed through nationally recognized exchanges such as the New York Stock Exchange, American Stock Exchange and NASDAQ.

Performance Reporting

The Endowment Fund will be evaluated monthly on a total return basis. The evaluation will be based on the stated investment goals. The report will be prepared by the Treasurer and will be presented to the Finance Committee monthly. Such report will be made available to the Board of Directors monthly and discussed in detail at least quarterly.

Policy approved by the BISCC Board of Directors on August 12, 2020

By: 
Colleen Keilbart, Secretary