

Great Swamp Watershed Association
Investment & Endowment Policy

Investment & Endowment Policy – Modified 5/19/2023 Board Approved, (previously Modified/Board Approved 11/22/19; 03/16/17; 3/31/16 04/17/15)

Purpose: To ensure the organization has responsible and prudent investment and management of its financial assets and how those assets may be used to have a secure and lasting source of dedicated funds to support the goals of the organization.

Restrictions:

The Investment & Endowment Fund is predominantly a board designated fund. Any funds that have been solicited specifically for Endowment are restricted and tracked in the Donor Database and separately maintained in a spreadsheet by the Finance Director. The permanently restricted funds will be noted each year in the annual report. For Fiscal Year 2022, the amount was \$68,050.

The organization maintains an Operational Investment Account that is for operational purposes and is not restricted. These funds may be used by operations as needed for up to 15% or \$50,000 in any one year. A financial need beyond \$50,000 requires board approval.

Board Designated Allowable Uses of Investment & Endowment Funds:

4% of the total funds each year may be transferred and used for the operation of the organization. The intention of this transfer is to draw from the Investment & Endowment annually an amount that is less than the average amount earned each year. This amount may be modified with a 2/3 vote of the entire Board of Trustees.

The date the draw will be calculated on is June 30 and will be based on a previous 12-month average balance. The Finance Committee will determine when to actually take the 4% draw after reviewing the current financial picture of the organization. The Finance Committee will recommend any adjustments to how the funds should be taken to ensure the funds remain in line with the approved allocation mix.

Should the organization need to borrow funds from the Investment & Endowment Funds for an operational deficit, those funds may be borrowed from the Investment Fund. The Budget Deficit Policy procedures would remain in effect until such time as the funds are paid back. A loan for the operation of the organization would require a 2/3 vote of the entire Board of Trustees and may not exceed 10% of the total value of the board designated funds.

In addition, the Board of Trustees may from time to time be required to legally defend and protect the conservation easements and land owned in fee. The Board may elect to restrict the funds necessary for the protection of the conservation of those assets from the Investment fund. The board may use no more than 25% of the total Investment & Endowment Fund, that is board designated for the legal protection and stewardship of such assets. The expenditure of these funds requires board approval. See also *Policy for Funding Stewardship*.

The Board restricts the following funds for the Conservation Easement Stewardship and Defense Fund for easements held by GSWA as of 4/1/2023:

\$50,000 Legal Defense of three easements
\$10,500 for stewardship of three easements (\$3,500 each)
\$ 3,000 for legal defense of six fee land parcels
\$83,500 Total

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Dissolution of the Organization:

In such event, the board restrictions on the defense of Easements owned and the Stewardship of parcels held in fee simple shall be distributed entirely to or among one or more non-profit organizations devoted primarily to the protection of the environment as defined in the Certificate of Incorporation. The organization may impose additional conditions or restrictions on the transfer as the Board of Trustees deem appropriate to better assure the property and easements will be monitored and enforced as per the terms of the conservation easement and intent of GSWA. Where possible, Stewardship funds will be distributed with those parcels.

Investment and Management of Financial Assets:

A. Asset Allocation

All asset allocation decisions will be reviewed by the Finance Committee at least annually and presented to the Board of Trustees at least annually. Asset allocation will generally consist of a mix of stocks, bonds, and money market investments. Once the total asset allocation has been approved it will remain in effect unless or until there is a new recommendation by the Finance Committee. Asset investment in Stock Funds (Index or managed) should remain on average within a range of 50-70% of total endowment assets. All changes must then be approved by a two-thirds vote of the Board of Trustees.

B. Asset Manager Selection:

- The fund performance must have competitive market results for 3- and 5-year performance.
- Sustainable Investing will be considered over other funds provided the returns are comparable.
- The funds have low management fees and transparency.
- The funds have no or low transaction costs.
- SIPC coverage must be at or in excess of our balance.
- At periodic intervals no shorter than 3 years the asset manager relationship will be reviewed by the finance committee.

● C. Sustainable Investment

- - GSWA defines sustainable investment as the integration of Environmental, Social and Governance (ESG) considerations in the investment process.
- - GSWA will actively consider sustainable investments that are aligned with its Mission and otherwise conform to the Investment and Endowment Policy.

D. Opening an account / Managing the account

The initial set up will be handled by the Treasurer and the Finance Director. This will include opening accounts and transferring funds.

Dual signatures of the Treasurer and Finance Director are required on asset transfers out of the account and withdrawals, excluding the 4% draw transactions.

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E. Responsibilities of the Finance Director

- The Finance Director shall keep all the necessary accounting records.
- Endowment Funds will be deposited as received unless amounts received are small (under \$1,000). If small amounts are received, they will be accumulated and deposited once a month at the beginning of the month. Donations under \$1,000 will not be considered Endowment Funds, instead, they will be included in the Board Designated Investment Fund.
- Four percent of total assets may be distributed to the Association once a year. Any withdrawal in excess of 4% requires board approval other than as previously noted on the Operational Reserve.

F. Responsibilities of the Treasurer and the Finance Committee

- The Funds' performance will be monitored by the Finance Committee.
- The Finance Committee will approve any changes within the asset allocation between asset classes within the overall portfolio allocation.
- The finance committee is responsible for reviewing the asset allocation of the Operational Investment Account, the Investment Account and the Endowment Funds.
- A quarterly presentation will be made to the Board on the value of the fund and report annually on the performance of the fund.
- The Finance Committee and Board should focus on three and five-year returns.

Re- Approved and Adopted by the Board of Trustees on the 19th day of May 2023; previously approved 11/22/2019 3/16/17; 3/31/16.