

# **Potomac Valley Audubon Society**

## **Investment Policy**

Adopted by PVAS Board of Directors March 2023

## **Purpose**

This Investment Policy governs investments for the Potomac Valley Audubon Society (PVAS). The purpose of the Investment Policy is to protect the financial assets of PVAS by investing in a responsible and ethical manner that conforms to the investment preferences of the organization.

The Investment Policy is supplementary to the PVAS Financial Policy. The Investment Policy is implemented in concert with the other PVAS governance and financial policies and is intended to support the goals and strategies contained in these related policies and in strategic and operational plans.

## **Investments**

An investment is an asset or item acquired with the goal of generating income or appreciation. Appreciation refers to an increase in the value of an asset over time.

The range of financial investments open to PVAS include:

- Cash investments: checking and savings accounts, money market accounts, and Certificates of Deposit.
- Stocks: an investment in a specific company.
- Bonds: a loan made to a company or government.
- Mutual funds: an investment vehicle that organizes a large number of specific investments in a single transaction.
- Index funds: an investment vehicle that passively tracks an index (e.g., the S&P 500)
- Exchange-traded funds (ETFs) - a type of index fund that tracks a benchmark index and aims to mirror that index's performance.

The collection of financial investments held by PVAS is referred to as an investment portfolio.

Investment in real property is not allowed in the normal course of making financial investments for PVAS. Acquisition of real property for programmatic use is not precluded by this policy.

## **Responsibilities**

The PVAS Board of Directors has fiduciary responsibility to manage PVAS funds, including investments, in the best interest of the organization.

The PVAS Board of Directors has the authority to hire a Professional Financial Advisor to manage investments.

The PVAS Investment Committee has dual responsibilities to advise the Finance Committee and the Board of Directors on the management of financial assets, and to monitor and manage the performance of funds invested under its own direction or those invested under the direction of a Professional Financial Advisor. The Investment Committee will review PVAS investments annually and rebalance investments as needed to meet investment objectives. The PVAS Finance Committee will serve as the Investment Committee until the Board establishes a separate Investment Committee.

The Professional Financial Advisor, if hired, makes investment decisions about portfolios of securities (tradeable financial instruments) on behalf of PVAS under the investment objectives, guidance, and parameters defined by PVAS.

## **Investment Objectives**

PVAS invests its financial assets to:

- Protect funds needed for operational purposes.
- Safeguard reserve funds.
- Promote long-term saving for future capital expenditures.
- Establish and maintain a diversified portfolio of financial assets that maximizes returns while supporting the mission and values of PVAS.

Consideration is given to:

- Maintaining access to a sufficient portion of the financial assets in the event the organization needs to tap into the investments for cashflow needs.
- Documenting the financial health of the organization on its Statement of Financial Condition (balance sheet).
- Encouraging large donations from supporters.

## **Risk Tolerance**

Historically, PVAS generates income from contributions, grants, programs, and events. Over time, this income has been more than sufficient to cover expenses, and it has allowed PVAS to accumulate financial assets. Heretofore, the organization has shown little or no risk tolerance and has kept its financial assets in FDIC protected bank accounts. That is, checking, money market, and certificate of deposit accounts. The exception to this is the PVAS Endowment established in 2004 that is managed by the

Eastern West Virginia Community Foundation. The financial assets in this endowment are reinvested per the investment policy of the Community Foundation.

As its financial capacity grows, PVAS may decide to tolerate more risk within its investment portfolio to increase its financial assets over the long term with dual goals of supporting both current and future operations. Under this scenario, the Investment Committee, with Board approval, could invest a portion of its financial assets in financial instruments that are traded such as stocks, bonds, mutual funds, index funds, or ETFs as long as this investment did not include Operating Reserve.

### **Investment Preferences**

The investment preferences of PVAS are as follows:

Banking: PVAS fully utilizes local banks because of the shared commitment to the community present at local banks.

Asset Allocation: PVAS seeks a diversified investment structure built on safe FDIC insured investments to include checking, money market, and certificate of deposit accounts. Investment in financial instruments that are traded is allowed as long as such investments are separate from and do not include funds that constitute the Operating Reserve.

Socially Responsible Investing: Investments made in financial instruments that are traded will primarily but not necessarily be directed toward 1) those companies that implement positive social, environmental, and governance practices, or 2) mutual funds or ETFs organized around a theme that emphasizes positive social, environmental, or governance practices.

Diversification: Diversification of financial assets is important to PVAS because it produces a mix of financial assets that will likely yield higher long-term returns and reduce risk.

### **Endowment Funds**

PVAS recognizes the value to long-term growth and stability provided by endowment funds like the PVAS Endowment managed by the Eastern West Virginia Community Foundation and may choose to invest additional funds in this endowment. New PVAS endowment funds, when established, would accept donations and invest the donations in a structured manner, and would have their own investment, withdrawal, and usage policies. It is anticipated that management of new endowment funds would be conducted by a professional financial advisor under the oversight of the PVAS Board of Directors or a designated committee.

## **Windfall Gifts**

A windfall gift is a restricted or unrestricted gift that is significantly large or unexpected. In general, windfall gifts are not accounted for in the current budget. It is the policy of PVAS to define windfall gifts as gifts greater than \$50,000, a figure that is roughly 10 percent of the PVAS operating budget. This \$50,000 threshold could be modified periodically by the Board of Directors as needed upon a recommendation of the Finance Committee.

Windfall gifts received by PVAS that exceed the \$50,000 threshold are managed as follows:

- Donor restricted gifts will be put to use as designated by the donor.
- Unrestricted gifts will be allocated according to the percentages below:
  - 15% will be allocated to the Opportunity Reserve
  - 15% will be allocated to the Capital Reserve
  - 70% will be allocated to an investment account managed by a professional finance manager with investment objectives, guidance, and parameters defined by PVAS.

Unrestricted gifts under the \$50,000 threshold amount may be used as needed to meet the current or future needs of the organization.