



CASH MANAGEMENT & INVESTMENT POLICY

INTRODUCTION

The Master Gardener Foundation of Yakima County (MGFYC, the Foundation) has various investment funds to support the Foundation's mission and long-term objectives. The purpose of this Cash Management & Investment Policy (Investment Policy) is to provide guidelines for the investment of these funds, to define the responsibilities of the Board of Directors and any other parties involved in managing the Foundation's investments, and to specify standards for monitoring and evaluating investment performance.

ROLE OF THE BOARD

- The Board of Directors (the Board) has ultimate responsibility for the investment and management of MGFYC's assets.
- The Board delegates authority over MGFYC's investments to an Investment Advisory Committee (the Committee) as described below:
 1. The Committee will be comprised of up to five members with the Treasurer being a permanent member on the Committee.
 2. Other Committee members will be made up of Board members and other general Foundation members who may volunteer to serve on the Committee.
 3. Nonpermanent Committee members may serve on the Committee for a term of no more than three years.
- Any investment that is not expressly permitted under this Investment Policy must be formally reviewed by the Committee and approved by the Board.

RESPONSIBILITIES OF THE INVESTMENT ADVISORY COMMITTEE

The Committee is charged with the responsibility of managing the investment assets of MGFYC. The specific responsibilities of the Committee include:

- Prudently and diligently selecting qualified investment professionals, including investment managers(s), investment consultant(s), and custodian(s) as needed.
- Communicating MGFYC's financial needs to the Investment Managers on a timely basis.
- Determining MGFYC's risk tolerance and investment horizon and communicating these to the appropriate parties.
- Establishing reasonable and consistent investment objectives, policy guidelines and allocations which will direct the investment of the assets, to be reviewed by the Committee on a regular basis.
- Ensuring that MGFYC's investment funds are managed consistent with all applicable law including the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), WA RCW 24.55.
- Conducting an annual review of the Foundation's investment assets to verify that the funds are tracking to each of their investment fund objectives as outlined below.
- Updating the Investment Policy on a regular basis (minimum of once every three years).

The Committee shall monitor the performance of investment managers, if any. The Committee shall request that investment managers periodically provide information to the Committee including information on any material change in its personnel, investment strategy, or other pertinent information potentially affecting investment performance. In reviewing an investment manager, the Committee may consider the following:

- Adherence of the portfolio to its intended risk characteristics,
- The stability and depth of the professionals responsible for the day-to-day investment management decisions,
- Material changes in investment manager organizations, such as acquisition, loss of major accounts, changes in philosophy, etc.,
- Comparison of results to the performance of appropriate benchmarks and portfolios with similar policies (in terms of diversification, volatility, style, etc.), and
- Any other measures that the Committee deems useful and relevant.

The Committee may terminate and replace investment managers at any time.

RESPONSIBILITIES OF INVESTMENT MANAGERS

- Each investment manager will invest assets placed in its care in accordance with this investment policy.
- Each investment manager must acknowledge in writing acceptance of responsibility as a fiduciary.
- Each investment manager will have full discretion in making all investment decisions for the assets placed under its care and management, while operating within all policies, guidelines, constraints, and philosophies outlined in this Investment Policy. Specific responsibilities of investment manager(s) include:
 1. Discretionary investment management, including decisions to buy, sell, or hold individual securities, and to alter allocation within the guidelines established in this Investment Policy.
 2. Reporting, on a timely basis, monthly or quarterly investment performance results.
 3. Communicating any major changes in the economic outlook, investment strategy, or any other factors that affect implementation of investment process.
 4. Informing the Committee regarding any changes in portfolio management personnel, ownership structure, investment philosophy, etc.
 5. Voting proxies if requested by the Committee on behalf of MGFYC.
 6. Administering MGFYC's investments at reasonable cost, while maintaining investment quality. These costs include, but are not limited to, management and custodial fees, consulting fees, transaction costs and other administrative costs chargeable to MGFYC.

GENERAL INVESTMENT GUIDELINES

- A copy of this Investment Policy shall be provided to all Investment Managers engaged to provide services to MGFYC.
- MGFYC is a tax-exempt organization as described in section 501(c)(3) of the Internal Revenue Code. This tax-exempt status should be taken into consideration when making MGFYC investments.
- MGFYC's investment funds are expected to operate in perpetuity; therefore, a long-term investment horizon shall be employed. Interim fluctuations should be viewed with appropriate perspective.
- Investments shall be diversified to minimize the risk of large losses.
- Transactions shall be executed at reasonable cost, taking into consideration prevailing market conditions and services and research provided by the executing broker.

RESTRICTED FUNDS MANAGEMENT

Funds received or earned that are restricted in nature will be invested in accordance with the investment that optimizes the Foundation's opportunity to maximize the return on invested assets while meeting the imposed restrictions.

OPERATIONAL FUNDS MANAGEMENT

MGFYC shall maintain a cash balance equivalent to at least one-third of its annual budgeted operating expenses. This required minimum balance may be held in readily available cash investments or investments with minimal withdrawal fees such as checking, savings, money market or certificate of deposit accounts. The Treasurer shall take the necessary steps to maintain the stated minimum balance throughout the year by transferring funds from other investment accounts as necessary. When the combined balance of the operational funds accounts exceeds this minimum, funds may be moved from these accounts to MGFYC's investment funds and invested subject to the terms of this Investment Policy. The Treasurer will consult with the Committee when any shortages or overages on the operational funds accounts occur.

OBJECTIVES OF INVESTMENT FUNDS

The overall investment objective of MGFYC is to maximize the return on invested assets while minimizing risk and expenses. This is done through prudent investing and planning, as well as through the maintenance of a diversified portfolio. The explicit purposes of the investment funds are:

- **Operational Reserve Fund:** to support MGFYC's mission and long-term objectives, to be used on an as needed basis to pay for general operational expenses. The goal of this fund is to always have a minimum of \$80,000 available. Excess funds above the target minimum balance on this fund will be periodically transferred into the Capital Improvement & Maintenance Fund until that fund reaches its stated target minimum balance and then to the General Investment Fund. The Committee will review the minimum amount on the Operation Reserve Fund annually.
- **Capital Improvement & Maintenance Fund:** to provide funds to pay for capital improvements and major maintenance projects on property and infrastructure held by MGFYC. The Capital Improvement & Maintenance Fund will be used to hold funds for specific projects as identified by the Board and may not always be an active fund.
- **General Investment Fund:** to hold the remainder of the current year annual budgeted operating expenses. Additionally, this Fund will be used to hold excess funds after the goals and balances on the Operational Reserve Fund and the Capital Improvement & Maintenance Fund have been met.

ASSET ALLOCATION

The target asset allocations for each fund are reflected below. Targets represent a long- term perspective and reflect long-term investment risk and reward assumptions. The Board or Committee shall review these targets with investment advisors on a regular basis to determine if any changes should be made.

Operational Reserve Fund:

Targets are selected with the purpose of having available funding for operations if needed, maintaining a low risk profile.

Asset Class	Target	Range	Risk Tolerance
Cash & Cash Equivalents	0%	0 - 5%	Low
Fixed Income	90%	80 - 100%	Medium
Equities: US	10%	5 - 15%	High
Equities: International	0%	0 - 5%	High
Alternatives (Commodities, REIT)	0%	0 - 5%	Medium

Capital Improvement & Maintenance Fund:

Targets are selected with the purpose of growing this fund for capital improvements and major maintenance needs when necessary.

Asset Class	Target	Range	Risk Tolerance
Cash & Cash Equivalents	0%	0 - 5%	Low
Fixed Income	25%	15 - 35%	Medium
Equities: US	48%	38 - 58%	High
Equities: International	20%	10 - 30%	High
Alternatives (Commodities, REIT)	7%	0 - 10%	Medium

General Investment Fund:

Targets are selected with the purpose of investing excess funds and to have them available for funding general operations if needed.

Asset Class	Target	Range	Risk Tolerance
Cash & Cash Equivalents	0%	0 - 5%	Low
Fixed Income	25%	15 - 35%	Medium
Equities: US	48%	38 - 58%	High
Equities: International	20%	10 - 30%	High
Alternatives (Commodities, REIT)	7%	0 - 10%	Medium

Additional Asset Class Information:

- Fixed Income investments may include corporate bonds, municipal bonds, and US Treasuries. The fixed income allocation may also include mutual funds that invest in these same income securities.
- Fixed income investments should be investment grade rated securities defined as BBB- or higher rated.
- In general, rebalancing will occur when asset class market values have deviated significantly from their respective target allocations or have deviated outside of the allowable ranges.
- Unless expressly authorized by the Committee, the Portfolio and its investment managers are prohibited from:
 1. Purchasing securities on margin or executing short sales.
 2. Pledging or hypothecating securities, except for loan of securities which are fully collateralized.
 3. Purchasing or selling derivative securities for speculation or leverage.
 4. Engaging in investment strategies that have the potential to amplify or distort the risk of loss beyond the level that is reasonably expected, given the objectives of their portfolio.
- To the extent possible, investments should attempt to reflect the Foundation's commitment to socially responsible behavior.

PERFORMANCE

Performance benchmarks (e.g., Standard and Poor's 500 Index) as recommended by investment managers, if any, will be used to properly measure and evaluate investment results.

Performance objectives are to be met on a net of fees basis. The investment performance of each asset allocation class will be measured on two levels: against inflation objectives for the total MGFYC investment portfolio and against index objectives for individual portfolio components. Investment performance shall be measured no less than annually on a net of fees basis. Performance shall be evaluated against three-, five-, and ten-year averages to allow for market fluctuations and volatility.

INVESTMENT FUND SPENDING POLICIES

Operational Reserve Fund

Funding requests from the Operational Reserve Fund should be limited to emergency situations when other funds are not available or cannot be raised for the expense.

Funding requests from the Operational Reserve Fund can be made by the Treasurer and approved by Board of Directors at the next regularly scheduled Board Meeting.

Capital Improvement & Maintenance Fund

The Capital Improvements & Maintenance Fund is a fund managed to support the acquisition of property and improvements and for the maintenance of such assets held by the Foundation.

Eligible uses of the Capital Improvements & Maintenance Fund are:

- Property acquisition costs, including legal expenses.
- Major equipment purchases greater than \$5,000.
- Major maintenance projects that are out of the ordinary maintenance and not previously budgeted.

Funding requests from the Capital Improvements & Maintenance Fund can be made by the Treasurer and approved by Board of Directors at the next regularly scheduled Board Meeting.

General Investment Fund

This Fund serves as a holding fund to facilitate the investment of excess funds when the goals and balances of the Operational Reserve Fund and the Capital Improvement & Maintenance Fund have been met.

The Treasurer will consult with the Committee when transfers from the General Investment Fund are needed to replenish or maintain the required minimum balances on the operational funds accounts, the Operational Reserve Fund and the Capital Improvement & Maintenance Fund.

Adopted by the Board of Directors on August 14, 2024.