

I. SCOPE

This Investment Policy applies to all funds and assets held by MC2. The purpose of this policy is to provide guidance on the management and investment of these assets in accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA), New Hampshire state laws, and the organization's mission. Investment Officers referred to in this policy are: the Executive Director and Treasurer of the Board of Trustees.

II. OBJECTIVES

The primary objectives of the MC2's investment activities are as follows:

- To preserve and protect the principal value of the organization's assets
- To generate a reasonable and stable income to support MC2's mission
- To achieve a long-term return that exceeds inflation, taking into account the risk tolerance and liquidity needs of MC2.

III. PRUDENCE

Investment decisions shall be made with the utmost care and diligence, following the "prudent investor" standard as defined by UPMIFA. Investment considerations include:

- Diversifying investments to minimize risk
- Conducting due diligence on investment options
- Regularly reviewing and adjusting the investment portfolio to align with the MC2's goals and risk tolerance.

IV. TAX CONSIDERATIONS

MC2 shall consider tax implications, including tax-exempt status, unrelated business income (UBIT), and other relevant tax implications.

V. LIQUIDITY NEEDS

MC2 shall maintain seven (7) months of operating cash. Amounts greater than that (of unrestricted funds) are available for short-term investments.

A. Short-Term Investment Options

1. Review and Authorization: When it becomes evident that liquidity needs are likely to exceed the established seven (7) month guideline, the Executive Director shall review the situation and assess the specific liquidity requirements.
2. Short-Term Investment Consideration: MC2 shall consider short-term investment options that are readily convertible to cash without incurring excessive risk. Such options may include, but are not limited to, the following:
 - Highly liquid money market instruments.
 - Short-term certificates of deposit.
 - Short-term government securities.
 - High-quality corporate bonds with short maturities.
 - Other low-risk, highly liquid investments deemed suitable by the Investment Officers.
3. Liquidity Reserve: MC2 may establish a designated liquidity reserve fund, if deemed necessary, to meet unforeseen liquidity needs. This fund shall be separate from the seven (7) months operating cash and can be invested in highly liquid, low-risk instruments and shall only be accessed for genuine liquidity emergencies.

B. Reporting and Documentation

1. Notification: The Executive Director shall promptly notify the Board of Trustees and other relevant stakeholders if liquidity needs are anticipated to exceed the seven (7) month guideline and if short-term investment options are utilized.
2. Documentation: All risk management activities, including risk assessments, mitigation strategies, and decisions, shall be well-documented and available for review.

VI. AUTHORITY

With approval from and general direction of the Treasurer, management responsibility for the Investment Program is delegated to the Executive Director or their designee for the operation of the Investment Program, consistent with this Investment Policy.

The Board has the right to revoke authority at any time.

VII. ETHICS AND CONFLICTS OF INTEREST

All individuals responsible for investment decisions on behalf of MC2 shall act with the highest ethical standards and in the best interests of the organization. MC2 shall maintain a conflict of interest policy that addresses the identification, disclosure, and management of conflicts in investment decisions.

VIII. ASSET ALLOCATION & RISK MANAGEMENT

A. Asset Allocation Strategy

MC2 acknowledges the significance of a well-defined asset allocation strategy as fundamental to prudent investment management. The strategy adheres to these principles:

1. **Diversification:** Diversify the investment portfolio across various asset classes to spread risk and enhance returns.
2. **Risk Tolerance:** Regularly assess MC2's risk tolerance, aligning asset allocation decisions with long-term financial goals and liquidity needs.
3. **Investment Horizon:** MC2's long-term investment horizon considers both short-term liquidity needs and the goal of generating income while preserving principal.
4. **Regular Review:** Conduct annual reviews to ensure alignment with evolving market conditions and financial objectives, making adjustments as needed for a balanced and diversified portfolio.

B. Risk Management

Effective risk management is essential for safeguarding MC2's assets and achieving investment objectives. Risk management integrates these principles:

1. **Risk Identification and Assessment:** Identify and assess various risks associated with the investment portfolio, including market, credit, liquidity, and operational risks.
2. **Diversification:** Utilize diversification across asset classes as a key risk mitigation strategy to avoid concentration risk.
3. **Due Diligence:** Conduct comprehensive due diligence on investment options to evaluate suitability and track record.
4. **Liquidity Management:** Maintain sufficient liquidity to meet short-term cash flow requirements and withstand unforeseen liquidity demands without compromising long-term objectives.
5. **Stress Testing:** Periodically conduct stress testing and scenario analysis to assess portfolio resilience under adverse market conditions.

IX. PERMISSIBLE INVESTMENT VEHICLES

MC2 may invest its assets in a range of investment vehicles, including but not limited to:

- Money market and certificates of deposit
- Fixed income securities
- Treasury bills
- Other investments as approved by the Board of Trustees, provided they are in compliance with UPMIFA and the "prudent investor" standard.

X. REGULAR REVIEW & REPORTING

The investment portfolio and this policy shall be reviewed and updated on an annual basis to adapt to changing market conditions and financial goals. Additionally, MC2 recognizes the importance of ongoing monitoring and may consider changes to the investment portfolio beyond the annual review under the following circumstances:

Liquidity Needs: Investments may be converted into cash or adjusted if needed to maintain the required seven (7) months of operating cash as outlined in Section V (Liquidity Needs).

Material Changes: In the event of significant changes in financial circumstances, unexpected expenses, or shifts in the organization's strategic priorities, the Investment Officers, in consultation with the Finance Committee, may propose changes to the investment portfolio to better align with MC2's financial goals.

Monthly Reporting for Active Investments: The Investment Officers shall provide monthly reports to the Finance Committee specifically for active investments within the portfolio. These reports will include investment returns and risk assessments, and any proposed changes to active investments based on market conditions and investment objectives.

Annual Audit: The investment portfolio, along with the overall financial statements, shall continue to be subject to annual audits in compliance with generally accepted accounting principles (GAAP) and other applicable laws and regulations, as specified in Section XI (Audit & Compliance).

XI. AUDIT & COMPLIANCE

MC2's financial statements, including investment activities, shall be subject to annual audits in compliance with generally accepted accounting principles (GAAP) and other applicable laws and regulations.

XII. LEGAL & REGULATORY UPDATES

MC2 shall monitor changes in the UPMIFA and New Hampshire laws and regulations related to non-profit investments and update this policy accordingly.

XIII. RECORD KEEPING

The organization shall maintain records of all investment-related documents and records according to policy EHB Record Retention and schedule EHB-R Local Data/Records Retention.

Legal References:

RCW 24.55.005 [2009 c 436 § 1.] RCW 24.55.007 [2009 c 436 § 10.] RCW 24.55.010 [2009 c 436 § 2.] RCW 24.55.015 [2009 c 436 § 3.] RCW 24.55.025 [2009 c 436 § 4.] RCW 24.55.035 [2009 c 436 § 5.] RCW 24.55.045 [2009 c 436 § 6.] RCW 24.55.055 [2009 c 436 § 7.] RCW 24.55.065 [2009 c 436 § 8.] RCW 24.55.075 [2010 1st sp.s. c 26 § 3; 2009 c 436 § 9.] RCW 24.55.900 [2009 c 436 § 14.]

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