Reserves and Investment Policy

Fannin County Family Connection, Inc.

**Purpose**

The purpose of this policy is to set forth the standards and guidelines governing the management and investment of Fannin County Family Connection, Inc’s (FCFC) financial assets. It is FCFC’s intent to ensure the stability of the mission, programs, employment, and ongoing operations of the organization and to provide a source of internal funds for organizational priorities such as building repair and improvement, program opportunity, and capacity building.

**Financial Assets of the Corporation**

FCFC’s financial assets consist of:

(a) funds intended to be used to cover short-term operating and program expenses (Operating Fund),

(b) unrestricted funds, in excess of the Operating Fund, to support the medium- and long-term delivery of FCFC’s mission and programs (Investment Fund), and

(c) funds that have been restricted by the donor for a specific purpose. These funds will be segregated and investment and management of these funds will comply with donor restrictions.

**Management Objectives and Investment Guidelines**

*Operating Fund*

The Operating Fund is intended to provide an internal source of funds to maintain ongoing operations and programs. The Operating Fund is not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. The Operating Fund serves a dynamic role and will be reviewed and adjusted in response to both internal and external changes.

The range for the Operating Fund is equal to four to six months of average operating costs. The range provides the Executive Director with flexibility in managing the normal month-to-month variation in revenue and expenses. The calculation of average monthly operating costs includes all recurring, predictable expenses such as salaries and benefits, facility repair and maintenance, office, travel, program, and ongoing professional services. Depreciation, in-kind, and other non-cash expenses are not included in the calculation. The calculation of average monthly expenses also excludes food pantry expenses and capital purchases.

The amount of the Operating Fund range will be calculated each year after approval of the annual budget, documented in the Annual Reserves and Investment Plan, and included in the regular financial reports.

The Operating Fund assets may be maintained in the checking account that FCFC uses for day-to-day operations and may be invested in other cash-equivalent investments, such as savings accounts, money market accounts and certificates of deposit. The Finance Committee may review and revise the allocation of assets between the FCFC checking account and other cash-equivalent investments, based on FCFC’s cash flow needs, with any changes regularly reported to the Board.

*Investment Fund*

The Investment Fund shall be invested with the objective of preserving the purchasing power of the Fund assets while realizing appropriate investment income.

A portion of the Investment Fund will be earmarked for repair or acquisition of capital assets, including buildings, leaseholds, furniture, fixtures, and equipment necessary for the effective operation of the organization and programs. Capital assets are defined in the FCFC Capitalization Policy. The earmarked capital amount will be calculated each year after approval of the annual budget and will include approved capital projects. The earmarked capital amount will be documented in the Annual Reserves and Investment Plan.

Investment Fund assets may be invested in certificates of deposit and other cash-equivalent investments, Treasury bills, fixed income securities and preferred stocks, as well as mutual funds and exchange traded funds which invest in the same asset types. The minimum cash-equivalent investment shall equal the unused earmarked capital amount. The Finance Committee may review and revise the allocation of Investment Fund assets with any changes regularly reported to the Board.

**Use of Financial Assets**

Use of the Operating Fund for normal operations is at the discretion of the Executive Director, within the boundaries described in the FCFC Bylaws. No pre-approval is required and reporting will occur through normal monthly financial statements.

Withdrawals from the Investment Fund for capital investments requires three steps:

1. Identification of appropriate use of earmarked capital funds.

The Executive Director and staff will confirm that the use is consistent with the capital earmark by matching the project to the annual Reserves and Investment plan.

2. Authority to use capital funds.

Authority for use of capital funds is delegated to the Executive Director with approval by the Treasurer. The use of capital funds will be reported to the Board of Directors at their next scheduled meeting, accompanied by a description of the analysis and determination of the use of funds. The Executive Director must receive prior approval from the Executive Committee/ Board of Directors if the project is beyond the scope of the annual plan.

3. Reporting and monitoring.

The Executive Director is responsible for ensuring that the capital funds are maintained and used only as described in this Policy. The Executive Director will maintain records of the use of funds and provide regular reports to the Finance Committee and Board of Directors.

Withdrawals from the Investment Fund for purposes other than earmarked capital projects requires formal approval by the Finance Committee and notification to the Board of Directors at their next scheduled meeting. Deposits to the Investment Fund may occur from time to time as surplus funds are available (in excess of Operating Fund requirements). Deposits are at the discretion of the Executive Director and are to be reported to the Finance Committee and Board of Directors at their next scheduled meeting.

**Investment Fund Management**

The Board of Directors will engage a financial representative/money manager either locally or via the on-line services available through such firms as T D Ameritrade, Schwab, etc. This person must be a non-captive agent who can access a broad range of financial products and is not limited to those underwritten or being a “market maker” by their broker dealer. This person or firm will not be allowed to make transactions by their own volition and any such transactions must be approved by the Finance Committee prior to proceeding.

All investments made must adhere to the “prudent man theory” and be subject to the following requirements and conditions:

1. Preservation of capital is tantamount, however short term losses would be acceptable.
2. All sums of money must be diversified across financial sector lines and further diversified within those sectors.
3. All dividends and interest earned will remain in the form of cash and not used to purchase additional shares until the Finance Committee makes the decision how the funds are to be reinvested or withdrawn.
4. All investments must be liquid to the extent that they can be sold and the money transferred to the FCFC checking account within two business days.
5. No investments will be purchased that would bring dishonor to the mission of FCFC, if disclosed to the general public.

Account information must be readily accessible on the internet and account statements must be produced on Broker Dealer letter stock. Account access will be limited to those individuals appointed by the Chairman of Finance Committee to conduct reviews as warranted.

**Annual Reserves and Investment Plan**

The Finance Committee will establish an Annual Reserves and Investment Plan (R&I Plan) in coordination with the annual budget. The R&I Plan will quantify the target values for the Operating Fund and any applicable earmarked capital funds. The R&I Plan may also define additional investment requirements and conditions.

**Review of Policy**

This Policy will be reviewed every other year, at minimum, by the Finance Committee, or sooner if warranted by internal or external events or changes. Changes to the Policy will be recommended by the Finance Committee to the Board of Directors.

Upon approval by the Board of Directors, the record policy will take effect immediately.

Enacted \_\_\_\_\_\_\_\_\_\_\_ day of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, 2021.

Attest:

Secretary, Board of Directors