

GIRL SCOUTS HEART OF NEW JERSEY INVESTMENT POLICY

Preamble

All funds of Girl Scouts Heart of New Jersey (hereinafter “GSHNJ” or “the Council”) are held by the Board as a fiduciary. Therefore, all restricted and unrestricted funds of the organization are held by the organization as a steward for the sake of carrying out GSHNJ’s mission and objectives. The following instructions are to be understood and employed with that sense of stewardship in mind. Further, this investment policy is set forth in order that:

1. There is a clear understanding of responsibilities and objectives of the Board, its delegates, and chosen investment advisors (hereinafter “advisors”); and
2. The Board will have a basis for evaluating the investment performance of each of the organization’s investment funds.

Purpose of Funds

The purpose of these funds is to provide additional resources to implement activities designed to carry out the mission and achieve the desired outcomes of GSHNJ. Investment funds shall include restricted and unrestricted funds of GSHNJ. Investment strategies should result in effective diversification of the invested funds in order to enhance real returns, protect against undue volatility and eliminate adverse effects of dependence on any investment concentration. Investments will be managed for total return, the sum of all earned income, dividends as well as realized and unrealized gains or losses less the investment management costs.

Delegation of Responsibilities

The Board of the Council has delegated supervisory authority over its financial affairs to the Finance Committee (hereinafter “Committee”) of the GSHNJ Board, as provided in the Council’s bylaws. In carrying out its responsibilities, the Committee and its advisors will act in accord with this investment policy (hereinafter “policy”), and all applicable laws and state and federal regulations that apply to nonprofit agencies including, but not limited to, the New Jersey Uniform Prudent Management of Institutional Funds Act.

Specific duties of the Board, as delegated, include

1. Selecting advisors, custodians, investment managers, brokers and consultants;
2. Developing investment objectives and investment performance criteria, and implementing policies consistent with the financial needs of the Council;
3. Determining asset allocation strategy and overall investment portfolio structure to meet the Council’s objectives;
4. Providing for the prompt investment of cash received by GSHNJ; and

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5. Reviewing and evaluating investment results based on performance goals enumerated herein and taking corrective action as needed.

The Board and Committee are authorized to retain one or more advisors to assume the investment management of funds and assets owned or administered by GSHNJ. In discharging this authority, the Committee may act in the place of the Board and may pay compensation to, and enter into agreements with such advisors. The Board may also grant (in written form only) exceptions to this investment policy when deemed appropriate.

Fund Descriptions:

Temporarily Restricted Funds

These funds are restricted in time or purpose. They include donated funds that are restricted to program use or over time, and are expected to be used for operating expenses. This shall also include insurance proceeds until such time that the Board designates otherwise. They also include funds pledged as collateral to third parties.

Operating Reserves

These funds represent six months of normal operating expenses.

Unrestricted Operating Funds

These funds are not restricted in their use. They include surplus funds from current or prior operations, unexpended portions of unrestricted grants, and other unrestricted funds received.

Board-Designated Reserves

These funds have been designated by the Board to be held in reserve to support future years' operations, provide a resource for unexpected downturns, and provide a source of investment in the business (e.g. capital improvement, expanded programming, etc). They may include accumulations from past years' annual results of operations, investment income, and other funds designated by the Board.

Endowment Funds

Endowed funds are those that have been established by the board or given in perpetuity, through which the principal of the fund remains intact and the investment income is used to support the mission.

Asset Mix

To accomplish the Council's investment objectives, its advisors are authorized to utilize equity, fixed income, and cash equivalent securities. The Council's advisors are required to remain within the ranges outlined below, which ranges the Committee may amend periodically to best achieve the Council's investment goals.

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Acceptable Ranges of Investments

EXHIBIT A

<u>Investment Fund</u>	<u>Equities</u>	<u>Fixed Income</u>	<u>Cash Equivalents</u>
Temporarily Restricted Funds	0%	0-25%	75-100%
Operating Reserves	0-20%	0-20%	60-90%
Undesignated Operating Funds	20-40%	20-40%	20-40%
Board-Designated Reserves	40-60%	40-60%	0-5%
Endowment Funds	60-80%	20-40%	0-5%

Permissible Investments

1. *Common stocks or equities* — Advisors may invest in any unrestricted, publicly traded common stock that is listed on a major exchange in the United States or a national, over-the-counter market in the United States that is appropriate for GSHNJ's portfolio objectives, asset class, and/or investment style of the fund that is to hold such shares. Securities of foreign-domiciled companies are permitted, so as long as there is no tax withholding on the income generated by these assets. Securities of foreign companies shall be limited in the aggregate to no more than 10% of the total equities.
2. *Convertible preferred stock and convertible bonds* — Convertible preferred stock and bonds must have a BBB+ rating or better by S&P or Baa1 or better rating by Moody's with the lower rating prevailing. If converted, these securities must satisfy the above standards for common stocks.
3. *Fixed income securities* — Bonds and notes must be rated Baa1 or better by Moody's or BBB+ or better by S&P with the lower rating prevailing. Only traditional principal and interest obligations (no derivatives) with final maturities less than 10 years from the date of purchase are eligible. The duration of any such instrument shall be less than 7 years.
4. *Cash equivalents* — Cash Equivalents are defined as investments with maturities of 90 days or less and shall include:
 1. Commercial paper must be rated A-1 by S&P and/or P-1 by Moody's with the lower rating prevailing.
 2. Certificates of Deposit, Banker's Acceptances and Repurchase Agreements must be issued by banks that are rated A2 or better by Moody's or rated A or better by S&P, with the lower rating prevailing.
 3. U.S. Government Treasury Bills and Agency Discount Notes are also acceptable.

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4. The assets of any money market mutual funds must comply with the quality provisions for fixed-income securities or cash equivalents. ()

Transactions, Custody and Securities Brokerage

The Committee will establish such custodial and brokerage relationships as are necessary for the efficient management of GSHNJ's funds. All purchases of securities will be for cash and there will be no margin transactions or short selling.

Investment Restrictions(Unpermitted investments)

1. Purchase any private placements which may not be publicly sold without registration under the U.S. Securities act of 1933
2. Purchase any municipal or other tax-exempt securities
3. Buy or sell individual option contracts; The only exception is that a covered call strategy, which such call option expiring a maximum of 180 days from the date it is written, may be utilized to generate current income.
4. Permit the mortgage, pledge, or hypothecation of any assets of the portfolio, except as expressly required pursuant to contract requiring collateral for loans or other similar investments.
5. Make direct investments in commodities or commodity contracts
6. Engage in short sales
7. Enter into margin transactions or use leverage. e.g. derivatives
8. Hold more that 20% of its portfolio in any one industry.
9. Hold more than 5% of its portfolio in the securities of any one company, as determined at the time of purchase. Should an individual security exceed 5% after the purchase due to market value changes as of any quarterly reporting date, the President should be notified who will then be responsible for notifying the Investment Committee. (This limitation does not apply to obligations issued or guaranteed by the United States Government or its agencies or instrumentalities).
10. Loan money or securities to any individual or corporation from the assets of the portfolio other than through the purchase of marketable fixed income securities.
11. Make any investments that are otherwise precluded unless approved in writing by special instructions issued by the Investment Committee.

Other Investment Requirements

1. Investment in Certificates of Deposit shall be diversified among issuing banks that have FDIC deposit insurance and the total invested in a single such bank does not exceed FDIC insurance limits.
2. All securities must be marketable securities in that a quotation of bid and offer values must be readily available and any securities sold must settle within five (5) business days.

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3. Mutual Funds holdings will be allocated to Equities, Fixed Income and Cash, based upon the most recent data that is available.

Mission-Based Investment Criteria

GSHNJ desires to invest in companies whose business conduct is consistent with the Council's goals and beliefs. Therefore, the Council's investment advisors will attempt to avoid holding securities of any company known to participate in businesses the Board deems to be socially or morally inconsistent with GSHNJ's objectives. The Committee will provide advisors with a statement of GSHNJ's mission guidelines and restrictions.

Reporting Requirements of Managers and Advisors

1. *Monthly* — the advisor or manager will provide GSHNJ with a monthly written statement containing all pertinent transaction details for each separately managed portfolio including, but not limited to
 - a. A transaction statement with the description and quantity of each security purchased or sold, with the price and date of each transaction; and
 - b. A portfolio holdings report detailing each holding's quantity, cost basis, purchase date, current market value, and unrealized gain or loss.

Further, this report should break down current asset allocation by category (equity, fixed income, etc.). This includes the underlying asset allocation of index or mutual funds.

2. *Quarterly* — the Council's advisors will provide the Committee with detailed reports concerning
 - a. Asset allocation;
 - b. Investment performance, net of fees, versus benchmarks and investment management peers;
 - c. Future investment strategies; and
 - d. Any other matters of interest to the Committee.
3. *Annually* — GSHNJ's advisors will provide to the Committee an annual summary of all transactions in each fiscal year, together with a report of comparative investment performance for each year of its management tenure. The advisor shall meet with the Committee at least annually or more frequently if requested to review the account.

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Reporting to the Board

The Committee will provide a report on annual basis no later than March 31. This report shall summarize the annual report from the advisors.

Manager Selection

The Committee or, if applicable, the investment consultant shall perform investment manager due diligence inclusive of the factors listed below. In addition, the Committee, to a limited degree, shall perform regular direct due diligence of the investment managers.

The Committee will consider the following factors when selecting managers:

1. **Performance Adherence to Stated Investment Style** – the manager has a clearly articulated investment strategy and demonstrated discipline.
2. **Performance Against Peers** – Time-weighted actual quarterly results outperforms peer group median.
3. **Performance Relative to Assumed Risk** – To be evaluated using statistical measures such as Sharpe Ratio, Alpha and standard deviation of returns.
4. **Performance of Key Decision Makers** – Same portfolio manager for two of the last three years, with at least \$75 million under management
5. **Performance of Organization on Expense Control** – Expense ratio, fees, execution, and reasonable soft-dollar arrangements.
6. **Performance of Overall Organization** – Stable, absence of regulatory problems, ability to handle growth

Manager Performance

At each review, the returns of each manager should be compared to an index, net of fees, which is appropriate to its assignment, and be reviewed by the Committee.

1. The S&P 500 will be the equity benchmark.
2. Fixed income managers should use the Barclay's Capital US Government Credit Bond Index.
3. Cash Equivalents defined as 90 days or less over time should exceed the average return on ninety (90)-day U.S. Treasury Bills

Evaluation and Termination of Managers

Managers will be evaluated on a rolling 3 year period based on their performance against the agreed benchmark, client service and communications, adherence to the terms of the investment policy, continuity of key professionals and ownership structure, style discipline and spending policy requirement.

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After a review with the consultant, the Committee shall give investment managers that do not meet the council's expectations fair notice (30 days). It is important to recognize that there may be periods of underperformance by strong managers. The Committee must endeavor to monitor performance issues over the rolling 3-year period to determine if a manager should be terminated.

In the case of a termination, the Committee may elect to consider potential new investment managers. The Committee may delegate this responsibility to an investment consultant.

Donated Securities

If marketable securities are received by GSHNJ, it is the policy of the Council to sell all marketable securities as soon as is practical, but in not more than thirty (30) days from their receipt, unless the donation meets the requirements of this policy for its particular fund.

Conflicts of Interest

The Board and Committee will not invest the Council's funds with any firm or in any investment that may, as a result of the transaction, provide a direct monetary benefit to a member of the Board or GSHNJ staff.

Procedures for Revising Guidelines

Due to the evolving nature of the investment world, this investment policy will be reviewed annually and, if necessary, revised by the Finance Committee. All revisions will be submitted to the GSHNJ Board for review and approval.

This investment policy has been reviewed and approved by:

BOARD OF DIRECTORS

DATE