

Community Health Services Finance and Investment Policy

Policy: Investments

Purpose: The purpose of the investment policy is to provide guidelines for investing excess cash in a manner that maximizes safety of principal, provides liquidity and improves returns. The policy applies to cash not needed for 1 to 365 days into the future.

Objectives:

The condition of the economy, the organization, and debt markets should be considered prior to investing. Safety of principal is the primary objective of the policy. Liquidity should be maintained to meet projected and unexpected cash needs. Improving investment yields should be considered after the safety of principal and liquidity objectives are met.

To maintain liquidity, only securities with a secondary market can be considered. To accommodate cash flow fluctuations and improve returns, maturity laddering of investments is suggested for longer investment terms. No hedging or leveraging of short-term investments is allowed. No pledging of short-term investments is allowed without prior approval of the Finance Committee.

No disbursements to non-CHS accounts or third parties can be made from investment accounts. Security donations will be sold and converted to cash as soon as practical. The Director of Finance and Operations and the Treasurer of the organization can authorize investment transactions, within the scope of this policy. Investments will be reported monthly to the Finance Committee. The Finance Committee will pre-approve an authorized list of money market funds, banks and investment brokers, which can be used for short-term investments. The Finance Committee will also establish parameters for other investment vehicles as described in this policy. The short-term investment policy will function concurrently with the long-term investment policy.

1. Direct Treasury securities, U.S. Government Agency securities, U.S. Government guaranteed securities, all with a maturity not to exceed 1 year. There is no diversification restrictions on amounts invested in U.S. Government, U.S. Government agency or U.S. Government guaranteed securities.
2. Money Market funds rated AAA with a Net Asset Value of \$1 per share. There is no diversification restrictions on amounts invested in Money Market funds.

3. Repurchase agreements collateralized by the U.S. Government or U.S. Government agency issues or U.S. Government guaranteed securities. There are no diversification restrictions on government-backed repurchase agreements.

4. Short-term investments in bank certificates of deposit must be with FDIC insured financial institutions as approved by the Finance Committee, up to the FDIC insurance limit. In addition, such investments are allowed only with institutions specifically approved for this use by the Board.

Policy: Financial Institutions

The Finance Committee will present list to Board for approval.

Policy: Operating Reserve

Operating Reserves generally will be maintained at a level which ensures that CHS's core activities can continue during a period of unforeseen difficulty. CHS will maintain an operating cash reserve generally not less than 90 days of expenses and generally not greater than 180 days.

Policy: Allocation of Surplus

At fiscal year end, if revenues have exceeded expenses resulting in a cash surplus, the funds will be allocated first to satisfy the reserve policy. After the maximum reserve requirement has been met, the Executive Director will recommend to the Finance Committee how the surplus should be allocated and invested.

Adopted: _____

Reviewed and/or Amended: _____