

Girl Scouts of Central Texas Investment Policy

1. General

It is the policy of the Board of Directors (Board) to treat all assets of the Girl Scouts of Central Texas Council (GSCTX), including funds which are legally unrestricted, as if held by (GSCTX), in a fiduciary capacity for the sake of accomplishing its mission and purposes. The following investment objectives and directions are to be judged and understood in light of that overall sense of stewardship. In that regard, the basic investment standards will be those of a prudent investor as articulated in applicable state laws.

A. Delegation

1. The Board delegates responsibility for detailed investment standards and guidelines to the Finance Committee (Committee). The Committee is responsible for regularly reporting on investments to the Board. In carrying out its responsibilities, the Committee will act substantially in accordance with these Investment Policies (the Policies) and all applicable laws and regulations. The Committee may appoint an Investment Advisory Subcommittee (Subcommittee) to provide oversight and recommend action. The Board reserves to itself the exclusive right to revise or grant exceptions to the Policies.
2. The Chief Executive Officer or his/her designee as approved by Board resolution shall serve as the Investment Officer of the Girls Scouts of Central Texas (“GSCTX”) and shall invest GSCTX funds in accordance with the GSCTX’s written investment policy and generally accepted accounting procedures.

From those investments authorized by law, the Board shall permit investment of GSCTX funds in only the following investment types, consistent with the strategies and maturities defined in this policy:

1. United States government obligations
2. State of Texas direct obligations
3. Obligations of other states, agencies, counties or cities
4. Collateralized mortgage obligations, restricted to government issued or government sponsored issued
5. Commercial paper
6. Repurchase agreements
7. Certificates of deposit and share certificates, to the extent fully insured by the FDIC
8. SEC-registered no load money market mutual funds
9. Equities
10. Mutual funds
11. Corporate bonds

The Committee may retain one or more Investment Counselors to assume the investment management of funds and assets owned or administered by GSCTX. The Committee may receive reports from, authorize compensation to, enter into agreements with and delegate investment authority to such Counselors. When delegating discretionary investment authority to one or more Counselors, the Committee will establish and follow appropriate procedures for selecting such Counselors and for conveying to each the scope of their authority, GSCTX expectations and the requirement of full compliance with these Policies. The Committee will establish such custodial and brokerage relationships as are necessary for the efficient management of GSCTX funds. The Committee will select the broker or brokers to execute all purchases and sales in the best interest of GSCTX. Whenever the Committee has not designated a brokerage relationship, the Counselor will execute transactions where it can obtain favorable price and execution.

B. Objectives-General

The primary objective of the investment program is to ensure its safety and maximize financial returns within current market conditions in accordance with this policy. Investments shall be made in a manner that ensures the preservation of capital in the overall portfolio, and offsets during a 12-month period any market price losses resulting from interest-rate fluctuations by income received from the balance of the portfolio. No individual investment transaction shall be undertaken that jeopardizes the total capital position of the overall portfolio. The maximum allowable stated maturity of any other individual investment owned by the GSCTX shall not exceed five years from the time of purchase. The Board may specifically authorize a longer maturity for a given investment, within prudent limits. The GSCTX's investment portfolio shall have sufficient liquidity to meet anticipated cash flow requirements.

The investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from overconcentration of assets in a specific class of investments, specific maturity, or specific issuer.

The Investment Officer shall monitor the investment portfolio and shall keep the Board informed of significant declines in the market value of the GSCTX's investment portfolio. Information sources may include financial/investment publications and electronic media, available software for tracking investments, depository banks, commercial or investment banks, Investment Counselors, and representatives/advisors of investment pools or money market funds. Monitoring shall be done monthly or more often as economic conditions warrant by using appropriate reports, indices, or benchmarks for the type of investment.

C. Asset Diversification

1. To accomplish GSCTX investment objectives, different portfolios may be recommended by the Investment Officer or Subcommittee, if appointed, for particular funds. Such portfolios may consist of short-term, fixed income and equity investments. The Investment Officer or Subcommittee, if appointed, will periodically submit a recommended asset allocation to the Committee in accordance with the objective of each fund. For the purpose of asset allocation, certain assets received from donors may be excluded.

2. Each fund that includes individual publicly traded equity securities will maintain diversification at all times. The Committee may not purchase equity securities of any one company exceeding five percent (5%) of the fund's portfolio at the time of purchase. The Subcommittee will monitor the total securities position in any one company and in the event that such holding exceeds ten percent (10%) of the equity portfolio, the Subcommittee will recommend to the Committee diversification of the holding within a reasonable period of time. The Committee will also maintain reasonable sector allocations and diversification. For the purpose of diversification and asset allocation, certain assets received from donors may be excluded.
3. All purchases will be for cash and there will be no margin transactions, short sales, commodity transactions or use of derivatives.

D. Definitions

1. Short-term investments will be cash and cash equivalents having a quality rating of A-1 or higher, as rated by Standard & Poor's or a similar rating agency. The average rating of any money market mutual fund must comply with the quality provisions for short-term investments and fixed income securities.
2. Fixed income securities will be investment grade corporate, government or agency issues. No new investment will have a quality rating below A at the time of purchase, as rated by Standard & Poor's or an equivalent by a similar rating agency. Any fixed income security that falls below investment grade after purchase must be liquidated in due course unless specifically approved for retention by the Committee. Mortgage backed, asset backed, and zero coupon fixed income securities meeting the required investment quality standards may be used.
3. Convertible bonds will be investment grade, having a minimum quality rating of A at the time of purchase as rated by Standard & Poor's or a similar rating agency. The common stock into which the bonds may be converted must satisfy the standard for common stock. Any convertible bond that falls below investment grade after purchase must be liquidated in due course unless specifically approved for retention by the Committee.
4. Common stock means any unrestricted, publicly traded common stock. The common stock into which convertible preferred stock may be converted must satisfy this standard. National U.S. exchange traded American Depositary Receipts (ADR's) and American Depositary Shares (ADS's) of foreign companies are eligible for purchase. National U.S. exchange traded equity securities designed to track equity market indexes – such as the S&P 500 (Spiders), NASDAQ 100 (QQQ's), or Foreign Equity Markets (WEBS) – are eligible for purchase.
5. Mutual funds must be unrestricted and publicly traded.

F. Guidelines and Controls

The GSCTX shall retain clearly marked receipts providing proof of the GSCTX's ownership.

The GSCTX may delegate, however, to an investment pool the authority to hold legal title as custodian of investments purchased with GSCTX funds by the investment pool.

Prior to handling investments on behalf of the GSCTX, brokers/dealers must submit required written documents in accordance with law.

The GSCTX's investment portfolio shall have sufficient liquidity to meet anticipated cash flow requirements.

Representatives of brokers/dealers shall be registered with the Texas State Securities Board and must have membership in the Securities Investor Protection Corporation (SIPC), and be in good standing with the Financial Industry Regulatory Authority (FINRA).

In order to get the best return on its investments, GSCTX may solicit bids for certificates of deposit in writing, by telephone, or electronically, or by a combination of these methods. To reduce exposure to changes in interest rates that could adversely affect the value of investments, the GSCTX shall use final and weighted-average-maturity limits and diversification.

A system of internal controls shall be established and documented in writing and must include specific procedures designating who has authority to withdraw funds. Also, they shall be designed to protect against losses of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the GSCTX.

Controls deemed most important shall include:

1. Separation of transaction authority from accounting and recordkeeping and electronic transfer of funds.
2. Avoidance of collusion.
3. Custodial safekeeping.
4. Clear delegation of authority.
5. Written confirmation of telephone transactions.
6. Documentation of dealer questionnaires, quotations and bids, evaluations, transactions, and rationale.
7. Avoidance of bearer-form securities.

These controls shall be reviewed by the GSCTX's independent auditing firm.

Not less than quarterly, the Investment Officer of GSCTX must prepare and submit to the board a written report of investment transactions made by the GSCTX, following generally accepted accounting principles (GAAP).

G. Reporting Requirements

The report must include (1) a detailed description of the investment position of the GSCTX on the date of the report and (2) a summary statement of each pooled fund group (portfolio), including:

1. beginning market value for the reporting period;
2. fully accrued interest during the period (accrued interest minus coupon payment: not cash basis);
3. additions and changes to the market value during the period;
4. ending market value for the period;
5. statement of the book value and market value of each invested asset at the beginning and end of the reporting period;
6. statement of the maturity date, if applicable, of each invested asset;
7. statement of the account, fund, or pooled fund group for which each asset was acquired; and
8. statement of the compliance of the investment portfolio with the GSCTX's investment policy and investment strategies.

In addition, the reports must be prepared jointly signed by Committee Chair, the Investment Officer and Chief Executive Officer.

2. Operating Reserves

A. Objective

The Operating Reserve requirements have been divided into three tiers designed to meet specific safety, liquidity and yield criteria based on time horizons. The Committee will periodically establish the amounts that will be maintained in each tier. In doing so, the prior year's cash flow requirements and reserve levels will be reviewed, as well as the anticipated needs of the GSCTX as presented to them by the Investment Officer. Included within this fund, the committee will maintain a reserve as required by the guidelines of Girl Scouts of the United States of America (GSUSA).

B. Tier 1 – Operating Cash (1-12 months)

The purpose of this tier is to assure adequate cash for operations over the next 12 months. To achieve this goal, Tier 1 will include cash and short-term investments with maturities matched to the organization's cash flow requirements. Tier 1 investment maturities will not exceed 180 days.

C. Tier 2 – Liquid Assets (13-24 months)

The purpose of this tier is to maintain a reserve for future operations. Cash and short-term investments, emphasizing safety, liquidity and yield, in that order, will have staggered maturities of up to 24 months.

D. Tier 3 – Investment Assets (over 24 months)

The purpose of this tier is to provide maximum yield, consistent with safety of principal. Liquidity is a secondary objective. This tier will contain the balance of Operating Reserve funds remaining after allocations to Tiers 1 and 2. Investments may include cash, fixed income, convertible preferred stock, convertible bonds, equities, and mutual fund investments meeting approved quality standards.

3. Capital Funds

A. Objective

1. Capital Funds will be maintained for the acquisition, expansion, improvement and capital maintenance of GSCTX facilities.
2. This fund may receive proceeds from capital campaigns and sale of capital assets.
3. The fund will be managed based on the time horizon established for specified capital expenses, including principal and interest payment on outstanding debt for capital projects. The Committee will establish the capital expense needs of the short-term, mid-term and long-term, allocating the funds to the following three tiers.

B. Tier 1 – Short-term Needs (1-12 months)

The purpose of this tier is to assure adequate cash for capital acquisition, construction, improvements and debt service needs over the next 12 months. To achieve this goal, Tier 1 will include cash and short-term investments with maturities matched to the GSCTX's construction and debt service cash flow requirements. Tier 1 maturities will not exceed 180 days.

C. Tier 2 – Mid-term Needs (13-36 months)

The purpose of this tier is to provide funds for capital acquisition, construction, improvements and debt service anticipated in the next 13-36 months. Cash and short-term investment, emphasizing safety, liquidity and yield, in that order, will have staggered maturities of up to 36 months.

D. Tier 3 – Long-term Needs (over 36 months)

The purpose of this tier is to provide for capital appreciation, consistent with safety of principal to meet long-term capital needs. Income and liquidity are secondary objectives for these funds. Investments may include cash, fix income, convertible preferred stock, convertible bonds, common stock, and mutual fund investments meeting approved quality standards.

4. Scholarship and Other Endowment Funds

A. Objective

1. The Scholarship Fund and other endowment funds have been created through directed gifts to GSCTX. The Scholarship Fund provides scholarships for girls of GSCTX who have demonstrated academic merit and/or financial need. Other endowment funds have been established to meet the objectives of the donor.
2. The Scholarship Fund and other endowment funds requirements have been divided into three tiers designed to meet specific safety, liquidity and growth criteria based on time horizons. The Committee will periodically establish the amounts that will be maintained in each tier. In doing so, they will review the prior year's scholarship requirements, as well as the anticipated needs for the next two years.

B. Tier 1 – Current Scholarships and other endowments (1-12 months)

The purpose of this tier is to provide funds for scholarships to be granted during the next 12 months or other short term objectives of the specific endowed fund. To achieve this goal, Tier 1 investment maturities will be matched to the GSCTX's scholarship requirements. Tier 1 investment maturities will not exceed 180 days.

C. Tier 2 – Future Scholarships and other endowments (13-24 months)

The purpose of this tier is to provide funds for scholarships anticipated in the next 13-24 months or other short term objectives of the specific endowed fund over a medium term objective. Cash and short-term investments, emphasizing safety, liquidity and yield, in that order, will have staggered maturities of up to 24 months.

D. Tier 3 – Continued Scholarship support and other endowments (over 24 months)

The purpose of this tier is to provide for capital appreciation, consistent with safety of principal for long-term scholarship and other endowment objective needs. Income and liquidity are secondary objectives for these funds. Investment may include cash, fix income, convertible preferred stock, convertible bonds, common stock, mutual funds and REIT investments meeting approved quality standards.