



German Village Society Finance Committee: Investment Policy

The purpose of this policy is to provide guidelines concerning management and investment of funds of the German Village Society. The paramount objective is for funds to be available and liquid when needed. Safety of principal and liquidity shall be the first considerations in managing the funds in the reserves. While yield is also an objective, it will be sought within the constraints imposed by safety and liquidity.

The German Village Society maintains the following categories of funds:

- **Operational Funds**
 - General Operating Fund (checking account)
 - Operation Reserve Fund (rainy day savings account)
- **Designated Funds (category for annual non-operational funds)**
 - Special Projects
 - Tree Fund
 - Highfield Garden
 - Huntington Maintenance
- **Restricted Funds (category for long term non-operational funds)**
 - Meeting Haus Maintenance Fund
 - Huntington Garden Endowment
 - Frank Fetch Park Fund
 - Endowment Fund at the Columbus Foundation

Definition and Investment horizon of the Funds:

General Operating Fund.

This is the checking account for the general operation of GVS and is reconciled against the monthly bank statements and monitored as a variance against the yearly budget.

Short term investment. Funds are expected to be available daily.

Operation Reserve Fund.

This is the savings or 'rainy day' account for the general operation of GVS and is reconciled monthly. Monies can be transferred to the General Operating account for short term 'loans' used for cash flow needs as well as emergency funding because of revenue shortfalls (rainy day at OktoberFest, for example). The board shall be made aware of any disbursements from this fund.

Short & Intermediate Term investment. The time when the funds will be needed is unknown. They could be called in less than one year for cash flow or intermediate term for emergencies.

Designated Funds.

These funds are budgeted yearly according to the motions that created them. They are for specific needs, activities or items and are designed to hold funds to be received and used normally in one year. They are not part of the operational funds of the Society and it is the intent to keep them distinct in the bookkeeping. In accounting terms, they are viewed as 'restricted' accounts.

Short Term investment. These funds are expected to be available daily.

Restricted Funds.

These funds are reserved and defined according to the motions that created them. They are for very specific activities or items. Normally, the funds would be invested for the long term, but some accounts such as the Meeting Haus Maintenance account may need to keep some funds available for the replacement of an item from the maintenance schedule this year, other items in 10 years and still others in decades. Others funds are meant to be invested and the principal never touched.

Short, Intermediate and Long Term investment. These funds are normally expected to keep their principal invested permanently.

ASSET ALLOCATION

Short Term Funds. These funds may be used in the next day or year. They should be invested in simple savings or money market funds. They may also be invested in short term, government and investment grade fixed income securities.

Intermediate Term Funds. The objective of these funds is to be available in three to ten years. They should be invested in Treasury notes with a three to five year duration or other government and investment grade fixed income securities.

Long Term Funds. The objective of these funds is long-term income. They should be invested 40% to 60% in a broad range of stock mutual funds indexed to domestic large and small capitalization stocks and to international stocks, and the balance in government and investment grade fixed income funds of an intermediate and long duration.

Category	Short Term	Intermediate Term	Long Term
General Operational Funds	X	X	
Designated Funds	X		
Restricted Funds	X	X	X

PERFORMANCE MANAGEMENT

The performance of the funds will be measured annually against appropriate benchmarks and peer groups. This measurement will be evaluated to determine whether any changes are appropriate.

The allocation of funds to various investments in each investment maturity category will be reviewed by the committee at least yearly and funds will be reallocated among investments, if appropriate.

INCOME DISTRIBUTION

Short Term and Intermediate Funds.

Interest income derived from short term and intermediate funds investments shall be distributed as required in support of the linked purposes for those funds as funds are needed upon direction of the Board.

Long Term Funds.

Except as may be specifically designated by the donor of a donor restricted fund, income (interest, dividends, and capital appreciation) shall be disbursed to the Board for use in support of Society activities, including the maintenance fund, as follows:

- a. Commencing January 1, 2012, four percent (4%) [\$ amount] of the fair market value of the Long Term Funds as of January 1, 2011 may be disbursed from the Endowment Fund in 2012 and made available to the Board for such use as the Board shall consider proper.
- b. Commencing January 1, 2013, and annually thereafter, the prior years amount, increased by a percentage equal to the prior year's annual rate of inflation, shall be so disbursed in subsequent years.
- c. For the year 2012 and each year thereafter four percent (4%) of the fair market value of any contributions to the Long Term Funds received during the preceding year shall be added to the amount made available to the Board and shall be included in the amount to be adjusted for inflation in subsequent years.
- d. In no event shall annual distributions reduce the contributed principal amount. The Board may return any of such money to the Long Term Funds or may, from time to time, make increases to the Long Term Funds, at which time such money shall be deemed to become a permanent part of the Long Term Funds, increasing the next year's allocation as set forth in "b" above.

DELEGATION OF AUTHORITY

The Finance Committee shall:

- Periodically review the investment policy and recommend appropriate changes to the Board of Trustees.

- Annually determine the amount of funds appropriate for each investment horizon category.
- Annually review the performance of investments and determine what changes are needed.
- The Finance Committee may periodically seek outside assistance if formulating investment policy, selecting investment managers, or measuring and evaluating performance.
- Appoint a member of the Committee to provide direction to, and act as liaison with any Investment Manager(s).
- Have the ability to select and recommend an Investment Manager(s) to the Board of Trustees, or elect to act as Investment Manager for all or a portion of the assets.
 - The Investment Manager(s) function shall:
 - Recommend mutual funds and fixed income securities appropriate to the objectives of the fund.
 - Purchase and hold approved mutual funds and fixed income securities, and sell these as appropriate.
 - Quarterly direct the rebalancing of investments.
 - Provide quarterly reports of investment performance measured against appropriate benchmarks and peer groups.
 - Report any substantial management or policy changes of
- Annually, the Finance Committee shall provide the Board with a Report including a financial statement reflective of all activities during the year and the Committee's investment philosophy for the upcoming year. Once the Report is accepted by the Board, the Committee shall have full authority to act in accordance with the investment philosophy, subject only to the right of the Board to alter the philosophy by a vote of at least 60% of its members.

The Board of Trustees shall:

- Review and approve this Investment Policy.
- Review and approve any investment managers.
- Review and approve recommendations of investment vehicles.
- Annually review the performance of investments.