



3.3.3.8 Investment Spending Policy

Purpose: This policy sets forth the Investment Spending policy for the Society.

Applies to: Board of Directors, Finance and Audit Committee, Staff

Purpose

The purpose of the Investment Spending Policy is to establish a consistent plan that will enable the Society to annually utilize a portion of the interest, dividends and market appreciation generated by the Society's Unrestricted Investment portfolio to fund mission related activities through the Operations budget.

Introduction

Financially strong nonprofit organizations typically use a portion of the income generated from their investment portfolio as a source of funding for their mission. While the Society had done this to an extent prior to 2014 (by funding awards and related expenses with investments), this policy expands and formalizes the process, which is documented during budget preparation.

Policy

- The Finance and Audit Committee shall specify the amount utilized in the annual Operations Budget, which is subject to Board approval.
- MRS may utilize and transfer up to 4% of the prior three year rolling average of the market value of the unrestricted investment portfolio to the Operations budget on an annual basis to be used for mission related activities. *[See sample calculation on next page].*
- Should the Finance and Audit Committee deem it necessary to exceed the 4% limit for any reason, the change must be approved by the committee and then recommended to and approved by the Board of Directors through the annual Operations Budget.
- Should the amount utilized in the Budget exceed the amount of interest, dividends and market appreciation from the prior year, the Finance and Audit Committee shall have the ability to reduce the amount utilized in the annual Operations budget based on the Director of Finance and Executive Director's recommendation.
- Should the investment transfer and its related expense reduce the value of the Society's reserve funds to a level deemed unsatisfactory by the Finance Committee, the transfer/expense shall not be permitted.

Procedures

- Annually, the Director of Finance shall compare the transfer amount projected in the upcoming Operating budget to the amount of actual interest and dividends reflected in the audited financial statements for the previous year.
- The timing of the actual funds transfer from Investments to Operations shall be at the discretion of the Director of Finance and the Executive Director. The Director of Finance shall notify the Treasurer and the Finance and Audit Committee when funds are transferred, typically in Q1 of the following year.

Sample Spending Rate Calculation

The following is a sample calculation of the spending rate from Investments which will be calculated annually as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>	(\$ in k)
TOTAL INVESTMENTS- @12/31	\$9,861	\$9,430	\$8,212	
LESS: RESTRICTED PORTION	<u>997</u>	<u>922</u>	<u>794</u>	
UNRESTRICTED PORTION	\$8,864	\$8,508	\$7,418	
3 yr. average- UNRESTRICTED	\$8,263			

4% spending rate	\$331k
3% spending rate	\$248k (used 3% rate for 2022 Operations budget per Finance/Audit committee)

Deliverables: N/A; Review every three years or as needed

Policy first adopted: Oct. 29, 2013

Last modified: June 2022

Last reviewed: March 2022

Enacting Legislation: B:2013:38; B:2018:15; (Consent Agenda) B:2022:09

Policy created by: Finance and Audit Committee

Party responsible for this policy: Finance and Audit Committee