



## **FIN-104: Investments – 30 January 2022**

### **Purpose**

This policy provides guidelines for investing INCOSE funds with the objective to manage obtaining reasonable earnings through a prudent investment strategy, while ensuring sufficient cash liquidity for day-to-day operations.

### **Applicability**

This policy applies to INCOSE Officers, the Executive Director, the Operations Manager, and any contracted entities involved in managing INCOSE funds.

### **Definitions**

Liquidity represents cash in an account that is instantly available for business transacting with no penalty for withdrawal or use.

Certificates of Deposit (CDs) are very low-risk, fixed-interest and fixed-term, investments available from banks and credit unions. They typically pay higher interest rates than savings accounts and money market accounts. Generally, longer terms imply higher interest rates. There may be a commission for procuring CDs, but no management fee.

Equities represent investment in the stock market with the expectation of higher returns than offered by CDs. However, returns are based on market conditions and other factors. Thus, the returns are not guaranteed and carry a higher risk. Risks are reduced by having a diversified investment portfolio that includes various types of equities, which is managed by a portfolio manager at a fee.

### **Guidelines**

INCOSE funds shall be managed and invested based on the following constraints and guidelines:

- A minimum asset level of 35% of operating expenses shall be maintained.
- A cash liquidity position shall be maintained to cover the expected operational needs for a period of 6 months. A maximum of \$250,000 USD shall be held at a given bank or financial institution to comply with Federal Deposit Insurance Corporation (FDIC) regulations.
- Non-cash reserves, namely the balance of available funds after provision has been made for the cash liquidity, will be invested as follows:
  - 50% in shorter-term, low-risk investments, such as CDs or equivalent investments with different maturity terms (3, 6, 9 and 12 months), i.e., in a quarterly laddered format, to ensure accessibility if cash is required for operations. No single CD or equivalent investment shall exceed \$250,000 USD in value in order to comply with FDIC regulations. The maximum maturity term shall not exceed 24 months.



- 50% in longer-term investments, such as Equities. These investments shall conform to the following:
  - Low to moderate risk based on industry assessments.
  - No more than 50% invested in any single type of investment.
  - Balanced funds that are diversified or longer-term CDs (or equivalent).
  - For equities, they must be managed by an accredited equity investment manager or agent
  - No individual equity purchase (e.g., no single stock or bond)
- The ratio between shorter-term and longer-term investments as described above will be reviewed by the Board of Directors (BoD) on an annual basis and adjusted if necessary, based on prevailing market conditions and available investment vehicles.
- The overall intent of this investment guidance is to provide a reasonable return on investment while minimizing the risk of loss of INCOSE funds.

### **Authority and Responsibilities**

The Treasurer is authorized and empowered on behalf of INCOSE to manage investments in accordance with the guidelines above, subject to the following:

- The Treasurer shall submit proposals for shorter-term investments (CD or equivalent) and re-investments to the BoD for approval.
- The Treasurer shall submit the proposed longer-term investment portfolio, as well as any proposed changes, to the BoD for approval.
- For Equity investments, the Equity investment provider or manager for the INCOSE Equity portfolio shall be approved by the BoD.
- The Treasurer shall provide quarterly status on investments, as well as recommendations for re-investments, to the BoD.

### **Responsible Position**

The Treasurer is responsible for maintaining this policy.

### **Related Policies**

FIN-100: Finances.

### **Related Procedures**

None.

**SUPERSEDES: FIN-104 dated 29 January 2020**

**APPROVED BY: INCOSE Board of Directors, Q1 Board Meeting Torrance CA, 30 January 2022**



**MAINTAINED BY: (RACI Responsible R): Treasurer**

**POLICY OWNER: (RACI Accountable A): President**