

West Virginia Botanic Garden Investment Policy Statement

[DRAFT]

I. Introduction

This Investment Policy Statement (IPS) addresses the management of excess restricted funds held by the West Virginia Botanic Garden (WVBG) in FDIC-insured deposits exceeding \$250,000 that do not have immediate expenditures against that balance for more than one year. These funds are typically grant-based and restricted for the purpose of a particular project or goal. The primary purpose of this policy is to ensure the prudent management of these funds while prioritizing the safety of principal and liquidity, consistent with a conservative investment approach.

II. Purpose and Objectives

The primary purpose of this investment policy for excess funds is to preserve the principal amount and provide liquidity while earning a reasonable return. The specific objectives are:

1. **Preservation of Principal:** Ensure that the principal amount is protected from loss.
2. **Liquidity:** Maintain sufficient liquidity to meet the WVBG's operational and capital expenditure needs.
3. **Safety:** Invest in instruments that are FDIC-insured or have equivalent government guarantees, minimizing credit and default risk.
4. **Reasonable Returns:** Generate a modest return that, while not aggressive, ensures the funds are not idle.

III. Investment Guidelines

A. Asset Allocation

The primary investment vehicle for excess restricted funds will be Certificates of Deposit (CDs) and/or FDIC-insured savings accounts. The allocation to these instruments should be 100%. No more than \$250,000 will be deposited into any one bank since maximum FDIC-insurance cannot exceed that amount.

B. Maximum Investment Duration

CDs may be invested in various durations, but the maximum allowable CD term will be 2 years, ensuring the availability of funds when needed.

C. Investment Instruments

1. Certificates of Deposit (CDs): CDs will be obtained from FDIC-insured banks with maturities not exceeding 2 years. Investments will be diversified across multiple institutions to minimize concentration risk.
2. FDIC-Insured Savings Accounts: Excess funds may also be placed in FDIC-insured savings or money market accounts with reputable financial institutions.

D. Risk Tolerance

The WVBG's risk tolerance for restricted funds is exceptionally conservative. The primary consideration is the safety of principal, and investments should be chosen for their security and not for aggressive yield. The WVBG Board of Directors may choose less-conservative options for unrestricted funds such as future endowments (e.g., mutual funds).

E. Liquidity

Investments in CDs and savings accounts will be staggered to ensure that funds become available when needed, while simultaneously optimizing yields.

F. Delegation of Authority

The WVBG Finance Committee shall choose the banking institutions and instruments (including maturity standards) according to the IPS.

IV. Monitoring and Reporting

The Board of Directors and the Finance Committee of the WVBG will periodically review the performance of these investments. Ensuring compliance with the objectives and guidelines set forth in this IPS is essential.

V. Review and Revision

This Investment Policy Statement for excess restricted funds will be reviewed annually by the Investment Committee and the Board of Directors. Adjustments will be made as needed to ensure that the investment strategy remains in line with the WVBG's mission and financial needs.

VI. Conclusion

This Investment Policy Statement for excess restricted funds held by the West Virginia Botanic Garden prioritizes the preservation of principal and liquidity while maintaining a conservative approach. The primary goals are safety, liquidity, and

modest returns. This policy will guide the management of excess funds to support the WVBG's financial stability and mission.

Appendix: Glossary of Financial Terms

1. **Asset Allocation:** The process of distributing investments across various asset classes (e.g., stocks, bonds, cash) to achieve a balance between risk and return (Asset Allocation | Investor.gov, n.d.).
2. **Certificates of Deposit (CDs):** Time deposits with a fixed interest rate and maturity date, typically offered by banks or credit unions. They are considered low-risk investments (What Is a Certificate of Deposit (CD)? | Consumer Financial Protection Bureau, 2023).
3. **Concentration Risk:** The risk associated with having a significant portion of investments in one specific area or institution, potentially leading to greater losses if that area or institution experiences issues (Concentration Risk - Investment Portfolio, Portfolio Management, n.d.).
4. **Default Risk:** The risk that the issuer of a financial instrument, such as a bond or loan, may fail to make interest payments or repay the principal amount as agreed (Kagan, 2023).
5. **FDIC (Federal Deposit Insurance Corporation):** A U.S. government agency that insures deposits in banks and savings associations up to a certain limit (About the Federal Deposit Insurance Corporation (FDIC), n.d.).
6. **Liquidity:** The ease with which an investment can be converted to cash without significantly affecting its value. High liquidity means an investment can be quickly sold at or near its market price (Hayes, 2023).
7. **Maturity Date:** The date on which a financial instrument, such as a bond or CD, becomes due for repayment of the principal amount (Chen, 2023).
8. **Money Market Account:** A type of savings account that typically offers higher interest rates than regular savings accounts and allows limited check-writing privileges (Probasco, 2023).
9. **Mutual Funds:** Investment vehicles that pool money from multiple investors to purchase a diversified portfolio of stocks, bonds, or other securities, managed by professional portfolio managers (Hayes, 2023a).
10. **Principal:** The initial amount of money invested or borrowed, upon which interest is calculated (Hayes, 2023c).
11. **Risk Tolerance:** An individual or institution's willingness and ability to withstand fluctuations in the value of their investments. Conservative investors have a low risk tolerance, while aggressive investors have a high risk tolerance (Twin, 2022).
12. **Yield:** The return on an investment, usually expressed as a percentage, taking into account both interest or dividend income and any capital gains or losses (Chen, 2022a).

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