VillageTheatre
Mainstage + New Works + Youth Education

Village Theatre Cash Management & Investment Policy

Purpose Statement

The purpose of the Cash Management & Investment Policy (the "Policy") is to establish a clear understanding of the organization's objectives and requirements for operational cash management, disposition of non-cash donations, as well as the management of endowment assets. The policy outlines an overall philosophy related to investment goals, risk tolerance and an appropriate asset mix for investment of funds not required for day to day operations of Village Theatre (VT). A secondary, but equally important purpose of this policy is to provide donors and prospective donors with information regarding the overall systems of investment policies and practices whereby the continuing financial obligations of the organization will be satisfied.

Delegation & Responsibilities

The Village Theatre Board of Directors has ultimate responsibility for compliance with applicable rules and regulations as set forth in this policy and in Washington State. The Board has delegated supervisory authority over its financial affairs to the Finance Committee, which will rely on the Executive Producer and the Finance Director, (or other Designee determined by the Executive Producer and approved by the Finance Committee) to carry out many of its responsibilities as appropriate and in accordance with this Cash Management & Investment Policy. The Board reserves to itself the exclusive right to revise, or grant exceptions to, the Policy.

- The Finance Committee shall recommend cash management & investment policies to be approved by the Board. In addition, the Finance Committee shall review the policies periodically and recommend any changes to the Board.
- The Finance Committee is authorized to retain one or more investment counselors as necessary to assume the investment management of funds and assets owned or administered by VT as well as evaluate said investment counselor performance. Objective evaluations should be done annually. Factors relevant in the evaluation process include, but may not be limited to performance relative to specified benchmarks, customer service, personnel and fees.
- The Finance Committee has the responsibility to determine the parameters for investment horizons, liquidity requirements and cash flow needs.
- With Finance Committee approval, The Executive Producer and the Finance Director (or other Designee determined by the Executive Producer) are authorized to conduct cash management and investment activities in accordance with this Policy and within the parameters for investment currently approved by the Finance Committee. Exceptions to this Policy must be reviewed and approved by the Finance Committee and Executive Committee.
- The Finance Committee will review performance of investments on a quarterly basis including 1) asset allocation, 2) investment performance, 3) future investment strategies and 4) any other matters of interest to the committee. Based on the performance or as deemed necessary, the Finance Committee will adjust the investment guidelines authorized for the Executive Producer and Finance Director.

Use of External Investment Manager(s) –The Finance and Executive Committees will determine when an external Investment Manager should be used. The use of an Investment Manager (or similar firm) will be recommended by the Finance Committee and approved by the Board. If an external Investment Manager is utilized, the Investment Manager will be expected to know and comply with the policies and guidelines as outlined in this document. In addition, the Investment Manager will be expected to provide appropriate reporting and reconciliations of transactions, including asset summary data and communicate and resolve any significant discrepancies promptly.

An Investment Manager (or firm) under contract to manage VT assets should advise the Board and Staff as promptly as possible (preferably within three business days) if at any time there is:

- A significant adverse condition which could or has affected the valuation of the assets
- A significant change in investment philosophy
- A loss of one or more key management personnel
- A new portfolio manager on the VT Endowment Fund account
- A material change in ownership structure of its firm
- Any occurrence which might potentially impact the management, professionalism, integrity, or financial position of the investment management firm; or
- A change in any other matter requiring notice in the contract between the investment manager and VT

Cash Management and Investment Directive:

In order of importance, the following directives and guidelines are to be followed by designated staff of VT when considering ongoing Operations, short term, mid-term and long-term working capital needs of the organization. Any action that deviates from the current investment parameters, must have prior approval from the Finance Committee.

1) Safety of the money. Vendors providing financial services to VT should meet high standards of soundness. Every effort should be undertaken to assure that VT has very low risk to its cash or principle from investments.
2) Liquidity. VT funds should maintain sufficient liquidity to meet forecasted cash needs in which funds remain accessible on short notice without penalty or loss of interest and outlined by the Finance Committee.
3) Maintain a diversified portfolio in order to minimize risk.
4) Subject to the above criteria, VT should make a reasonable effort to deploy its cash and investments with a goal of earning competitive rates of return based on prevailing market conditions.

1. Operational Cash Management

Cash & Cash Equivalent Guidelines

Before investing is considered, it is expected that VT will maintain on deposit or in conjunction with an operating line of credit, with a qualifying bank, the cash necessary for meeting the estimated projected disbursement requirements for the near term future or $1,000,000. As the VT grows this amount may be adjusted accordingly by the Finance Committee. Anything above and beyond the operating needs may be considered reserves and eligible for investment as a mid-term investment (described below).

Definition of a qualifying bank:

1. Only creditworthy banks with senior debt ratings of "A", as measured by either Standard & Poors, Moody's, or Fitch. These credit ratings to be reviewed contemporaneously. Should a bank fall below the "A" by all three rating agencies, a reduction in balances to be within the Federal Deposit Insurance Corp. (FDIC) account insurance limitation is mandated and a review of the safety of soundness of the bank undertaken.
2. Any institution that is a member of the FDIC or NCUA.

Permitted investment vehicles for cash and equivalents intended for use in operations include:

1. Traditional savings or checking accounts insured by the FDIC

Mid-Term Investment Guidelines

Since capital preservation and liquidity are the two main objectives for the investment of any operating reserve funds, the portfolio will be one with a short-term focus. In an effort to earn reasonable rates of return it is expected that staff would consider the following investment vehicles:

1. A money market fund
2. Certificates of Deposit
3. Commercial Paper
4. Banker's Acceptance
5. US Government Obligations
6. Federal Agency Securities

Board Designated Reserve Account - An account at Fidelity, established August 2020, will be used as a Board Designated Reserve Account. The funds and earnings in this account can be used for operations. Transfers from this account require formal approval from the Finance Committee and are to be documented in the finance committee meeting notes. Any earnings will be coded as restricted to Board Designated Reserves. Funds become unrestricted upon approval for use in operations.

2. Treatment of Non-Cash Donations

It is understood that in the course of raising funds for general operation, specific programs or capital campaigns, VT may, on occasion, receive donations and pledges in the form other than cash or cash equivalents. These non-cash gifts fall into six broad categories – gifts of personal property (tangible and intangible), gifts of real property (real estate), gifts-in-kind (including non-monetary corporate sponsorships), gifts of securities, gifts of life insurance as well as special gifts and other assets.

Treatment of donated securities - Securities include publicly traded stocks, mutual funds, Treasury notes, and closely held stock. Upon confirmation of receipt, it is VT's policy to sell any donated securities and use the proceeds to honor the pledged commitment of the donor. In the event the current market value of any donated securities does not match the donor's intention, VT can hold said security for up to 30 days with a majority vote of the Finance Committee. Additional exceptions beyond 30 days must be approved by a majority vote of both Finance Committee and Executive Committee.

Treatment of gifts of personal property, real property, gifts in kind and life insurance – unless otherwise restricted by the donor, it is VT's policy to review the donation on a case-by-case basis and identify the best way to honor the pledged commitment of the donor. Gifts in kind will be utilized in accordance with current operational requirements as well as donor expectations. Gifts of real property must be approved by the Finance Committee as to VT's ability to utilize or liquidate it effectively before accepting such donations.

Treatment of Special Gifts - Special gifts and other assets are those donations that require customized handling. Examples of such gifts include operating corporations, collections and tangible personal property, time shares, mineral interests, vehicles and royalty and patent interests. Unless otherwise restricted by the donor, it is VT's policy to review the donation on a case-by-case basis and identify the best way to honor the pledged commitment of the donor. When required, professional advisors working with VT staff will facilitate the transfer of ownership of these "hard-to handle" assets and work with the donor's advisors to accommodate the appraisal, valuation, contractual, title, physical transfer and proper reporting of donated assets.

3. Endowment Guidelines & Long-Term Investments

Goal of the Endowment Fund – Because the Endowment Fund is expected to operate in perpetuity, all Endowment Fund assets must be invested for the long-term. Continued income from Endowment Fund assets is of utmost importance to VT, the investment priorities for the Endowment Fund are: (1) to protect the principal of the Endowment Fund assets; (2) to maximize income from these assets commensurate with safety of principle; and (3) to encourage capital growth. In addition, net of spending, the objective is to grow the aggregate portfolio value at or above the rate of inflation over the Endowment Fund's investment horizon.

Marketability of Assets – The Board of Directors requires that all Endowment Fund assets be invested in liquid securities, defined as securities that can be transacted quickly and efficiently for the organization, with minimal impact on market price.

Permitted Securities & Allowable Assets and Cash Equivalents

    - Treasury Bills
    - Money Market Funds
    - STIF funds
    - Commercial Paper
    - Banker's Acceptances
    - Certificates of Deposit
- Fixed Income Securities
    - US Government and Agency Securities
    - US Corporations
        - Notes and Bonds
        - Preferred Stock
    - Mortgage Backed Bonds
- Equity Securities
    - US Corporations
        - Common Stocks
        - Convertible Notes and Bonds
        - Convertible Preferred Stocks
    - American Depository Receipts (ADRs) of Non-US Companies
- Mutual funds
- Fully FDIC insured Certificates of Deposits
- United States Treasury securities and/or obligations
- Real Estate properties with Finance Committee and Board approval.

Prohibited Securities & Transactions

- Unregistered or restricted stock
- Short selling

- Margin transactions
- Investing in
    - Privately held securities (not publicly traded)
    - Real Estate properties (without Finance Committee and Board approval)
    - Options or future investments

Investment Guidelines

Asset Allocation Guidelines – Investment management of the assets of VT Endowment Fund shall be in accordance with the following asset allocation guidelines. Adherence to the allocation range should be implemented when the endowment fund reaches $500,000.

	Target Allocation / Range
Preservation of Principle	0 – 5% - Cash and Cash Equivalents
	20 – 40% - Fixed Income
	60 – 80% - Equities

In the event that any individual portfolio is in violation with its specific guidelines, for reasons including but not limited to market price fluctuations, the Board of Directors expects that the Investment Manager (or VT staff if investment management is handled internally within the organization) will bring the portfolio into compliance with these guidelines as promptly and prudently as possible without instruction from the Board of Directors.