**Investment Policy Statement**

**Kings Gate East HOA**

**Introduction**

This Investment Policy Statement (IPS) was adopted by the Board of Directors of ”KGE - HOA” on February 21st, 2018 , to provide for the creation, and guidelines for the management of, various funds held by the organization. These policies supersede any and all prior actions regarding investment policies. For the purposes of managing investment risk and to optimize investment returns within acceptable risk parameters, the following funds will be created and/or maintained, and held as separate investment pools.

1. **Operating Account**
2. **Long-term Capital Account**

**Procedures**

The following procedures will be followed to ensure the IPS is consistent with the mission of ”KGE HOA” and accurately reflects current financial conditions:

The Investment Committee shall review this investment policy annually, or as requested by the Board of Directors of KGE HOA.

The Investment Committee will recommend any changes to this policy to the Board of Directors. The Board must accept or reject the IPS by a vote of the Board. If rejected, reasons for rejection should be presented back to the Investment Committee.

The following procedures will be used to determine the dollar amounts to be placed in the each of the various funds.

1. Upon collection of annual dues each year, allocation of 150% of KGE-HOA operating budget from the prior year, to be placed in the “Operating Account”.
2. The excess funds to be placed in the “Long-term Capital Account”.
3. As Instruments mature in the “Long-Term Capital Account, these funds be invested as per the investment guidelines for such account.

**Delegation of Authority**

The Investment Policy Committee is recommending that KGE-HOA engages with a financial institution(s) that can provide suitable investments for both the Operating Account and Long Term Capital account to achieve the Objective describes below.

The Investment Committee will make the hiring recommendation to the Board of Directors, who shall have the final approval.

**Operating Account**

The purpose of the Operating Account is to provide sufficient cash to meet the day-to-day financial obligations of KGE-HOA in a timely manner.

The investment objectives of the Operating Account are:

1. Preservation of Capital;
2. Liquidity; and
3. To optimize the investment return within the constraints above.

**Investment Guidelines**

**Allowable Investments**

The President and/or Treasurer, if authorized by the Board of Directors, will invest the KGE-HOA Operating Account as follows:

1. Interest bearing FDIC Insured Savings/Checking Account
2. FDIC Insured Money Market Funds

**Maturity**

All investments must be liquid at all times.

**Reporting**

The Treasurer will include as part of the annual financial statement;

1. Investment security or type of account.
2. Financial Institution where held.
3. Annual Interest income received from the above.

**Long-Term Capital Account**

The purpose of the Long-term Capital Account is to provide secure long-term funding for the mission of “KGE-HOA” as related to the land owned and operated by the organization. This is not all inclusive of the maintenance and possible replacement of the retention/ detention basin. Expenditure of the principal is board designated. Also, at the discretion of the Board of Directors, up to 100% of the yearly total return may be utilized for annual operating expenses, provided sufficient capital is available to meet all reasonably expected future needs. The assets shall be invested with care, skill, prudence, and diligence under the circumstances then prevailing that a prudent investor acting in like capacity and familiar with such matters would use in the investment of a like account/fund with low risk.

The investment objectives of the Long-Term Capital Account are:

1. Preservation of capital;
2. Liquidity timed to long term capital needs.
3. To optimize the investment return within the constraints above.

**Investment Guidelines**

**Allowable Investments**

The President and/or Treasurer, if authorized by the Board of Directors, will invest the KGE-HOA Operating Account as follows:

1. Interest bearing FDIC Insured Savings/Checking Account
2. FDIC Insured Money Market Funds
3. FDIC insured Certificates of Deposit

Although the investments should be in 100% FDIC insured instruments, there will be a certain level of risk as related to pricing / liquidity of the CDs. It is also understood that conditions could occur where FDIC may not meet their obligations should an issuer default.

**Maturity**

The Long-term Capital Account shall have a weighted average maturity of 5-7 years. The maximum maturity of any investment shall be 10 years.

**Reporting**

The Treasurer will include as part of the annual financial statement;

1. Financial Institution where held.
2. Schedule of Investments identifying the following:
3. Name of Issuer
4. Coupon Rate
5. Maturity Date
6. Annual Income received.
7. Par Value / Current Value

**Sample Accounts**

Assuming $38,000 in dues collected, a prior year annual operating expenses of $25,000, current Operating Account Balance of $12,000 and a current Long-Term Capital Account Balance of $100,000.

Checking/Savings and/or Brokerage Operating account funding with 150% of prior year balance.

**Operating Account Balance = $37,500** (150% of last year’s operating expenses of $25,000)

**Long-Term Capital Account = $112,500**

**A sample CD/ Money fund portfolio could be:**

V1.0 02/21/2018