Liquidity Management Policy

The Community Foundation (Foundation) manages its liquid resources to meet the cash needs for operations, endowment appropriations, and grants and scholarships from non-permanent programs. The primary objective of liquidity management is to maintain a cash position in alignment with the Foundation's mission that allows the Foundation to meet daily obligations without incurring the opportunity costs that arise from having excess cash. It is not uncommon for the Foundation to experience a mismatch between the timing of expenditures and receipt of funds. Cash and investment of cash in excess of operating needs are all used to fund expenditures during those times when current cash receipts do not meet current expenditures. Financial assets available to cover operating expenses in the near-term encompass more than just cash at a given point in time. Available financial assets also include those assets that will turn into cash within one year including accounts receivable (such as program service fees receivable), contributions and grants receivable, promises to give, short-term investments, and distributions from endowments. The Foundation maintains financial assets on hand equal to at least 30% of one year's of operating expenses.

The Foundation's philosophy for optimum liquidity management will consider the following:

- Does the action align to the Foundation's mission?
- What is the overall level of financial health?
- Are resources sufficient and flexible enough to support the mission?
- Do operating results and the budget indicate the Foundation is operating within available resources?

Liquidity Sources:

The Foundation's liquidity sources include the following:

- Operating revenues including but not limited to yearly distribution from operating endowment funds and administrative fees from endowment funds,
- Cash and liquid investment balances,
- Gifts, in the form of cash or pledges,
- Withdraws from the endowed investment pool and endowment contributions on hand that have not yet been transferred to the investment pool at the time they are needed for board approved endowment appropriations including distribution (grants) and fund administrative fees,
- Assets restricted for specific purposes and not available for general operations are <u>not</u> to be included as a source of liquidity for operations.

Examples include promises to give for the purchase of a fixed asset or specific program, donor restricted endowment funds or board designated endowments.

Liquidity Uses:
Uses of the Foundation's liquidity for operating and capital purposes are determined as approved within the budget approval process and delegations of authority. Uses of liquidity for grants and scholarships from non-permanent programs come from and are limited to contributions made by donors and cannot exceed available funds. Uses of liquidity for endowment appropriations including distribution (grants) and fund administrative fees are determined based on the Board Approved Spending Rate (distribution) and the Foundation's Administrative Contribution Schedule and Policy (endowment fund administrative fees). Operating expenses, capital purchases and grants and scholarships paid through non-permanent programs and from endowment distribution are paid using the appropriate funds aligned to the Foundation's mission and compliant with applicable statutes, agreements with donors, and Foundation policies and standards.

Opportunity Costs Management:
In order to avoid having large amounts of excess cash creating opportunity costs, the Foundation when practical, will invest a reasonable amount of operating surplus in short-term investment vehicles such as Certificates of Deposit or Money Market Accounts. Due to the nature of the Non-Permanent Grant and Scholarship Programs funds are kept in accounts such as checking, money market, savings accounts and short-term certificates of deposit.

Liquidity Risk Management:
Liquidity risk is defined as an inability to meet payment obligations in a timely manner when they become due and the risk that assets may not be convertible into cash when needed. Operating liquidity risk occurs when the Foundation cannot funds its operating expenses due to insufficient liquid cash holdings. Liquidity risk is addressed by board approval of the budget, monitoring operating results with the review of the financial statements at each board meeting, projecting cash flows based on monthly budget allocations and known cash flows, and the daily monitoring of available cash funds compared to cash needs.

June 1, 2019 Meeting of the Board of Directors
1st motion to pass: Jessica Hanger
2nd Motion to pass: Nidrah Dial
Motion passed unanimously