

Youth On Their Own Investment Policy

The purpose of this policy is to clearly state the investment guidelines in accordance with YOTO's fiduciary authority and responsibility, with the Board of Directors as stewards of these funds. The funds are intended for use in carrying out YOTO's mission. The Board, CEO, Finance Director, and members of the Finance Committee and Investment Sub-Committee are responsible for investment of the funds.

1. Finance Committee

The Finance Committee is charged with responsibility of oversight of all funds, including restricted or unrestricted funds, operating funds, donor restricted funds, temporarily restricted funds, and endowment funds. The Finance Committee may choose to engage the services of outside investment managers and to review the overall investment as to allocation, risk tolerance, and manager performance. YOTO's Board Treasurer serves as Chair of the Finance Committee. Members of this committee may or may not be Board members.

2. Investment Sub-Committee

A sub-committee of the Finance Committee is the Investment Committee which will monitor the investment of the funds and make recommendations to the Finance Committee (and Board, if requested) regarding the selection of investment managers. Members of this sub-committee may or may not also be members of the Finance Committee and/or the Board.

3. Investment Guidelines

The assets of YOTO shall be managed consistent with the standard of the Uniform Prudent Management of Institutional Funds Act; Arizona State equivalent. The funds shall be invested in a manner to not incur undue market risk and in concert with the specific investment goals promulgated by the Board and Finance Committee of YOTO, as listed herein. It is also a goal to retain sufficient investment growth to minimize inflationary erosion of market value such that the principal value of the funds over a five-year period is maintained without excessive volatility.

4. Investment Options

Equity investments such as common, convertible, and foreign stocks shall be permitted, with the restriction that no more than 10% of a single security may be held, nor may any industry group represent more than 15% without notice to the Finance Committee and approval. Mutual funds, closed end funds, and ETF's may be represented and these limits may be exceeded within them with Finance Committee approval.

Fixed income investments may include both domestic and foreign obligations including corporate bonds, debentures, commercial paper, and certificates of deposit. These should be selected and approved by the Investment Manager.

Cash equivalent securities are permitted as a considered investment but should be used as needed to satisfy the need for liquidity and reviewed as to safety and liquidity in addition to the available yield. These include certificates of deposit.

5. Ineligible Investments

Certain securities are deemed to be ineligible for YOTO's investment portfolio. These include the following:

- Privately held, private placement, or non-marketable debt without prior written approval of the Board
- Lettered, legend, or other restricted stock
- Short selling
- Limited partnerships
- Direct purchases of commodities or futures contracts
- Deeded real estate
- Direct purchase of individual REITs (Note: It is permissible for YOTO to own up to 3% compared to the comparable benchmarks in REITs, only if they are part of passively managed funds)

The Investment Manager will be responsible for the daily active management of the portfolio, subject to this policy.

6. Investments Not Managed by the Investment Manager

The Finance Committee may choose to invest funds outside of the custodial portfolio of the Investment Manager when such decision is presented to the YOTO Board and approved by majority vote.

7. Asset Allocation Parameters

Endowment Funds:

These funds are granted to YOTO to support the activities of YOTO through investment growth and dividend earnings and are to be used and maintained in perpetuity. The principal may not be withdrawn but YOTO may choose to withdraw amounts based on increase of the funds through earned income, unrealized gains, and dividends.

- Moderate investment objective
- Time horizon: Greater than 10 years
- Goal rate of return: 6%-10% net of fees

Non-Endowed Funds:

These are any funds in excess of the amount needed for day to day operations of YOTO.

- Moderate investment objective
- Time horizon: 3-7 years
- Goal rate of return: 4%-6% net of fees

Donor Advised Funds:

These funds are pooled with either Endowed or Non-Endowed funds unless the Donor requires an account be opened to separately track the growth and use of these funds. The funds are expected to earn at the rate of the funds with which they are pooled.

Operating Funds:

Operating funds are used in the daily course of business of YOTO and must be kept available for immediate use. The funds are generally kept in checking or short-term accounts and are managed directly by YOTO. Excess funds may be transferred to reserve fund accounts until needed.

Other Restricted Funds:

This includes Board-restricted funds and temporarily restricted funds and may be managed directed by YOTO with awareness of the time frame expected for their use.

Asset Classes:

Investments should be balanced according to the guidelines below:

	<u>Minimum</u>	<u>Maximum</u>
Cash (Money Market and uninvested cash)	0%	10%
Bonds	25%	45%
Equities (including mutual funds)	45%	65%

8. Duties of the Investment Manager

The Investment Manager acts as a fiduciary in all aspects of the investment of YOTO funds, complying with all applicable rules, laws and regulations. The Investment Manager is responsible for managing asset allocation, recommending investment strategy, and implementing decisions within the policy guidelines. The Investment Manager will be responsible for monitoring asset allocations across the asset classes and reallocating as necessary to maintain the asset ratios determined by the Finance Committee and the Investment Sub-Committee.

The Investment Manager will also vote, or cause to be voted, all proxies on securities held by the YOTO investment accounts under his/her management.

The Investment Manager will meet with the Investment and/or the Finance Committee quarterly and will report substantive changes to these committees on a timely basis if occurring between quarterly meetings. Monthly account statements will be provided to the staff and Finance/Investment Committees.

Performance Measurement and Review:

Quarterly reports from the Investment Manager shall include the funds' performance compared to agreed-upon benchmarks. The YOTO investment funds may be compared to unmanaged market indices as well other managed funds. The performance of the YOTO funds and the Investment Manager's performance shall be reported in terms of changes in dollar values as well as rates of return.

Investment Manager Selection:

YOTO undergoes a periodic Request for Proposal (RFP) process for investment advisory services to ensure they remain competitive and to benefit from potentially better service offerings or lower fees from other managers consistent with its Investment Policy. The Investment Committee shall assess the

need to conduct an RFP process at least every 5 years. However, if there are significant changes in the organization's investment needs, market conditions, or dissatisfaction with current services, an RFP might be issued sooner.