

The Investment Policy Statement

A Necessity for Non-Profit Organizations

The Investment Policy Statement (IPS) is a document that sets an organization's official guidelines for investments, including the organization's investment philosophy and objectives, specified financial targets, liquidity and risk constraints, and decision-making processes. It also clearly defines the roles and responsibilities of the Board of Trustees, Investment Committee, in-house investment manager and any third parties involved in the organization's investment program. Strictly abiding by the recorded policy guidelines in an IPS can assist in sound decision-making, consistency in operations, and ensuring clear communication among all the parties involved.

A well-written investment policy statement is also critical in minimizing the legal liability of those serving in a fiduciary capacity. Investment policy statements can both guide trustees in fulfilling their fiduciary responsibilities and satisfy regulatory auditors by documenting the appropriate implementation of these procedures.

IPS Elements

- ◆ Investment philosophy and objectives
- ◆ Portfolio requirements and constraints
- ◆ Governance and procedures
- ◆ List of assets and accounts covered
- ◆ Investment strategy
- ◆ Roles and responsibilities
- ◆ Asset allocation
- ◆ Portfolio rebalancing approach
- ◆ Policies review

Role in Non-Profit Organizations

A well-defined IPS is a key tool that assists the success of a non-profit organization's investment program. Drafting an IPS is an opportunity to clarify the non-profit's mission and how that might apply to how it manages its own money. Clear documentation of the investment policy also ensure that all the parties involved are fully aligned and accountable for donor funds. Because non-profits are not financially motivated (by definition), having clarity on investment and financial matters can be especially helpful for trustees whose expertise and priorities lie elsewhere.

About the Author

Omar Ghouri is a Research Analyst Intern at Andalus Capital. He is a senior at Syosset High School. At Andalus Capital, he works on ethical & socially responsible investment screening, designing, and researching S&P 500 securities. His job responsibilities are to screen and analyze the equities sector by sector, focused on the market capitalization and debt-to-equity ratios. Omar also helps track the valuation and monitors the performance of various Endowment funds.



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