

Pacific Crest Youth Arts Organization

Investment Policy

Board of Directors

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I. General

The purpose of this Investment Policy Statement is to establish guidelines for the Pacific Crest Youth Arts Organization (PCYAO) investment portfolio (the “Portfolio”). The statement also incorporates accountability standards that will be used for monitoring the progress of the Portfolio’s investment program and for evaluating the contributions of the manager(s) hired on behalf of PCYAO and its beneficiaries.

II. Role of the Finance Committee

The Finance Committee of the Board of Directors (the “Committee”) is acting in a fiduciary capacity with respect to the Portfolio, and is accountable to the Board, for overseeing the investment of all assets owned by, or held in trust for the Portfolio.

- A. This Investment Policy Statement sets forth the investment objectives and products that govern the activities of the Committee and any other parties to whom the Committee has delegated investment management responsibility for Portfolio assets.
- B. The investment policies for the Fund contained herein have been formulated consistent with PCYAO’s anticipated financial needs and in consideration for PCYAO’s tolerance for assuming investment and financial risk, as reflected in the majority opinion of the Committee.
- C. Policies contained in this statement (Investment Objective, Risk Tolerance, and Security Restrictions) are provided to help assure that the portfolio's investments are chosen and managed consistent with the short-term and long-term financial goals of PCYAO. At the same time, they are intended to provide for sufficient flexibility in the face of changes in capital market conditions and the financial circumstances of PCYAO.
- D. The Committee will review this Investment Policy Statement at least once per year or as needed. Changes to this Investment Policy Statement can be made only by affirmation for a majority of the Board of Directors, and written confirmation of the changes will be provided to all Committee members and to any other parties hired on behalf of the Portfolio as soon thereafter as practical.

III. Investment Objective and Spending Policy

Objectives: 1. Preservation of Principal, and 2. Maximizing Income within the confines of the maturities of bonds chosen.

Risk Tolerance: Moderate, allowing for conservative and moderate volatility securities, but not aggressive or speculative.

Time Horizon: Funds must be available on an as-needed basis, although initial estimation is that funds may stay invested for longer than one year

Unless expressly authorized by the Committee, the Portfolio and investment managers are prohibited from:

1. Purchasing securities on margin or executing short sales.
2. Purchasing or selling derivative securities for speculation or leverage.
3. Engaging in investment strategies that have the potential to amplify or distort the risk of loss beyond a level that is reasonably expected, given the objectives of the Portfolio.

IV. Monitoring Portfolio Investments and Performance

The Committee will monitor the Portfolio's investment performance against the Portfolio's stated investment objectives. Quarterly it will formally assess the Portfolio and the performance of its underlying investment as follows:

- A. In keeping with the Portfolio's overall long-term financial objective, the Committee will evaluate Portfolio and manager performance over a suitably long-term investment horizon, generally across full market cycles or, at a minimum, on a five-year rolling cycle.
- B. Investment reports shall be provided by the investment manager(s) on a (calendar) quarterly basis or as more frequently requested by the Committee.