

Potomac Valley Swimming, Inc. (PVS) Investment Policy **Statement**

As Approved by the Board of Directors on 03/12/2007

And Amended by the Board of Directors on _____

This statement of investment policy has been adopted by the Board of Directors of Potomac Valley Swimming, Inc. to provide instructions regarding investments held by the Corporation. This policy statement assumes that PVS maintains a system of internal controls sufficient to safeguard assets against fraud and malfeasance and to monitor compliance with this policy. This policy may only be modified by formal action of the Board of Directors in response to changes in the business environment in which PVS operates and/or external economic conditions.

The following definitions identify the types of funds held by PVS:

General Operating Funds or Checking Account (GOA): Funds in the GOA are checking account funds to cover cash needs for the next 10 days. All checks issued by PVS are issued from this account. As such, the balance in this account should not exceed short-term cash needs plus a \$10,000 cash cushion.

Restricted Operating Funds or Money Market Deposit Accounts (ROA): Funds in the ROA are unrestricted operating funds invested in one or more money market deposit accounts. All receipts of PVS shall be deposited to these accounts. These accounts are used to fund the GOA account through electronic funds transfers. No checks are written against these accounts. Funds in these accounts are held to provide sufficient liquidity to meet current business cycle expenses. While the balance allowed to be maintained in these accounts is not specified in this policy, the Board of Directors should formally review the balances on a quarterly basis to insure (1) adequate liquidity to meet short term cash requirements and (2) insure that funds in excess of short term needs are invested in CD's or mutual funds.

~~Certificates of Deposit (CDs): Funds invested in CDs are unrestricted operating funds invested in CDs of various maturities and maturity dates. Such funds shall normally attain a higher rate of return upon issuance than is then available from money market deposit accounts.~~

~~Mutual Funds: Funds invested in mutual funds are unrestricted operating funds that are invested for a longer period of time in an attempt to attain a higher return than is available through CDs or money market deposit accounts.~~

~~-Operating Reserve Fund: An amount that is established each year based on the actual operating expenses incurred during the previous fiscal year. This amount is available for investment in fixed income and equity investments.~~

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Designated Reserve Fund: An amount that is restricted for a designated purpose as approved by the Board of Directors. This amount is separate from any other funds, but may be jointly invested in fixed income and equity investments provided that separate accounting is provided.

Fixed Income Investments: Funds invested in certificates of deposit, government securities, corporate bonds, or other investments that provide an established rate of return and a high level of security for the invested principle. Generally, these are funds that are invested for one to three years and should provide a higher rate of return than bank deposit accounts or money market funds.

Equity Investments: Funds invested in stock mutual funds or diversified allocation in professionally managed funds. These are funds that are invested for three years or more. These investments will bring diversity and long term growth. The long term rate of return should be much higher than for fixed income investments.

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Investment Objectives

1. Liquidity: Maintain sufficient liquidity to meet expected operating requirements and provide an appropriate reserve for unexpected needs.
2. Preservation of Capital and Purchasing Power: Invest funds prudently so as to insure a high probability of preserving capital while balancing this objective with the need to protect against buying power erosion caused by inflation.
3. Asset Performance: Attain an annual return on assets that is at least equal to the general rate of inflation plus 1%. For purposes of this test, inflation is measured by the growth in the CPI-W index as published by the US Department of Commerce.

Investment Guidelines

1. General Operating Funds or Checking Accounts (GOA): Allowable investments include U.S. federally insured bank and savings and loan institutions. ~~While it is permissible to maintain an average balance in excess of the federally insured maximum of \$100,000 in a single institution, only funds needed to satisfy the immediate short-term 10-day cash requirements should be invested here.~~

2. Restricted Operating Funds or Money Market Deposit Accounts (ROA): Allowable investments include U.S. federally insured money market deposit accounts at federally insured bank and savings and loan institutions. While it is permissible to maintain an average daily balance in excess of the federally insured maximum of ~~\$400,000~~ \$250,000 consideration should be given to spreading funds among several different institutions in order to minimize exposure to bank failure.

~~3. Certificates of Deposit (CDs): Allowable investments include U.S. federally insured certificates of deposit at federally insured bank and savings and loan institutions. The maximum initial deposit in any single CD is \$100,000. While it is permissible to purchase multiple CDs at a single institution consideration should be given to spreading funds among several different institutions in order to minimize risk of bank failure. CD's should be purchased in varying lengths so as to stagger maturities and maturity dates. In no event may a CD's term be greater then five years.~~

~~4. Mutual Funds: Allowable investments include mutual funds that invest in both U.S. and international equities, bonds and money market instruments. Funds invested in mutual funds should be viewed as long term investments (at least 5 - 10 years) intended to ensure real growth of capital to meet future needs. Mutual fund investments should utilize an asset allocation model that results in exposure to a broad spectrum of the overall equity market sectors and both U.S. Treasury and Corporate bond funds. No more then 30% of funds invested in mutual funds may be devoted to a single market sector. A practice of mirroring USA Swimming's investment portfolio allocation for similar investment objectives is an appropriate, but not required strategy.~~

1. Fixed Income Investments: Allowable investments include U.S. federally insured certificates of deposit; notes, bonds, or similar instruments issued by the U.S. Treasury; mutual funds comprised of corporate bonds; state and municipal bond funds; and other similar investments. For any insured investments, ~~shte~~ amount invested should not exceed the limits of the insurance. For non-insured investments, not more than 20% of the total amount of fixed income investments should be placed in any one investment.

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3. Equity Investments: Allowable investments include pooled investments in a diversified portfolio as recommended by the investment manager. The portfolio should use an asset allocation model that results in exposure to a broad spectrum of the overall market sectors and should mirror the investment portfolio strategy of USA Swimming.

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Fund Allocation Guidelines

1. General Operating Funds or Checking Accounts (GOA): 10 days operating expenses plus \$10,000.
2. Restricted Operating Funds or Money Market Deposit Accounts (ROA): Sufficient assets to meet the business cycle liquidity needs of PVS. It is periodically reviewed and determined by the Board of Directors.
3. ~~Mutual Funds: May invest up to 25% of funds provided the needs of the GOA and ROA are fully satisfied.~~
4. ~~Certificates of Deposit (CDs): All funds not invested elsewhere shall be invested in CD's of varying maturities. No single CD upon issuance may exceed \$100,000 or five years in length.~~

1. Fixed Income Investments: Funds in the Operative Reserve Fund and any Designated Reserve Fund plus funds not needed in the GOA and ROA and not invested in equity investments may be invested in fixed income instruments. Certificates of deposit should comprise a minimum of 50% of the fixed income investments, with no maturities exceeding three years.

2. Equity Investments: May invest up to 30% of the Operating Reserve Fund and 30% of any Designated Reserve Fund. GOA and ROA funds may not be invested in equities.

Prohibited Activities

1. Loans to any PVS individual member or PVS club.
2. Opening of bank accounts or investing funds without Board of Director approval.
3. Granting credit or making loans to any party without approval of the Board of Directors.
4. Allowing access to more then 20% of PVS funds by a single individual.
5. Trading in individual equity or bond securities.

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