

Southern Wisconsin Bird Alliance, Inc.
Investment and Reserve Policy

I. PURPOSE

Southern Wisconsin Bird Alliance (SoWBA) is a private not-for-profit organization that works to protect and improve habitat for birds and other wildlife through land acquisition and management, education, and advocacy. SoWBA has a perpetual obligation to these goals, and therefore is committed to acquiring and growing funds for the long-term financial stability of the organization, including policies governing establishment, use, and oversight of organizational funds. In particular, Southern Wisconsin Bird Alliance is committed to identifying and securing lasting sources of funds sufficient to cover the costs of stewarding its land and easements over the long term as well as enforcing and defending easements. This policy shall apply to all funds of SoWBA that are available for investment for the long-term use of the organization. Funds needed to support programs and operations of the organization in the near term will be held primarily as cash.

II. RESPONSIBILITIES

The SoWBA Board of Directors holds the ultimate fiduciary responsibility of the organization and, therefore, for all investments and funds. The SoWBA Finance Committee responsibilities relating to the organization's investment strategy include:

- Recommending the *Investment and Reserve Policy* for adoption by the board.
- Reviewing this policy at least annually and providing the board with recommendations for revisions if deemed necessary.
- Implementing this policy as approved by the board, by making investment decisions within established guidelines.
- Reviewing statements of accounts and allocation of investments at least annually.
- Providing periodic reports to the board, at least annually and more frequently if any significant changes occur in the market value of the investments or if significant changes are made in the investment portfolio.
- Working with the executive director to recommend an annual distribution rate from invested funds.
- Hiring and dismissing investment managers.
- Convening for meetings to carry out these responsibilities.

III. LIQUID ASSETS

SoWBA has various funds to account for its liquid assets. All funds currently held by SoWBA are described in a *Summary of Current Funds* document that is updated at least annually. For financial reporting, donor restricted funds are classified as restricted net assets. Designated funds and unrestricted funds are classified as unrestricted net assets.

A. Operating Cash and Reserve

The cash flow needs of all SoWBA programs shall be considered to ensure sufficient funds are available to meet expenses. At the beginning of each fiscal year, SoWBA should hold at least 25% of the approved annual budget to be available for regular operational expenses.

SoWBA shall also set aside and maintain an operational reserve fund to help ensure the long-term financial stability of the organization, position it to respond to varying economic conditions and changes affecting the organization's financial position, and the ability of the organization to continuously carry out its mission. The reserve is intended to provide an internal source of funds for situations such as a sudden increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding, or uninsured losses. The reserve may also be used for one-time, nonrecurring expenses that will build long-term capacity, such as staff development, program opportunity, or investment in infrastructure. The operating reserve is not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. It is the intention of SoWBA for the operating reserve, when used, to be replenished within a reasonably short period.

The minimum amount to be designated as operating reserve will be sufficient to maintain ongoing operations and programs for a set period of time, measured in months. The current target minimum operating reserve amount is equal to three months of average operating costs (approximately 25% of the annual budget) including all recurring, predictable expenses such as salaries and benefits, office, travel, and ongoing programs. Depreciation, in-kind, and other non-cash expenses are not included in the calculation. The target minimum amount of the operating reserve fund will be determined each year by the finance committee and executive director and approved by the board through the annual budget process. Additional cash reserves may be established by the finance committee from time to time as needed to support the budgeted operations of SoWBA.

The operating reserve fund will be supported with surplus unrestricted monies and be available as cash or cash equivalent funds. The finance committee shall be responsible for decisions with regard to the investment of cash reserves. At the discretion of the board, the operating reserves may be funded by specific sources of revenue such as one-time gifts, bequests or special appeals. The operating reserve balance will be tracked separately from regular operational cash and included in financial reports to the board.

It is the intent that these reserve funds not be used, unless regular available cash is exhausted. Authority for use of the operating reserve is delegated to the executive director in consultation with the treasurer or finance committee. Use of operating reserves will be reported to the board at their next scheduled meeting, accompanied by a description of the analysis and determination of the use of funds and plans for replenishment to restore the reserve to the target minimum amount.

B. SoWBA Investment Account

SoWBA maintains a variety of funds in a pooled investment account. Some component funds carry donor restrictions on the principal, while use of investment income is primarily at the discretion of the board of directors, unless stated otherwise. The SoWBA investment account holds investable money of various funds listed in the *Summary of Current Funds*. SoWBA has identified specific funds within this account that are sufficient for legal defense and stewardship of its conservation easements. This pooled account is a primary responsibility of the finance committee and executive director, with the board maintaining ultimate authority. Principles guiding the invested monies are as follows:

- As per direction from the board, SoWBA is committed to responsible and transparent investment practices. This commitment should be clearly articulated to SoWBA members and donors.
- SoWBA shall protect the long-term value of investment account component funds by balancing principal protection, fund appreciation, and use of annual distributions to support SoWBA operations.
- SoWBA is committed to honoring the intent of donors, a basic tenet of ethical philanthropy.
- Unrestricted gifts may be added to the investment account, where distributions can be used at the discretion of the board of directors.
- In the case of funds established by bequest from wills or trusts, the language from the will or trust shall serve as the guiding fund document and provide direction for fund distributions.
- Temporary funds may be invested in the investment account or in other appropriate low-risk investment vehicles.

C. Southern Wisconsin Bird Alliance Sanctuaries Fund

The board of directors established the “Madison Audubon Sanctuaries Fund” in December 2016 “to restore and manage Madison Audubon’s protected lands in south-central Wisconsin.” It was renamed in March 2024 following the organizational name change. The Sanctuaries Fund is held by the Natural Resources Foundation in its Wisconsin Conservation Endowment. Following FASB standards, and as per our agreement with NRF, SoWBA lists the principal of the fund as an unrestricted, board-designated asset on its financial statements. Each of NRF’s endowed funds is managed according to their investment policy with a passive management approach. NRF communicates with SoWBA on an annual basis when the fund is due for distribution to inform SoWBA of the amount available for distribution and seek feedback as to whether or not a distribution should be made that year. Per the terms of our Fund agreement, NRF will make a distribution of up to 5% of the average fund value over the prior 12 quarters (or the lifetime of the Fund if less than that).

SoWBA understands that the Sanctuaries Fund is to be a perpetual component fund of NRF to provide a reliable and continuing source of revenue to SoWBA through the annual distribution. However, distributions in excess of the amount dictated by NRF’s distribution policy may be made by SoWBA in any year as determined by the NRF Board of Directors provided one of the

following conditions is met: 1) the distribution is for the purpose of enabling SoWBA to acquire or renovate a capital asset or 2) SoWBA is faced with unexpected financial needs that are not likely to recur and the distribution will enable SoWBA to meet those needs.

IV. ASSET ALLOCATION

The finance committee will be responsible working with the executive director and the investment consultant/fund manager(s) for determining an appropriate asset allocation for invested funds. This allocation should consider risk-benefit analysis and the operational needs of the organization and will be reviewed by the finance committee on an annual basis.

SoWBA's investment account is currently invested in SignalPoint Asset Management's "Balanced Point Portfolio", whose objective is to safely grow the account balance. It does this by periodically rebalancing the portfolio between stocks, bonds, and cash, in relation to market conditions, in an attempt to smooth out any great market jolts. Asset allocation for the Sanctuaries Fund is determined by the NRF Investment Committee and detailed in NRF's Investment Policy.

Asset allocations should generally fall within the following ranges:

Asset Class	Preferred Range
Equity Investments	50-65%
Fixed Income Investments	20-45%
Cash and Other	0-25%

V. DISTRIBUTIONS

Annual distributions from the SoWBA investment account and other invested funds are an important income stream supporting its operations. During each year's budget process, the financial committee will determine organizational resources and needs and will recommend a distribution rate from invested monies. The board will set the distribution rate when it approves the budget. In general, up to 5% of the fair market value each November 30 of all invested funds shall be disbursed to SoWBA during the following fiscal year. Preservation of the original nominal dollar amount of each fund shall be considered when the board makes each year's spending rate decision. Additional distributions beyond 5% or from the principal of a particular invested fund must be approved by the board, be attached to a specific expense, and done in accordance with donor restrictions as described in the *Summary of Current Funds*.

Approved by the Board of Directors on October 9, 2017.