

# Investment Policy of the AATG Endowment Funds

## **The AATG Endowment Funds**

### A. AATG Endowment Funds consist of:

1. The AATG Endowment Friends of AATG: Executive Council-Restricted Fund
2. The AATG Endowed Scholarship Fund: Donor-Restricted Fund
3. The UP Publication Fund: Donor-Restricted Fund
4. Working Capital Fund: Unrestricted Fund

### B. Objective of the AATG Endowment Funds

The objective of the AATG Endowment Funds is the long-term support of the services and programs of the American Association of Teachers of German.

## **Management of the AATG Endowment Funds**

### A. The Investment Committee of AATG

The President, with the approval of Executive Council, shall appoint an Investment Committee consisting of three to four members of AATG who have experience managing finances and investments. The Committee may employ a financial planner or broker who is not a member of AATG to assist in the selection of appropriate investments. The Investment Committee provides oversight of all AATG investments in the AATG Endowment Funds and shall make recommendations for new investments and/or the rebalancing of the portfolio according to the guidelines established for all AATG Endowment Funds in the Investment Policy of AATG Endowments. The Investment Committee shall meet at least semi-annually to carry out its review and report to the Treasurer, who shall carry out the recommendations of the Committee.

### B. Annual Reporting

1. The Treasurer and Chair of the Investment Committee shall receive quarterly and year-end statements of all investments from the Executive Director and/or Finance Manager of the AATG.
2. The Treasurer shall provide an annual report to the AATG Executive Council on the state of the investments in the Endowment Funds.

## **Use of Funds**

### **A. Decision-making process for use of funds**

1. The Executive Council in consultation with the Executive Director will determine annually how the income (i.e., interest, dividends, and capital appreciation) from the AATG Endowment Funds will be used.
2. Executive Council-restricted endowment funds 1) require a unanimous vote of approval by the Executive Council of AATG before they can be used, 2) they can only be used for unexpected needs and not for the operating budget, and 3) they cannot be pledged for debts of the AATG.
3. Donor-restricted funds, such as the AATG Endowed Scholarship Fund, can only be used for the purpose intended by the donors and specified in the founding resolution.

### **B. How much will be used each year?**

#### **1. The Friends of AATG Endowment Fund**

The Friends of AATG Endowment Fund consists of donor-restricted funds and funds restricted by the Executive Council. The principal of the donor-restricted funds will not be touched. When the Endowment Fund "Friends of AATG" has reached the amount of \$300,000, the Finance and Audit Committee will determine annually what percentage of the income (i.e., interest, dividends, and capital appreciation) of the Endowment Fund will be used. Depending on the prevailing economic conditions, the annual spending rate shall usually not exceed 5% of the value of the endowment. All earnings and growth over the 5% spending allowance will be reinvested in the fund. If the Endowment Fund experiences a period of subpar performance, the Finance and Audit Committee may decide not to use income from the Endowment Fund or to use less than 5% of the income of the fund as defined above.

#### **2. The AATG Endowed Scholarship Fund: Donor-Restricted Fund**

The resolution establishing the AATG Endowed Scholarship Fund states that only the annual dividends and/or interest from this fund shall be used to support study abroad for students at all levels of instruction. The principal will remain untouched.

### **3. The UP Publication Fund: Donor-Restricted Fund**

When the UP Publication Fund has reached the amount of \$50,000, income from the fund may be used to support the operation of the editorial office of *Die Unterrichtspraxis* and/or the publication of the journal.

### **4. Working Capital Fund: Unrestricted Fund**

This unrestricted fund will provide working capital for the organization when necessary. It shall normally be invested in cash equivalents (i.e., money market accounts or certificates of deposit).

## **Investment Guidelines of AATG Endowment Funds**

### **A. Investment philosophy**

The AATG Endowment Funds shall follow an investment strategy that seeks to maximize long-term total returns while safeguarding the principal by minimizing risk.

### **B. Return objective**

The objective of the Endowment Funds is a return on investments that falls between the average of current money market rates and the return of the S&P 500.

### **C. Investment recommendations and executions**

The Investment Committee shall make specific investment recommendations to the Treasurer of AATG, who shall inform the Executive Director of this decision, and the Executive Director shall execute the investment. Depending on current market conditions, investments in the Endowment Funds will usually be made quarterly.

### **D. Investments: types and guidelines**

1. The Endowment Funds shall invest in a mix of variable funds (mutual funds and individual stocks) and fixed-income producing vehicles (e.g., bond mutual funds, individual bonds, money market accounts, and certificates of deposit).

2. When considering mutual funds or other managed investments for the Endowment Funds, the Investment Committee shall follow these investment criteria whenever possible:

- a. No-load funds, i.e., funds that charge no sales fee or redemption fee
- b. Funds that do not charge a 12b1 marketing fee

- c. Funds with reasonable management fees of usually less than 1%
- d. Funds rated in the top 40% by Morningstar or Lipper
- e. Funds rated low to average risk
- f. Bond funds or individual bonds that are rated “investment grade” and above, i.e., not rated lower than BBB–.

#### E. Asset allocation

The goal of the AATG Endowment Funds is a balanced portfolio of long-term investments, i.e., stocks, bonds, and/or cash equivalents (money market accounts, certificates of deposit), that will try to limit downward movement of the portfolio to no more than 20% in any one year. As a hedge against inflation, the portfolio will normally hold 60-70% variable-income securities (i.e., stocks) and 30-40% fixed-income funds (i.e., bonds and cash equivalents). However, decisions regarding asset allocation or rebalancing the portfolio shall take into account current market conditions.

#### F. Annual Review of Investments

At the Annual Meeting of the AATG in November, the Treasurer of AATG shall report on the performance of the AATG Endowment Funds to the Finance and Audit Committee, which shall review fund performance, investment strategies, and asset allocation and make specific investment recommendations. The Treasurer shall then report on the state of the AATG Endowment Funds to the Executive Council.

### **Development**

The continued growth of the Endowment Funds shall be an ongoing project of the AATG. Therefore, the AATG shall seek donations to all Endowment Funds.

#### A. Committee on Planned Giving

The President of AATG shall appoint an external Advisory Committee on Planned Giving, on which the Treasurer shall serve as an ex-officio member. The Committee is charged with advising the Executive Council about strategies for planned giving. The Committee will also advise the Executive Council on strategies for investigating and soliciting corporations for potential gifts.

#### B. Endowed Scholarship Fund Advisory Committee

The President of AATG shall appoint an external Endowed Scholarship Fund Advisory Committee, which shall advise Executive Council on strategies for

soliciting potential gifts from the AATG membership and others who support this effort.

### **Gift Acceptance**

The AATG solicits and accepts gifts that are consistent with its mission and that support its programs and services. The AATG recommends that all prospective donors seek the assistance of personal legal and financial advisors in matters relating to their gifts, including tax and estate planning consequences. The following policies and guidelines govern the acceptance of all gifts made to the AATG for the benefit of any of its programs or services.

A. Gifts generally not subject to review. The AATG will accept

1. cash gifts;
2. marketable securities, which will be sold upon receipt unless otherwise directed by the Investment Committee of AATG;
3. bequests received as the beneficiary under wills, revocable trusts, life insurance policies, and retirement plans.

B. Gifts subject to review include

1. gifts of securities that are subject to restrictions or buy-sell agreements;
2. documents that name the AATG as trustee or that require the AATG to act in a fiduciary capacity;
3. gifts that require the AATG to assume financial or other obligations;
4. gifts of property that may be subject to environmental or other regulatory restrictions.

C. Use of Legal Counsel

The AATG will seek the advice of legal counsel in matters relating to the acceptance of gifts when appropriate.

D. The AATG will not accept gifts that

1. would result in the AATG violating its corporate charter;
2. would result in the AATG losing its status as an IRC § 50 not-for-profit organization;
3. are too difficult or too expensive to administer in relation to their value;
4. would result in unacceptable consequences for the AATG; or
5. are for purposes outside the mission of the AATG.

E. Decisions on the restrictive nature of a gift and its acceptance or refusal shall be made by the Executive Council.