**Financial Management & Investment Policies**

Updated 11/24/2014

**A. Board of Director Responsibilities**

The Board of Directors is responsible for overseeing the fiscal integrity of Washington Access Fund’s (“the Fund”) activities. This includes ensuring that financial resources are used to further the Fund’s mission and that the Fund’s activities are in accordance with all applicable rules and regulations.

Specifically, the Board is responsible for:

1. annual review and approval of *Financial Management and Investment Policies*
2. review and approval of annual budget
3. review and approval of audited financial statements and 990
4. approval of new financing debt and material commitments, e.g. office lease
5. review of monthly financial statements

**B. Financial Management Policies & Goals**

1. **Accounting Practices:** The Fund will follow generally accepted accounting practices including those outlined in SFAS No. 116 and No. 117. Accounting will be on an accrual basis.
2. **Equity & Net Assets**: **Net Assets** are the residual value of assets over liabilities. These include unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. **Equity Capital** is the portion of net assets dedicated to or available for lending and investing either as a result of donor-imposed restrictions or Board designations. Equity capital is not available to support operating expenses.

The Fund recognizes the need for sufficient *equity* to provide an adequate margin of safety against loan losses. A greater percentage of equity also lowers the cost of funds and increases the earnings spread. *The preferred Net Assets Percentage of the Capital Structure of the Fund is minimally 15%; and ideally, above 33%.*

1. **Loan Loss & Risk Prevention Policies:** The Fund will ensure that its financial statements are not misleading by accounting for potential loan losses in a manner consistent with SFAS No. 5 and No. 114. This will be accomplished in accordance with the following procedures:
2. Loan Loss Reserve is an amount designated by the Fund's Board of Directors as a reserve against possible losses on loans to third parties. These reserve funds are unavailable for lending or operating expenses.
3. The Fund will maintain a loan loss reserve equal to the dollar value of the portfolio deemed to be at risk. Loan loss reserves will be set at 5% of loans outstanding and will be adjusted monthly. A specific loan loss reserve equal to the remaining 95% of the principal outstanding on the applicable loans shall be set aside for all loans for which payments are 90 days or more delinquent. Loan loss reserves will be assigned by loan fund.
4. Following a monthly review of all loans to classify them in terms of risk of non-payment and exposure, the Executive Director, at her discretion, may increase the Loan Loss Reserve for loans less than 90 days delinquent.
5. Loans will be charged to the Loan Loss Reserve (charged off) when (a) the Fund has not received a payment for more than 120 days or (b) It is probable that the Fund will be unable to collect all amounts due according to the contractual terms of the loan as of the end of the period covered by the financial statement. For this purpose, "probable" means the event is "likely to occur," not that the event is a virtual certainty. In making a determination concerning the existence of these conditions, any information learned prior to the time the financial statement is issued will be considered. The value of collateral should be taken into account when determining the amount of the write-off.
6. Each month, Fund staff will report to the Board on loans they judge to be at risk including those that are more than 30 days past due and/or at risk of nonpayment for other reasons.
7. Accrual of Loan Interest: Accrued loan interest is adjusted annually in connection with the preparation of the Fund’s Annual Financial Statements. Borrowers who may not be able to meet their financial obligations to the Fund will be placed on non‑accrual. Generally, any borrower whose payment is 61 days late is automatically placed on non‑accrual although the Executive Director may override this rule if the risk of non‑payment is deemed sufficiently low.

###### D. Operating Controls

The Fund will implement industry standard operating controls and separation of functions as appropriate for an organization of its size or as recommended by its auditors. At a minimum, operating controls will address check and cash receipt processing, client payment processing, electronic funds transfer procedures, grant and donation receipts, use of Fund credit cards, and the authorization of expenses including payroll. Among other controls, the Fund has adopted the following specific requirements:

1. **Accounts & Investments:** Bank, CD and other investment accounts can be established only by the Executive Director.
2. **Signature Authority**: Signature authority will be designated annually (or more frequently, as required by staff turnover) by the Board of Directors.
3. **Check Signing**: Two signatures are required to approve each check: the signatures of the Executive Director and either the program director, AT loan fund manager, treasurer, or president. Authorization also can be provided by email by any other signer. In emergency situations, a check with a single signature can be used with notification to the treasurer or other signer.
4. **Bank Statements**: The treasurer will review and sign off on all bank statements.

**E. Investment Policies**

1. **Investment Objectives**: The Fund’s investment objectives are, in order of priority:
2. To preserve capital;
3. To match investment type and maturity with cash flow and liquidity requirements necessary to meet loan commitments to borrowers;
4. To earn reasonable income on the investments.

# Portfolio Composition: The Fund’s investment portfolio will consist exclusively of money market and longer-term debt instruments. The Fund will not invest its idle funds in equity securities or mutual funds containing equity securities nor will it engage in futures, options, or forward contract trading or hedging. Money market instruments are defined as investments whose final maturity is 13 months or less.

# Permissible money market instruments are:

1. US Treasury Bills and Notes.
2. US Agency Notes and Debentures.
3. Domestic certificates of deposit, time deposits, and money market accounts.

Accounts must be held at FDIC or NCUA financial institutions whose capital is suffi­cient to meet the regulatory definition of "well capitalized."

Permissible longer term debt instruments are:

1. US Treasury Notes and Bonds.
2. US Agency Notes and Debentures.
3. **Responsibility & Authority:** The Board of Directors delegates authority for the day-to-day management of the investment portfolio to the Executive Director and the treasurer. The Executive Director will report on the investment portfolio to the Board of Directors at every meeting. Investment reports will include a detailed listing of each individual investment, including cost and current market value, as well as details of all purchases and sales since the prior report.