fairlight

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INVESTMENT POLICY STATEMENT (IPS) CHECKLIST

FOR NONPROFITS & FOUNDATIONS

1) PURPOSE AND SCOPE

- [ ] Description of the Fund (what it is, where it comes from, and what it supports)
- [ ] Whether the Fund is Board-designated (quasi-endowment / unrestricted) OR Restricted / true endowment (donor-restricted, corpus maintained permanently or for a term); If endowment: donor intent and sub-fund structure (multiple donor purposes)

2) OBJECTIVES OF THE IPS (WHAT THE POLICY IS MEANT TO ACCOMPLISH)

- [ ] Investment philosophy & Guidelines for investing the Fund
- [ ] Diversification framework (asset mix, risk posture, target allocation)
- [ ] Distribution/spending guidelines
- [ ] Performance evaluation criteria
- [ ] Roles/responsibilities (Board, Finance Committee, Investment Advisor)
- [ ] Communication protocol and reporting cadence
- [ ] Statement that the IPS is reviewed periodically and updated as circumstances change
- [ ] Acknowledgment that results are not guaranteed

3) GOVERNANCE AND DELEGATED AUTHORITY

BOARD

- [ ] Board oversight and fiduciary accountability (even if duties are delegated)

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Need help with your IPS?

We can help review or draft an Investment Policy Statement if you want support beyond the checklist.

FINANCE COMMITTEE

- Delegated authority for overall investment management
- Standard of care (good faith, prudent person)
- Clarify limits: committee does/does not make direct security-level decisions (if applicable)

INVESTMENT ADVISOR

- Discretionary vs. non-discretionary status clearly stated
- Responsibilities, such as:
  - Asset allocation and manager structure recommendations
  - Quarterly reporting and meetings with Finance Committee
  - Notify of major economic/strategy changes

EXECUTIVE DIRECTOR (OR STAFF LIAISON)

- Contracting authority and termination provisions (terminate anytime, no penalty, pro-rata fee refund if prepaid)
- Liquidity monitoring with the advisor

4) FIDUCIARY AND LEGAL STANDARDS (UPMIFA SECTION)

- Statement of compliance with applicable law (e.g., UPMIFA) and donor intent
- Duty of loyalty, good faith, prudent care language
- Cost reasonableness standard

5) SPENDING POLICY (DISTRIBUTION RULES)

- Annual distribution definition and formula (e.g., 0–5% of trailing 12-quarter average market value)

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Build your IPS with confidence

If you'd like guidance beyond the checklist, we can help you draft, review, or refine an Investment Policy Statement that fits your mission.