

Nebraska Hospital Association

Investment Policy

Investments of the Nebraska Hospital Association are addressed by two classifications: “short-term” and “reserve funds”. Short-term primarily includes membership dues that are received at the beginning of each fiscal year, but are needed to fund operating expenses of the Association for the following twelve months. Reserve funds are reserves that are required to be maintained as established by the Board of Directors.

Short-Term Funds

Purpose

The purpose of the short-term portfolio is to fund operating expenses of the NHA.

Return Requirement

The short-term assets will be invested to maximize return within the constraint of maximum liquidity.

Risk Tolerance

The primary concern is preservation of principal and liquidity.

Time Horizon

The time horizon for the portfolio is considered to be less than one year.

Liquidity

Funds available must meet the Association’s cash flow needs.

Taxes

The Nebraska Hospital Association is a non-profit organization. Therefore, taxes do not need to be considered in the investment of the funds.

Asset Type

The short-term funds will be 100% invested in cash and cash equivalents.

The following investments are suitable alternatives:

1. Money market funds

2. Certificates of deposit that are federally insured by the F.D.I.C. NHA should invest directly with the insured institution.
3. Trust accounts, which are backed by pledged securities.

Reserve Funds

Purpose

The purpose of the reserve funds is to meet any unexpected operating shortfalls that may occur from time to time. While any shortfall may be difficult to forecast, it is expected that they will be very infrequent. It is therefore possible to accept a minor amount of principal risk in order to achieve a total rate of return that is in excess of that offered on a standard money market instrument.

Return Requirement

The return requirement for the reserve funds is low. The funds should be invested so as to achieve a total rate of return that is slightly in excess of that offered by money market instruments while maintaining a relatively low level of risk.

Risk Tolerance

Risk tolerance for the reserve fund is low. To the extent possible, the funds should be invested with the goal of avoiding loss in the principal value of the fund. Some short-term principal risk is acceptable in the pursuit of returns that are slightly higher than that of the average money market fund over the long run.

Time Horizon

The time horizon of the funds is expected to be one to three years. The reserve funds will be used to meet any unexpected short falls in the operating budget of the Nebraska Hospital Association.

Liquidity

Any unexpected budget shortfalls will be met from the reserve funds and therefore a portion of the funds must be readily convertible into cash with little risk of realizing loss in principal value.

Taxes

The Nebraska Hospital Association is a non-profit organization. Therefore, taxes do not need to be considered in the investment of the funds.

Legal/Regulatory

No legal or regulatory statutes have a direct influence on the investment of the funds.

Asset Allocation

The following targets and acceptable ranges apply to the reserve fund:

<u>Asset Class</u>	<u>Target</u>	<u>Acceptable Range</u>
Cash Equivalents	15%	5% - 25%
Fixed Income	85%	75% - 95%
Equities	0%	0%

Allowable instruments include the following: money market funds, certificates of deposit (federally insured and invested direct with the insured institution), treasuries, agencies, and diversified fixed income mutual funds with average credit quality of "AA" or better.

The Board of Directors shall approve any other investments or changes to the investment policy.