

## **Assistance League® of Salt Lake City**

### **Investment Policy**

#### **I. Introduction**

The Assistance League of Salt Lake City holds all funds as a fiduciary and is therefore responsible for sound financial management. Even the legally unrestricted funds of the organization are held by the corporation as a steward for the sake of carrying out its mission and purposes. The following investment objectives and directions are interpreted in light of that overall sense of stewardship.

#### **Background**

Assistance League was founded in 1974 as a Utah Nonprofit Corporation and is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and corresponding Utah provisions. Assistance League is not a private foundation; it is a *public charity* that receives more than one-third of its support from gifts, grants, contributions, membership fees and gross receipts from activities related to its exempt purpose, but receives one-third or less of its support from gross investment income and unrelated business income.

This Investment Policy has been adopted by the Finance Committee and Board to provide guidelines for the investment of the available funds of the corporation. Available funds consist primarily of funds unrestricted in an accounting sense defined in the four (4) tiers outlined on Page 2, Section II, Investment Objectives. It is expected that this Investment Policy will be reviewed regularly and altered when necessary to ensure that it continues to reflect the Board's attitude, expectations and objectives. It is the intention that this investment policy be sufficiently specific to be meaningful, but adequately flexible to be practical.

#### **Purpose**

The purpose of this Investment Policy Statement is to define the investment objectives, implementation guidelines, time horizon and risk tolerance of the various separate investment accounts of the Assistance League. This statement should serve as a cornerstone for which all investment purchases and sales are monitored for suitability and performance. Additionally, this statement should establish a clear understanding between Assistance League and its investment advisor(s) as to the objectives and policies applicable in the investment of the corporation's funds.

Specifically, these policies are intended to:

- Establish reasonable expectations, objectives and guidelines in the investment of corporate funds;
- Formalize policy decisions already in use; anticipate future needs;
- Insure money is working for the chapter;

- Provide discipline, order and accountability;
- Provide investment guidance to investment professionals; and
- Protect the chapter and its Board.

This Investment Policy is not a contract. It is intended to be a summary of an investment philosophy that provides guidance for the organization and its advisors.

## **II. Investment Objectives**

### **Primary Objective**

The primary investment objective of Assistance League is to preserve and protect its assets while earning an appropriate rate of return for each category of assets. To achieve these objectives, it is the policy of the corporation to maintain diversified and balanced portfolio accounts. The asset allocation within each separate account is guided by the "prudent person" standard for the preservation of capital, attention to stated goals, objectives and liquidity requirements. The Finance Committee will observe the restrictive covenants placed upon each of the separate investment accounts as to the type of asset class allowed.

### **Investment Tiers**

The Finance Committee has identified four specific investment categories or tiers designed to meet the various financial needs of the chapter. These categories include Cash Flow Reserves, Operating and Program Services Reserves, Capital Expenditures and Investment Assets, each of which is defined below.

#### **Tier 1. Cash Flow Reserves**

The purpose of this tier is to ensure adequate cash for a minimum of six (6) months of operation. The goal of this investment account is to earn the highest rate of return consistent with the conservative risk control guidelines for cash/equivalent investments. In no event, however, will Tier 1 maturities exceed one hundred eighty (180) days.

#### **Tier 2. Operating and Program Services Reserves**

The purpose of this tier is to provide a liquidity reserve required by National Assistance League Policies to maintain one (1) year's budget reserve. When investing liquid assets, the organization shall emphasize safety, liquidity and yield, in that order. The goal of this investment account is to earn the highest rate of return consistent with the conservative risk control guidelines for fixed income and cash/equivalent investments.

#### **Tier 3. Capital Expenses**

The purpose of this tier is to provide a liquidity reserve to pay off the corporation's debt (commercial loan/mortgage) in a timely manner and to ensure assets for future capital expenditures. When investing liquid assets, the organization shall emphasize safety, liquidity and yield, in that order. The goal of this investment account is to earn the highest rate of return consistent with the conservative risk control guidelines for fixed income and cash/equivalent investments.



#### **Tier 4. Investment Assets**

The purpose of this tier is to serve as a long-term investment account to fund as yet undetermined philanthropic programs and to preserve and enhance the account value. There are no anticipated expenditures of Tier 4 money. The goal of this investment account is to earn the highest rate of return consistent with the conservative risk control guidelines for equity stock, fixed income and mutual fund investments.

The Finance Committee shall annually establish the amounts that are maintained in each tier. In doing so, they shall review the prior year's cash-flow requirements and reserve levels as well as the next budget year's anticipated needs as presented to them by the Treasurer/ Budget Chairman.

Any proposed changes to the corporation's investments shall be reviewed by the Finance Committee and submitted to the Board for approval. Only the Board has the authority to open and close financial accounts.

#### **Time Horizon**

Since capital values fluctuate over time, Assistance League recognizes that the possibility of capital loss exists. However, historical asset class return data suggests that risk of principal loss over a holding period of at least three (3) to five (5) years can be minimized with the long-term investment mix employed under this investment policy. It should be noted, however, that the corporation shall evaluate performance on a shorter time period for the purpose of assessing the investment fund's progress toward its objectives.

#### **Risk Tolerance**

The corporation is viewed as a conservative to moderate risk taker with regard to these investment assets. The corporation recognizes that risk, volatility (i.e., the potential for variability of asset values) and the possibility of loss in purchasing power due to inflation are present to some degree in all types of investment vehicles.

#### **Liquidity**

In order to minimize losses arising from the forced sale of a security to provide cash flow, the Treasurer shall periodically provide the Finance Committee with an estimate of expected cash needs.

#### **Spending Policy**

Funds may be distributed as needed to cover any budgeted or unbudgeted expenses approved by the Assistance League Board and membership.

### **III. Investment Guidelines**

The Finance Committee shall strive to achieve the best overall investment return possible within the guidelines and restrictions of this policy. Each account's net performance shall be measured against appropriate performance benchmarks. In the case of mutual funds, the general class allocation of the specific fund shall determine the asset class category. The monitoring of performance returns shall be guided by a

rolling three (3) year time horizon to allow for market cycles consistent with each major asset class within the portfolio.

All sales charges and fees as well as fund management fees associated with each purchase or sale shall be disclosed to the Finance Chair or Treasurer prior to the transaction. Attention shall be paid to the fee structure of any mutual fund purchased. Note that there are many methods for sales charges and management fees. The Finance Committee as well as the advisor shall be knowledgeable about the fee structure and penalties of any mutual fund purchased.

**Cash and Cash Equivalents:**

- US Treasury Bills of less than ninety (90) days
- US publicly traded corporate commercial paper of less than ninety (90) days
- FDIC insured certificates of deposits with six (6) months or less to maturity
- FDIC insured bank/cash accounts
- US government money markets
- Mutual fund money market accounts that maintain \$1/share value

**Fixed Income Securities**

The quality rating of bonds shall be A or better, as rated by Standard and Poor's or other equivalent rating services. The portfolio shall consist only of traditional principal and interest obligations (no derivatives) with maturities of five (5) years or less. No single issue of fixed income securities shall exceed ten percent (10%) of the total portfolio at the time of purchase. No derivative based, leveraged or high yield (junk) bonds, closed-end trusts or unit investment trusts are allowed.

**Equity Stocks**

Only publicly traded common, convertible and preferred stocks may be purchased. No single stock or company security shall exceed ten percent (10%) of the separate investment account portfolio at the time of purchase. No short selling, margin, index futures or option trades are allowed.

**Mutual Funds**

Fund styles are limited to domestic growth, index, balanced, growth/income, equity income, international, emerging market, domestic and international fixed income.

**Sector Diversification**

In addition to the percentage limitations for individual stocks and bonds, no more than ten percent (10%) of the total portfolio shall be invested in securities of any single economic sector or industry group.



#### IV. Responsibilities

##### Delegation of Authority

Assistance League has delegated supervisory authority over its investments to the Finance Committee, reportable to the Board and membership. In carrying out its responsibilities, this committee and its agents shall be guided by and act in accordance with this Investment Policy and all applicable laws and regulations. Only the Board has the authority to open and close financial accounts. With approval of the Board, the Finance Committee is authorized to receive reports from, pay compensation to and enter into agreements with professionals.

##### Investment Advisor

The Investment Advisor's role is to provide guidance to the Finance Committee and the Board on matters pertaining to the investment of its assets including investment policy, investment selection, monitoring investment performance and compliance with the Investment Policy.

##### Administration

The Finance Committee shall meet quarterly to review Chapter financial reports and shall meet at least annually with the Investment Advisor. It is the Committee's responsibility to ensure compliance with the Investment Policy and evaluate the Advisor. The Committee shall review past account performance, observe current market conditions and adjust as necessary the coming year's asset allocation mix, and be responsible to the Committee Chairperson for recommending in conjunction with the investment advisor(s) any portfolio adjustments.

The investment advisor(s) shall not be given discretionary powers to initiate or place buy/sell orders at any time except when operating within the guidelines of an already approved, clearly defined asset allocation investment portfolio. All trades shall have prior approval of the Finance Committee or the Chairman of the Finance Committee and the President. Only the Board has the authority to open and close financial accounts.

All changes or modifications to this Investment Policy Statement shall be agreed upon by the Finance Committee and submitted to the Assistance League Board for final approval.

#### V. Adoption of Investment Policy Assistance League of Salt Lake City:

The Finance Committee has reviewed and adopted this Investment Policy

for the Fiscal Year 2023 - 2024.

Diane Macken

President

9-16-23

Date

Jacelyn Danich

Treasurer

9-21-23

Date