

## INVESTMENT POLICY

### INTRODUCTION

This statement of Investment Policy has been adopted by the Board of Directors of the Jacksonville Alcoholics Benevolent Association Incorporated to provide guidelines for the investment of funds.

For the purposes of managing investment risk and optimizing investment returns within acceptable risk parameters, funds held by JABA will be divided into three separate investment pools. The three investment pools shall be called "Operating Fund", the "Operating Reserve Fund", and the "Restricted Reserve Fund".

With the exception of the Restricted Reserve Fund, it is not JABA policy to build cash for reasons of investment purposes other than proper execution of its mission. Membership dues are fully intended to be used in pursuit of JABA vision, mission and goals. Nevertheless, business operating cash needs can vary providing the opportunity for JABA to hold cash at varying maturities and thus maximize returns.

The purpose of the Operating Fund is to provide sufficient available cash to meet the routine day-to-day financial obligations of all operations of JABA in a timely manner. Normally, the balance in the Operating Fund will not exceed three months worth of normal operating requirements.

The purpose of the Operating Reserve Fund is also to meet anticipated annual expenses and to hold membership dues received. Accordingly, the balance in the Operating Reserve Fund will normally not exceed nine months worth of budgeted operating expenses.

The purpose of the Restricted Reserve Fund is to provide financial stability to the organization. The establishment of a Restricted Reserve Fund is an essential part of the financial management of JABA. Building reserves is a sound business practice as well as a way for saving for major capital purchases, ensuring that funds will be available for special programs, and having funds available in the event of special emergencies, a major downturn in the economy or other contingencies.

## PROCEDURES

1. The following procedures will be followed to ensure the investment policy statement is consistent with the current mission of JABA and accurately reflects current financial condition:
  - A. This investment policy shall be reviewed annually by the Finance Committee or Treasurer, which will recommend any necessary revisions to the Board of Directors.
  - B. The Board of Directors will have final approval on any changes to the policy.
2. The following procedures will be used to determine the dollar amounts to be placed in the various funds.

### **Operating Fund**

- A. In January of each year, JABA Treasurer or Finance Committee will recommend to the Board of Directors a dollar amount up to three months of normal operating expenses to be maintained in the Operating Fund.
- B. Monthly, the Treasurer or Finance Committee will review the additions to and disbursements from the Operating Fund and approve an appropriate transfer from the Operating Reserve Fund an amount necessary to maintain the Operating Fund. The Treasurer or Finance Committee will present Operating Fund report to the Board of Directors.

### **Operating Reserve Fund**

- A. All membership dues, grants, contract income received but unearned will be placed in the Operating Reserve Fund.
- B. Monthly, the Board of Directors will approve necessary transfers to the Operating Fund and Restricted Reserve Fund. The Treasurer or Finance Committee will present Operating Reserve Fund report to the Board of Directors.

### **Restricted Reserve Fund**

- A. Annually, the Treasurer or Finance Committee will recommend to the Board of Directors, the dollar amount to be placed in the Restricted Reserve Fund.

- B. Normally, the Board of Directors will approve additions to and withdrawals from the Restricted Reserve Fund on an annual basis or as needed for special projects.

## OPERATING FUND

### **Purpose**

The purpose of the Operating Fund is to provide sufficient available cash to meet the financial obligations of JABA in a timely manner.

### **Investment Objectives**

The investment objectives of the Operating Fund are:

1. Preservation of capital;
2. Liquidity;
3. To optimize the investment return within the constraints of (1.) and (2.) above.

### **Allowable Investments**

The Operating Fund may be invested as follows:

1. Interest bearing checking and savings accounts in federally insured banks and savings and loans not to exceed federally insured amounts;

### **Reporting**

The Treasurer shall include information in the monthly financial report to the Board of Directors, which includes all Operating Fund transactions, interest income year to date and current yield.

## OPERATING RESERVE FUND

### **Purpose**

The purpose of the Operating Reserve Fund is to meet expenses occurring during a given budget year, improve the return on funds held for expenditure during the year, manage investment risk and hold funds received but not yet earned.

### **Investment Objectives**

The investment objectives of the Operating Reserve Fund are:

1. Preservation of Capital;
2. Liquidity;
3. Optimize the investment return within the constraints of (1) and (2).

### **Allowable Investments**

The Treasurer, Finance Committee, and any Investment Advisor retained by JABA, with Board approval, shall recommend the investment of JABA Operating Reserve Funds to the Board of Directors within the following parameters:

1. Federally insured Certificates of Deposit not to exceed \$100,000 per institution;
2. Short-Term (less than twelve months) Direct obligations of the U.S. Government, its agencies and instrumentalities.

### **Maturity**

The Operating Reserve Fund shall invest in securities appropriate for a one to three year investment horizon.

### **Reporting**

The Treasurer or Finance Committee shall prepare a performance report on a regular basis to be presented to the Board of Directors. The report will include a schedule of investments, interest income year to date, current yield and total return.

## RESTRICTED RESERVE FUND

### **Purpose**

The purpose of the Restricted Reserve Fund is to provide financial stability and to enhance the purchasing power of funds held for future expenditures. Additions to or withdrawals from this fund must have prior approval of Board of Directors.

### **Investment Objectives**

The objectives of the Fund should be pursued as a long-term goal designed to maximize the returns without exposure to undue risk. It is understood that fluctuating rates of return are characteristic of the securities markets. The greatest concern should be long-term appreciation of the assets and consistency of total portfolio returns. Recognizing that short-term market fluctuations may cause variations in the fund performance, the expectations of the fund will be to achieve the following objectives over a three to five year time period:

1. The portfolio's total return should exceed the increase in the Consumer Price Index.
2. The portfolio's total return should exceed the increase in the Treasury Bill Index.
3. The portfolio should be invested to minimize the likelihood of low negative total returns.

### **Investment Guidelines**

The investment policies and restrictions presented in this statement serve as a framework to achieve the investment objectives at a level of risk deemed acceptable. These policies and restrictions are designed to minimize interfering with efforts to attain overall objectives. The Treasurer, Finance Committee, and any Investment Advisor has broad responsibility, with Board approval, to shift the commitment of assets among asset classes and maturities within the constraints of this Investment Policy.

### **Fixed Income**

Investment in fixed income securities will be managed actively to pursue opportunities presented by changes in interest rates, credit ratings, and maturity premiums. The investments may be selected from U.S. corporate debt securities and obligations of the U.S. Government, its agencies and instrumentalities. These investments will be subject to the following limitations:

1. The weighted average maturity of the portfolio must be 5 years or less.
2. Investments in securities of a single issuer (with the exception of the U.S. Government and its agencies) must not exceed 10% of the portfolio at cost.

### **Equities**

The objective of the stock portfolio is to equal or surpass the S & P 500 Index.

### **Derivatives**

The use of Futures and Options are allowed. Capital efficiency and reducing portfolio volatility are primary objectives. Notional leverage shall be an appropriate ratio based on overall market conditions and risk tolerance set by the Board.

### **Reporting**

The Treasurer or Finance Committee shall prepare a report on a regular basis. The report shall contain a schedule of holdings, asset class percentages, and performance compared to the objectives. The Treasurer or Finance Committee shall review the report, present the report to the Board of Directors and make recommendations for change.