

Friends of the South Coastal Library, Inc. ("FOSCL")

Investment Policy

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I. Scope

This Investment Policy applies to all financial assets directly held by FOSCL. All financial assets will be titled solely to FOSCL and may not be collateralized or otherwise hypothecated. This Investment Policy also incorporates accountability standards that will be used to monitor the progress of authorized investments.

II. Investment Objectives

The objectives of FOSCL's Investment Policy, in order of priority, are the following:

- A. Safety. Safety of principle is the foremost objective in the investment of the FOSCL's funds. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital.
- B. Liquidity. FOSCL's investment portfolio shall remain sufficiently liquid to enable FOSCL to meet all operating requirements which might be reasonably anticipated. Funds will be split into multiple investments with laddered maturities to provide options to withdraw funds at regular intervals.
- C. Return on Investment. FOSCL's investments shall be designed with the objective of attaining a reasonable rate of return throughout budgetary and economic cycles, taking FOSCL's investment risk constraints and cash flow needs into consideration.

III. Investment Authority

Investments shall be made and managed by FOSCL's Treasurer, the designated custodian of FOSCL's funds as provided by its bylaws, providing that said investments adhere to FOSCL's Investment Policy.

Investments that do not adhere to FOSCL's Investment Policy may be considered but will require a recommendation by FOSCL's Finance Committee, and an approval by FOSCL's Board of Directors. If FOSCL's incumbent Treasurer is unable or unwilling to serve as FOSCL's Treasurer and manage its investments, FOSCL's President will have the authority be added as a signatory on all investments until a Treasurer is either reactivated or installed.

IV. Authorized Financial Institutions and Investment Insurance Requirements

The funds of FOSCL available for investment shall be invested in accordance with this Investment Policy and only in the following types of financial institutions:

A. State or Federally chartered banks ("Banks") that are insured by the Federal Deposit Insurance Corporation ("FDIC"). Preference will be given to local Banks that support FOSCL's fundraising activities. The aggregate of all account balances on deposit in any one (1) Bank may not exceed FDIC insurance limits, currently \$250,000.

B. Asset management companies ("AMC") that are regulated by the Financial Industry Regulatory Authority (FINRA) that provide Securities Investor Protection Corporation ("SIPC") insurance for its account holders. The opening of an account for FOSCL with an AMC will require a recommendation by FOSCL's Finance Committee, and an approval by FOSCL's Board of Directors. If the opening of an account with an AMC is approved, no investments shall be purchased on a margin basis or by using any similar leveraging technique. The aggregate of all cash and investments in any one (1) AMC account may not exceed SIPC insurance limits, currently \$500,000 with a sublimit of \$250,000 for uninvested cash.

V. Authorized Investments

A. Authorized Investments with Banks:

1) Interest bearing savings or money market accounts ("MMA").

2) 80% of FOSCL's time deposits and certificates of deposit ("CDs") must be invested to mature within two (2) years. Up to 20% of FOSCL's time deposits and CDs may be invested to mature within 5 years. Exceptions to these thresholds may be considered but will require a recommendation by FOSCL's Finance Committee, and an approval by FOSCL's Board of Directors.

3) Funds pending investment may be deposited for up to seven (7) days in FOSCL's checking account. All such funds deposited to FOSCL's checking account must be transferred to an interest-bearing savings or MMA if more than seven (7) days are needed to fund an investment.

Funds may not be invested in Bank financial products that are not FDIC insured.

B. Authorized Investments with an AMC:

1) Interest bearing cash management or MMAs that are covered by both SIPC and FDIC insurance.

2) United States Treasury Bills ("T-Bills) that are new issues. T-Bills offered in the secondary market may be purchased at either a discount or par. T-Bills being offered at a premium are ineligible for investment.

3) United States Treasury Notes (“T-Notes”) maturing in two (2) years that are new issues. T-Notes offered in the secondary market may be purchased at either a discount or par. T-Notes being offered at a premium are ineligible for investment. Maturities of more than two (2) years may be considered but will require a recommendation by FOSCL’s Finance Committee, and an approval by FOSCL’s Board of Directors.

4) CDs issued by FDIC insured banks that are new issues and will mature within two (2) years. Maturities of more than two (2) years may be considered but will require a recommendation by FOSCL’s Finance Committee, and an approval by FOSCL’s Board of Directors. CDs offered in the secondary market may be purchased at either a discount or par. CDs being offered at a premium are ineligible for investment.

5) Notwithstanding the above maturity restrictions, up to 20% of the investments in an AMC may be invested in Authorized Investments with maturities up to 5 years.

VI. Alternative Investments and Unauthorized Investments

A) Alternative Investments.

Alternative investments may be considered on a case-by-case basis, but will require a recommendation by FOSCL’s Finance Committee, and an approval by FOSCL’s Board of Directors.

B) Unauthorized Investments.

Unauthorized investment will include, but not be limited to, the following:

1) Foreign stocks, bonds, and all other securities or funds issued by a foreign company or government.

2) Domestic stocks, municipal bonds, non-investment grade corporate bonds, and any funds that contain these investment vehicles.

3) MMAs that are not insured by the FDIC, foreign currencies, commodities, cryptocurrencies, loans, limited partnerships, and any funds that contain these investments.

VII. Safekeeping and Insurance

A) Safekeeping.

To minimize the risks presented by fraud or embezzlement, the Treasurer will take prudent measures to deter the unauthorized use or disposition of FOSCL’s investments. Such prudent measures will include the following:

1) Online access to all financial accounts and investments will be limited to FOSCL’s Treasurer, and access will be made only from a laptop or desktop computer with actively running computer protection software that includes anti-virus and firewall protection. Strong passwords must be created for all online account sites and dual-factor authentication should be used when available.

2) Any checks, debit cards, and/or credit cards associated with financial and investment accounts must be properly secured to prevent unauthorized use.

3. The Treasurer must ensure that account numbers are truncated or eliminated on balance sheets and any other reports distributed to FOSCL's Board of Directors.

4. Information regarding FOSCL's investments will be made available to FOSCL's Board of Directors and FOSCL's bookkeeper only.

5. Other than the summary information available to the public in FOSCL's IRS Form 990, information regarding FOSCL's investments will not be disclosed or otherwise made available to the public.

B. Insurance.

A commercial crime policy will be placed and maintained by the Treasurer with a carrier rated B++ or better by AM Best in an amount sufficient to cover all FOSCL investments, operating cash on deposit with Banks or AMCs, other liquid assets, and non-real estate related business property.

VIII. Investment Reporting

The Treasurer will provide reports on FOSCL's investments to the Board of Directions as follows:

A) All Treasurer's reports submitted for Board of Director's meetings will include the following:

1) All new investments made since the prior Treasurer's report will be reported on and the information provided will include the name of financial institution, the type of investment, the amount invested, the maturity date as may be applicable, and the percentage yield on an annualized basis.

2) A current balance sheet showing all investments will be provided and the information shown for each investment will include the name of the financial institution, the type of investment, the maturity date as may be applicable, and the current value of the investment asset as of the date of the balance sheet.

B) The Treasurer shall make investment account records available for review by any FOSCL Board member upon request.

IX. Investment Policy Review and Adoption

FOSCL's Investment Policy shall be adopted by FOSCL's Board and shall become effective on the date set forth in the order to adopt. FOSCL's Board shall have the power to amend this Investment Policy at any time.

FOSCL's Finance Committee shall review this Investment Policy annually and refer any recommended amendments to FOSCL's Board prior to the annual Budget Meeting.