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ELEVATE SCHOOL

Inspiring tomorrow's innovators & leaders

2285 Murray Ridge Rd.
San Diego, CA 92123

tel: 858.751.4774
email: info@elevateschool.com

# Elevate School Investment Policy

## Purpose & Scope

The purpose of this Investment Policy is to provide a clear statement of the overall investment objectives, policies and guidelines for Elevate School (the "School") and to govern the activities related to the management of School investment portfolios. The provision of this policy shall apply to all funds invested by the School.

## Definition of Duties

The Policy is designed to:

1. Designate responsibility for investing and reporting and provide appropriate authorizations to those individuals;
2. Provide investment parameters and limitations;
3. Ensure safety of invested funds;
4. Ensure sufficient liquidity to meet future cash flow requirements; and
5. Attain a prudent yield, consistent with the aforementioned requirements.

The following designees are assigned to certain roles and responsibilities:

- Finance Task Force: The members of the Finance Task Force are responsible to supervise and direct the operations of the investments. They shall have the responsibility for all decisions and activities performed under this Policy. The Executive Director shall have the authority to allocate resources or delegate responsibility as necessary to optimize the safety and liquidity of the investment portfolio and to implement this Investment Policy. The Finance Task Force shall also report to the Elevate School Board of Directors on the status of the Investments on an annual basis.

**Objective**

To set forth the purpose, goals and guidelines regarding the investment of operating funds for the School. These funds are to be invested in a manner that:

- Preserves capital
- Provides liquidity
- Maintains appropriate diversification
- Generates returns relative to these guidelines and prevailing market conditions

**Strategic Asset Allocation Framework**

At all times, the School shall invest, reinvest, purchase, acquire, exchange, sell, and manage assets of the School pursuant to the requirements of Government Code Section 53600 et. seq.

The School's investment portfolio shall be maintained in a manner that minimizes risk of the invested capital. These risks include credit risk, interest rate risk and concentration risk (e.g. geographic; asset class; industry; etc.) The portfolio shall also generate a reasonable return given the risk and liquidity guidelines. The primary goal of the Policy and all investments governed by it is to support the current operations of the School, to preserve and provide long- term growth of the investments. To accomplish this, funds will be segregated into three categories:

- Unrestricted Cash Account: The primary objective of this account is to meet the day-to-day operational needs of the School. The Executive Director shall have the authority to transfer these funds as needed to the School's operating accounts in order to meet daily operational needs. All funds in this account should be invested for capital preservation and liquidity.
- Restricted Cash Account: The primary objective of this account is to fund special projects and unforeseen or unplanned expenditures, as deemed by the Board. This is a Board-Designated Account or a Donor-Restricted Account. Donor-Restricted funds are contributions earmarked for specific purposes identified by the donor, whereas Board-Designated funds are controlled by the Board.
- Long-Term Investment Portfolio: The primary objective of this account is to achieve long-term (5 to 10 years) growth of principal while minimizing risk. The volatility of the portfolio should be consistent with the School's investment approach, asset allocation, the volatility of the comparable market index, and the long-term strategy for growth.

**Investment Objectives**

The School's primary investment objectives, in order of priority, are:

1. Safety - the preservation of principal

   Preservation of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective is to mitigate credit or default risk, interest rate risk, and market risk, as summarized below.

   a. Credit or Default Risk – The risk of loss due to the failure of the security issuer and/or guarantor, or backer, may be mitigated by:

      i. Limiting purchases to the safest types of investments,
      ii. Diversifying the investment portfolio among a variety of securities offering independent returns to minimize any potential losses on individual securities,
      iii. Avoiding the concentration of investments in any one specific security type or asset class, in any one financial institution, or in any one specific geographic area or industry,
      iv. Pre-qualifying financial institutions, brokers/dealers, intermediaries, and advisers with which the School does business and ensuring competitive transaction pricing.

   b. Interest Rate Risk – The risk that the market value of securities will fall as interest rates rise in the general market may be mitigated by:

      i. Holding individual securities to maturity: i.e. structuring the investment portfolio to match the timing of cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity;
      ii. Employing a laddering strategy: i.e. staggering maturities of individual securities to provide incremental liquidity over a time horizon;
      iii. Investing an appropriate level of operating funds in money market mutual funds, or similar investment pools, which provide for same or next day access to cash.

   c. Market Risk - The risk of market value fluctuations or volatility may be mitigated by:

      i. Maintaining a conservative low-risk tolerance portfolio;
      ii. Purchasing securities which are readily tradable in active secondary markets, rather than in thinly traded markets;
      iii. Maintaining prudent duration levels;

iv. Staggering investment maturity dates over a desired overall duration target.

2. Liquidity - maintaining enough liquidity to meet its cash flow needs
The investment portfolio shall remain sufficiently liquid to meet all reasonably anticipated operating requirements. This is accomplished by structuring the portfolio so that securities mature concurrently with the anticipated operational demands. Furthermore, since not all possible cash demands can be anticipated, it is recommended that the minimum reserve is maintained in either very low risk and immediately accessible accounts.

3. Yield - achieving a reasonable rate of return on public funds, while minimizing the potential for capital losses.
The investment portfolio shall be designed with the objective of attaining a rate of return throughout the budgetary and economic cycles, considering the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. In so far as the School generally maintains a "Buy-and- Hold" investment posture (one that avoids disposing of security positions prior to scheduled maturity) securities shall not be sold prior to maturity with the following exceptions:
    a. A declining credit security which could be sold early to minimize loss of principal;
    b. Liquidity needs of the portfolio that require the security to be sold;
    c. A capital gain that would be realized to better position the overall portfolio to achieve investment policy goals.

4. Growth - grow the balance within the Long-Term Investment Portfolio

**Responsible Investing**

It is the responsibility of the Finance Task Force to ensure that the fiscal and ethical goals of the School are reflected in the portfolio. Investments will be made in compliance with covenants, bonds, state, and federal regulations the Finance Task Force may issue periodic restrictions of specific investments.

**Investment Guidelines**

The mix of investment asset classes shall be within the range of the following:

- <u>Fixed Income (Bonds): 100%</u>
  - Government bonds
  - Corporate bonds
  - Municipal bonds

- <u>Equities (Stocks): 0%</u>
  - Large-cap US stocks
  - International stocks
  - Small-cap and mid-cap stocks

- <u>Cash and Cash Equivalents: 0%</u>

**Monitoring and Review Process**

The School's Finance Task Force shall assist in the fulfillment of the Board's fiduciary responsibilities to safeguard the assets of the School while maximizing the return on those assets.

The specific responsibilities of the Finance Task Force include, but are not limited to:

- Review and evaluate investment portfolio composition and performance against the Bloomberg U.S. Aggregate Bond Index as a benchmark for the annual rate of return within the Long-Term Investment Portfolio.
- Provide investment direction to the Executive Director for funds.
- Review the status of the investment portfolio quarterly and report investment performance to the Board at least twice annually.
- Monitor compliance with this Policy.
- Make recommendations to the Board regarding this Policy, including risk tolerance and asset allocation, and allocation of investments between the Enhanced Liquidity Portfolio and the Long-term Investment Portfolio.
- Interview, recommend and discuss retention of potential investment managers when deemed appropriate.

- Review this Policy on an annual basis, or more often as necessary, to ensure continued accuracy, appropriateness and consistency with the mission and financial goals of the School.
- Under the direction of the Finance Task Force, the School's Executive Director shall have the authority to act on behalf of the School to communicate and authorize investment transactions with all financial institutions in accordance with this Policy.

**Investment Managers**
The Board may engage professional investment managers to manage and supervise investment assets in accordance with the objectives and parameters of this Policy. All investment managers are hired and discharged by the Board in consultation with the Finance Task Force.

Responsibilities of investment managers:

- Adherence to this Policy
- Observe the specific limitations, guidelines, attitudes, and philosophies stated herein or as expressed in any written amendments or instructions;
- Affirming the investment manager's belief that it is realistically capable of achieving the investment guidelines and limitations stated herein.
- Act on the School' s behalf, with full or limited discretion, in the following areas:
    - Determination of portfolio composition through the selection, purchase and sale of securities, with approval from the Executive Director;
    - Selection and use of sub-advisors as needed to build a diversified portfolio;
    - Broker-dealer selection for securities transactions and custody; Voting securities and executing proxies;
    - Keeping all transactions related to the School's portfolio and investments confidential, maintaining confidentiality regarding any information to any party not affiliated with the investment manager without prior consent of the Finance Task Force or Board.

Investment Manager Performance Monitoring and Reporting Responsibilities
Investment Managers will provide monthly statements of activity related to the School's portfolio to the Executive Director. The status of the investment portfolio shall always be available to the Executive Director. Reports will include a complete listing of the securities held, market price, purchase price, maturity dates, credit ratings and yield analysis.

On a quarterly basis, investment managers will meet with the Finance Task Force to:

- Review past, present and prospective economic and market conditions, review the impact of these influences on the portfolio and performance, and discuss the positioning of portfolio investments to manage risk and maximize return.
- Review the portfolio's investment philosophy considering current and perceived economic and market conditions and discuss any suggestions where appropriate.
- Review any significant changes in personnel, management or ownership of the Investment Manager.
- Disclose any conflicts of interest.

Investment managers shall keep the School informed on a timely basis of major changes in its investment outlook, investment strategy, asset allocation, and other matters affecting its investment policies or philosophy.

All investment management fees shall be clearly spelled out in writing.