

# ***Friends of the Atascadero Library***

## **Statement of Investment Policy**

### **Policy Purpose and Objectives**

This Investment Policy Statement defines the FOAL's investment objectives and establishes policies and procedures so that these objectives can be met in a prudent manner. This Policy is intended to:

- Provide a mechanism to establish and review the FOAL's investment objectives;
- Identify those individuals and or functions within the Board with responsibility for selecting and reviewing the FOAL's investments;
- Designate the investment options available to participants with a clear understanding of the role each investment option performs;
- Identify the criteria that may be considered when selecting investment; and
- Provide a single document to ensure that the fiduciary investment and monitoring responsibilities of the Plan are met.

### **Investment Objectives**

The Board of Directors of the Friends of the Atascadero Library has established the following investment objectives for management of FOAL's assets, in order of priority:

1. to honor the purposes and mission of the FOAL and its governing documents;
2. to act prudently to preserve the assets of the FOAL;
3. to honor the instructions and intent of the donors of restricted funds;
4. to generate liquid income to support the current operating funds of the FOAL;
5. to increase the capital value of the FOAL's endowments and restricted funds;
6. to invest in an ethical and socially responsible manner.

### **Investment Committee**

The Board of Directors shall appoint an Investment Committee, consisting of three to five directors, to serve one-year terms. The Board, in its discretion, may also appoint one or two additional non-voting non-director members to bring special expertise to the Committee.

The Investment Committee, without further approval of the Board of Directors except as provided herein, shall be responsible for the investment and reinvestment of the funds and assets of the FOAL.

## **Investment Policy**

It is the policy of the FOAL to diversify investments among fixed income investments, equity investments, and cash investments.

*Fixed Income Investments:* The principal categories of fixed income investments will be indexed mutual funds that invest in U.S. government bonds and securities, indexed mutual funds that invest in domestic investment grade bonds ("A" or better by either Moody's or Standard & Poor's) and insured certificates of deposit. ..

*Equity Investments:* The principal categories of equity investments shall be indexed stock mutual funds with a Morningstar rating of no less than three stars and an expense ratio of less than 0.30%.

Equity investments must be readily marketable. Indexed funds of broad market coverage are to be used and industry specific funds are to be avoided.

Cash Investments: Money market cash equivalent funds and short-term certificates of deposit shall be used for placement of funds to meet the needs of operations for the next rolling twelve months.

For all categories, it is the policy of the FOAL that investment expenses should be no greater than industry averages under any circumstances.

## **Prohibited investments**

The FOAL shall not purchase commodities, derivatives, private placements, REITS, letter stock, or real property, nor provide venture capital, purchase on margin, or short sales.

## **Investment Management**

A minimum of two director members of the Investment Committee shall execute investment documents. The Board of Directors may direct the Investment Committee to select institutional fund managers, who provide advice and analysis without charge for indexed fund investors in their family of funds, whose full cost is born by the fully disclosed expense ratio of 0.30% or less.

Any investment advisor or fund manager, for the FOAL shall submit electronically reports monthly and written reports quarterly, and an oral report at least annually, to the Investment Committee and or the Board on the performance of the portfolio. At all times, the status of current investments shall be available to the Investment Committee upon request. Performance of the portfolio will be evaluated on the basis of total return net of fees, in the context of the FOAL's objectives and the relevant market indices.

## **Asset Allocation**

With assistance of the Investment Committee and its professional advisor(s) and manager(s), the Board of Directors shall analyze the FOAL's investment portfolio from time to time but not less than semi-annually. Pursuant to such analysis, the Board shall determine its desired asset allocation for the FOAL's investments, and shall direct the Investment Committee to rebalance the FOAL's investment portfolio accordingly.

Effective with the adoption of this Investment Policy Statement by the Board, and subject to semi-annual revision in accordance with these policies, the FOAL's asset allocation shall be adjusted to reflect approximately the following profile:

Fixed Income Investments	50% to 70% of the total portfolio
Equity Investments -- U.S.	25% to 35% of the total portfolio
Equity Investments -- International	5% to 15% of the total portfolio
Cash Investments	0% to 20% of the total portfolio

### **Investment Review and Evaluation**

The Investment Committee shall review the following semi-annually, and report to the Board with recommendations for adjustment as necessary:

1. the asset allocation of the FOAL's investments;
2. the performance of all investments against industry standard benchmark indices;
3. the membership of the Investment Committee;
4. this Statement of Investment Policy.