

INVESTMENT POLICY OF THE FRIENDS OF THE MERCED COUNTY PUBLIC LIBRARY

PURPOSE

The Investment Policy provides a clear statement of the Friends of the Merced County Public Library (Friends) investment objective, defines the responsibilities of the Friends' Board of Directors (Board) and other parties involved in managing the Friends' investments, and identifies or provides target asset allocations, permissible investments and diversification requirements.

In doing so the policy:

1. Clarifies the delegation of duties and responsibilities concerning the management of investment funds.
2. Identifies the criteria against which the investment performance of the investments will be measured.
3. Communicates the objectives to the Friends, Board, donors, investment managers, brokers, and other parties that may be involved.
4. Guides the ongoing oversight of the management of the investments.
5. Demonstrates due diligence and procedural prudence.

INVESTMENT OBJECTIVE

The overall investment objective of the Friends is to maximize the return on invested assets while minimizing risk and expenses. This is done through prudent investing and planning, as well as through the maintenance of a diversified portfolio.

GENERAL PROVISIONS

1. All transactions shall be for the sole benefit of the Friends.
2. The Investment Committee shall review the Friends' investment policy for possible revisions on an annual but not less than a biennial basis.
3. The Investment Committee shall annually submit to the Board a review of the Friends' investment assets to verify the existence and marketability of the underlying assets.

4. Any investment that is not expressly permitted under this Policy should be formally reviewed by the Investment Committee for recommendation to and approval by the Board.
5. The Board and Investment Committee will endeavor to operate the investment program in compliance with all applicable state, federal, and local laws and regulations concerning management of investment assets.
6. Investments should be diversified with a view to minimizing risk.

DELEGATION OF RESPONSIBILITY

1. The Board has ultimate responsibility for the investment and management of the Friends' investment assets.
2. The Investment Committee reviews investment policy and performance and makes recommendations to the Board. The Investment Committee may delegate investment duties to the Treasurer.
3. The Treasurer shall be held accountable for adherence to procedural prudence but not investment outcomes.
4. The Treasurer will invest assets in accordance with this Investment Policy at the direction of the Investment Committee. Specific responsibilities may include reporting investment performance and other information that could affect performance to the Investment Committee.
5. The Investment Committee, with approval of the Board, may hire outside experts as investment consultants or investment managers.

GENERAL INVESTMENT GUIDELINES

1. The Friends of the Merced County Public Library is a tax-exempt organization as described in section 501(c)(3) of the Internal Revenue Code. This tax-exempt status should be taken into consideration when making investments.
2. The Friends is expected to operate in perpetuity; therefore, a 10-year investment horizon (maximum term) may be considered. Interim fluctuations should be viewed with appropriate perspective.
3. A cash account should be maintained with a zero to very low-risk tolerance to keep cash available for anticipated expenditures.

4. Transactions should be executed at reasonable cost, taking into consideration prevailing market conditions and services.
5. Permitted investments include: Cash and cash equivalents, marketable securities including equities and fixed income securities, and money market accounts.
6. Should non-permitted assets be donated to the Friends, recommendation of the Investment Committee and approval of the Board will be required to convert those assets to an acceptable form of investment.
7. No fixed income security shall have an equivalent credit quality below investment grade at the time of purchase, defined as:
 - a. BBB by Standard & Poors for straight bonds and convertibles
 - b. Baa3 by Moody's Investor Service for straight bonds and convertibles
 - c. A1 by Standard & Poors for short term securities
 - d. P1 by Moody's Investor Service for short-term securities
 - e. AAA for money market accounts
8. The following transactions are prohibited: Purchase of non-negotiable securities, derivatives, high-risk or junk bonds, private placements, precious metals, commodities, short sales, any margin transactions, straddles, warrants, options, life insurance contracts, leverage or letter stock.

DIVERSIFICATION

1. The Friends will seek to maintain a reasonable diversification of investment assets between asset classes and investment categories.
2. Investments within the investment portfolio should be readily marketable.

ASSET ALLOCATION

The asset allocation policy shall be predicated on the following factors:

1. The relationship between the current or projected assets of the Friends and any projected liabilities.
2. Liquidity requirements (cash flow) for allowable expenditures.
3. The perception of future economic conditions, including inflation and interest rate assumptions.

4. The asset allocation range shall be:

Asset Allocation Range	Target	Upper limit
Cash & Equivalents	25%	0 – 100%
Fixed Income	75%	20 – 80%
Money Market Funds	0%	0 – 45%
Equities (Stocks & Bonds)	0%	0 – 25%

5. Rebalancing may be done on an annual basis or more frequently if deemed necessary.

PERFORMANCE

Performance objectives are to be met on a net-of-fees basis. Investment performance should be measured or reviewed by the Investment Committee no less than annually on a net-of-fees basis. Performance should be evaluated on a three- to five-year basis to allow for market fluctuations and volatility.

ACKNOWLEDGMENT

We recognize the importance of adhering to the Friends’ purpose and strategies detailed in this policy and agree to work to fulfill the objective stated herein within the guidelines and restrictions to the best of our ability.

President Sharon Terry

Vice President Susan Flinspach

Secretary Mary Hofmann

Treasurer Connie Wright

Investment Committee Members Connie Wright, Chair

Mary Hofmann, Secretary

Kenra Bragonier

Susan Flinspach

Lori Nelson

Sharon Terry

Approved on: June 8, 2017