

## Investment Policy Statement

### **SCOPE**

This Investment Policy Statement (“IPS” or “Policy”) applies to the investment activities of Oakland School for the Arts (“OSA”) in carrying out the investment programs of the general investment accounts of OSA. Its purpose is to provide a clear understanding of the objectives, goals, risk tolerance, and investment guidelines established for the investment accounts.

### **STRUCTURE**

The Board is responsible for creation of, approval of, and updates to the Investment Policy Statement.

The Finance Director is designated to advise the Board on issues related to the IPS including responsibility to review the Policy annually for appropriateness and completeness while ascertaining the need for updates and monitoring compliance with the Policy.

A copy of this IPS shall be given to each firm retained to provide investment services to OSA, and each such firm shall acknowledge in writing receipt of the document and acceptance of its content.

### **INVESTMENT OBJECTIVE**

The long-term investment objective of OSA’s investment accounts is to serve the operational needs of OSA.

OSA seeks to achieve a balance between income/growth and preserving capital. Liquidity concerns are such that at least **3 month’s worth of expenses** of the account value shall remain liquid to meet any immediate cash requirements. Interest and other earnings from investments will typically be withdrawn to fund day-to-day expenses of OSA while the principal will generally be reinvested.

### **PERMITTED INVESTMENTS**

The Finance Director shall be authorized to invest and reinvest OSA’s assets. Listed below are investments currently authorized to be used by the Finance Director and Asset Managers:

- Cash and Cash Equivalents (including all money market instruments with a maturity of one year or less and bank CDs with a maturity of 6 months or less).

### **INVESTMENT AND FIDUCIARY STANDARDS**

A prudent expert standard requires the assessment of prudence expected from a professional investment manager to an individual investment with reference solely to its own characteristics rather than to its relationship to the entire portfolio. This standard shall be applied by the Finance Director and in the contexts of oversight and administration of the overall portfolio. Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived from the investment. Any person or firm retained for purposes of investing or making recommendations for the

investment or monitoring of OSA's assets will be held to the higher standard of a prudent expert. Such person or firm will exercise the judgment, care, skill, prudence, and diligence under the circumstances then prevailing, which persons of prudence, discretion, and intelligence, acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims. Pursuant to this investment policy, the Finance Director shall refrain from personal business activities that conflict with proper execution of the investment program or impairs the Finance Director's ability to make impartial investment decisions.

The Finance Director may utilize an Asset Manager to invest the assets of OSA. The Asset Manager should feel free to recommend appropriate changes to the investment policy to the Finance Director for further consideration. The Asset Manager will act as a fiduciary with regard to the management of OSA's assets.

The Asset Manager shall be [Merrill Lynch]. To the extent it becomes necessary to replace the Asset Manager, the following are general guidelines the Finance Director will follow for the selection of the new Asset Manager:

- Utilize a competitive process for selection when feasible.
- State the expected responsibilities of the Asset Manager in writing.
- Determine the criteria to be used for the selection process. The Finance Director may select a discretionary Investment Consultant to execute the Asset Manager due diligence and selection process.

The Finance Director may terminate an Asset Manager at any time for any reason, including, but not limited to, the following:

- Qualitative changes – personnel changes or other organizational issues of the firm;
- Quantitative changes – underperformance relative to investment objectives and style deviations;
- Policy issues – violation of investment policies or legal issues;
- Communication – failure to adhere to reporting requirements.

The Asset Manager, in performing its investment duties, shall comply with fiduciary standards. In case of conflict with any law authorizing investments, investment and fiduciary standards, the law shall prevail. Such investment duties shall be discharged with respect to OSA solely in the interests of OSA. By adhering to the Prudent Expert standard, attention will be made to minimizing the risk of losses, unless under the circumstances it is clearly prudent not to do so.

### **INTERNAL CONTROLS**

The Finance Director shall establish and monitor a set of internal controls designed to protect OSA's assets and ensure proper accounting and reporting of the transactions. The controls shall be reviewed by independent certified public accountants as part of any financial audit periodically required. The internal controls should be designed to prevent losses of funds which might arise from fraud, error, misrepresentation by third parties, or imprudent actions by OSA administrators or employees.

### **DONATED INVESTMENTS**

All investments acquired by donations to OSA shall initially be recorded at fair market value as of the date of donation.

Donated investments shall be recorded as unrestricted, temporarily restricted, or permanently restricted income and net assets based on the existence or absence of such restrictions.

Subsequent to the acquisition, it shall be the policy of OSA to liquidate investments immediately and record the gain/loss immediately. OSA is not authorized to hold equity investments as they are not a permitted investment per this policy.

### **PROCEDURES AND REPORTING**

Interest earned on permitted investments will be reported to the Board as a part of the regular financial reporting (1st and 2nd Interim reports), and therefore the Board will monitor actuals to budget as they relate to the permitted investments at regular intervals.

On an ad hoc basis, the Board may request a presentation or statements prepared directly by the Selected Asset manager as it relates to the portfolio and permitted investments.

## DEFINITIONS

Asset Allocation - The division of the total portfolio into different percentages by asset class.

Asset Manager - Any banking or financial institution engaged by OSA for the purpose of managing the investment, sale and liquidation of investment assets.

Authorized Officer - The OSA Finance Director, or any designee.

Board - Board of Director of OSA.

Custodian - A financial institution that provides safekeeping of securities, transaction processing, and/or portfolio reporting services.

OSA - Oakland School for the Arts