

**Area Agency on Aging of Pasco-Pinellas, Inc.**  
**Investment Policy**



**March 2022**



## AREA AGENCY ON AGING OF PASCO-PINELLAS, INC. FINANCE AND ADMINISTRATIVE POLICIES AND PROCEDURES

### INVESTMENT POLICY

**POLICY:** INVESTMENT POLICY

**Policy Number:** AF -1030

**DEPARTMENT:** ADMINISTRATION

**PROGRAM:** EXECUTIVE/ FINANCE

#### **BACKGROUND:**

In the normal operations of the Area Agency on Aging of Pasco-Pinellas, Inc. (AAAPP and herein referred to as the Agency) to provide services and funding to the community, cash operating balances may accumulate. To utilize the funds in a prudent and fiscally responsible manner, the investment policy will allow for cash management stability and manage resources to build capacity to expand existing services, develop innovative programs and provide support to our community partner agencies.

#### **PURPOSE:**

The Agency's investment policy is to establish guidelines and, in alignment with the Agency's mission, to fulfill its strategic plan goals and provide for the financial stability of the Agency. The investment policy considers maintaining sustainable cash balances, providing operating funds, as well as preparing for current and future operating needs.

The policy communicates investment objectives, allows for the creation, use and dissolution of investment accounts, provides standards for monitoring and management of all assets which are invested.

The policy guidelines provide for effective management of excess cash balances that may fluctuate during the year and are not needed for operating purposes or current designated obligations.

#### **INVESTMENT PHILOSOPHY:**

**The Uniform Prudent Management of Institutional Funds Act (UPMIFA)** is designed to provide guidance on investment decisions and endowment expenditures for nonprofit and charitable organizations. Conformation with the adopted version of UPMIFA is the intent of this investment policy. Investments must be made in relation to the overall resources of the Agency and its charitable purposes. No investment decision may be made in isolation but must be made in light of the Agency's entire portfolio.

**Diversification.** The Agency recognizes the broad diversification of the investment assets among various asset classes should help mitigate the magnitude of a loss in any single year.

#### **RESPONSIBILITIES as it relates to the Investment Policy:**

**The Board of Directors** has the role of direct oversight of all decisions related to the Agency's investments. The Board has delegated supervisory responsibility for the management of our institutional funds to the Finance Committee and Staff.

## AREA AGENCY ON AGING OF PASCO-PINELLAS, INC. FINANCE AND ADMINISTRATIVE POLICIES AND PROCEDURES

### INVESTMENT POLICY

- **Board of Directors:** Responsibilities of the Board are to ensure that its fiduciary responsibilities concerning the proper management of AAAPP funds are fulfilled through appropriate investment structure, internal and external management, and portfolio performance consistent with all policies and procedures. Based on the advice and recommendations of the Finance Committee, the Board approves investment policies and objectives that reflect the long-term investment-risk orientation of the investment portfolio.
  
- **Finance Committee:** Finance Committee Responsibilities are to follow procedural guidelines to make informed recommendations to the Board regarding the management of the assets.
  - Development and recommendation of policy
  - Prudent Management and Recommendation of Institutional funds including
    - Asset Classes
    - Asset allocation ranges
    - Performance standards/objectives
    - Third party relationship oversight
    - Monitor and evaluation of performance
    - Review and recommendation of reserve investment balances
  
- **Management: Executive Director, Chief Financial Officer, and Staff**
  - Implement policies established by the Board of Directors concerning management of invested funds.
  - Contract with investment consultants, investment managers/advisors, banks and accountants to ensure proper management of funds.
  - Be the primary liaison between any investment professionals that may be retained to assist in the management of such funds and the Board and its Committees.
  - Oversee the day-to-day operational investment activities of all institutional funds subject to policies established by the Board of Directors.
  - Ensure that contracts are adhered to.
  - Review the monthly statements and discuss the account with the money manager as needed.
  - Meet with investment professionals to monitor performance of fund investments, gather information, and determine rebalances of assets or allocations.
  - Comply with accounting and auditing guidelines regarding due diligence and ongoing monitoring of investments.
  - Prepare and issue periodic status reports to the Board of Directors and the Finance Committee.

## **INVESTMENT POLICY**

### **Conflicts of Interest**

All persons responsible for investment decisions, who are involved in the management of the Agency, will follow the Agency's Conflict of Interest Policy.

Any members of the Finance Committee shall refuse any remuneration, commission, gift, favor, service or benefit that might reasonably tend to influence them in the discharge of their duties, except as disclosed in writing to and agreed upon in writing by the Agency. The intent of this provision is to eliminate conflicts of interest between committee membership and the Agency.

### **ESTABLISHING RESERVE FUNDS:**

As per established policy, direction and/or approval from the Board of Directors, the Agency will set aside excess funds in a manner consistent with prudent oversight of assets and establish reserves to invest and maintain capital to ensure financial and programmatic sustainability of the mission. Reserve funds designations of cash reserves, capital reserves, operating reserves, community partnership funds, long-term reserves, and endowment funds and their growth and maintenance, may or will be established by the Board of Directors. Reserve Fund investments and expenditures will be determined at the discretion of the Board of Directors.

The Board of Directors at the recommendation of management will establish fund balances.

The Board of Directors reserves the right to dissolve any reserve fund when necessary and in the best interest of the Agency, according to the fund's particulars and legal requirements.

The Agency will provide for review of surplus unrestricted net assets to set aside a designated % to be recommend by Agency to be considered and determined by the Board of Directors. Withdrawals and use of funds are at the discretion of the Agency within policy guidelines.

### **INVESTMENT OF FUNDS:**

Each type of reserve fund will have its own specific investment policy. The investment policy for each type of reserve fund will consist of investment objectives and permitted investment types as modeled from the following:

- **OBJECTIVES:**
  - **Growth:** the goal of the invested funds is capital appreciation
  - **Growth and Income:** the goal of invested funds is to seek current income but also to seek income and capital growth over time.
  - **Income:** the goal of the invested funds is to maximize the amount of current income while forgoing capital appreciation.
  - **Capital Preservation:** The goal of the invested funds is to preserve the initial investment of funds while generating income on those investments, when possible.

## AREA AGENCY ON AGING OF PASCO-PINELLAS, INC. FINANCE AND ADMINISTRATIVE POLICIES AND PROCEDURES

### INVESTMENT POLICY

- **PERMITTED INVESTMENT TYPES:**
  - **Investment Types:**
    - Cash and on demand deposits
    - Treasury Bills issued by the federal government and its agencies
    - State or Municipal issued bonds
    - Exchange traded funds
    - Mutual Funds
    - Stocks
    - Bonds
  - **Each type of reserve fund will define the following investment classes and allocation ranges for each class:**
    - Equities
    - Fixed Income
    - Cash and Cash Equivalents
- **PROHIBITED INVESTMENT TYPES:**
  - Non-bank issued Asset-Backed Commercial Paper
  - Electronic Currency
  - Any investment not specifically permitted by this Policy
- **STANDARDS AND PERFORMANCE BENCHMARKING:**
  - Each reserve fund type will define quality standards using ratings agencies such as:
    - Standard and Poor's(S&P)
    - Moody's
    - Bloomberg
    - Use of established stock/mutual funds/ETF research services
  - Each reserve fund type will specify performance benchmarks which are based on the stated investment objective and asset allocation

### RECORDING AND REPORTING OF INVESTMENTS:

The Agency will maintain records and transactions for all the reserve funds on the Statement of Financial Position appropriately classified as required by Generally Accepted Accounting Principles, adhering to the board-approved policies, providing for proper internal controls of investments and accounting procedures.

The Executive Director is responsible for ensuring that the Operating Reserve Fund is maintained and used only as directed by Agency policy. Upon approval for the use of Operating Reserve funds, the Executive Director will maintain provisions that affect the creation, sufficiency, and management of the Operating Reserve(s). The Executive Director will provide regular reports to the Finance



## **AREA AGENCY ON AGING OF PASCO-PINELLAS, INC. FINANCE AND ADMINISTRATIVE POLICIES AND PROCEDURES**

### **INVESTMENT POLICY**

Committee/ Board of Directors on distribution of funds and progress to restore the Fund to the target minimum amount, if applicable.

The Board of Directors and its Finance Committee provides for governance over management to ensure all regulatory, legal, accounting standards and reporting requirements imposed by federal, state, and local governments relating to nonprofit organizations; and restrictions imposed by donors on the use of donations are followed.

#### **MONEY MANAGER QUALIFICATIONS:**

The Agency will strive to partner with a Money Manager who is an active resource and contains fees. The Agency will expect the Money Manager to maintain low fees of less than 1.25% and attend at least one annual meeting to present the position of the portfolio and its results.

#### **POLICY REVIEW AND REVISION:**

The investment policy may be reviewed and revised by the Finance Committee and Board of Directors, and its assigned committees, if applicable at any time but no less than every other year. In the event changes to the policy are required the Finance Committee will provide content of the revision and recommendation to the Board of Directors of the Agency to approve the change according to the Bylaws and process of governance of the Agency.

**DATE DEVELOPED: 01/24/2022**

**DATE APPROVED BY THE BOARD OF DIRECTORS: 03/21/2022**



## AREA AGENCY ON AGING OF PASCO-PINELLAS, INC. FINANCE AND ADMINISTRATIVE POLICIES AND PROCEDURES

### INVESTMENT POLICY

**POLICY:** RESERVE POLICY – SHORT TERM

**Policy Number:** AF -1031

**DEPARTMENT:** ADMINISTRATION

**PROGRAM:** EXECUTIVE / FINANCE

#### **BACKGROUND:**

In the event the Agency determines that undesignated surplus operating funds or accumulated committed funds are not needed immediately for operations the excess cash balances should be reviewed for investment in appropriate securities, liquid, or long term, in alignment with the values and mission of the Agency. Reserves are to provide sustainability, support, opportunity, and innovation.

#### **PURPOSE:**

The policy is to ensure proper use and stewardship of Agency assets to provide financial stability in current and future operations, to have liquid cash reserves to provide for ongoing services, used for operational needs, capital expenditures, unexpected financial burdens, business continuation, disaster funding needs, assist funding partners and/or provide for the development of services to further the mission of the Agency.

The policy communicates guidelines to fund and use reserve accounts, provides standards for monitoring and management of short-term and long-term investment policies.

The policy guidelines provide for effective management of excess cash balances that may fluctuate during the year and are not needed for operating purposes or current designated obligations.

#### **FUNDING OF RESERVE:**

The Reserve funds are intended to provide for Agency needs and will be held/invested in short-term or liquid funds to provide flexibility and immediate or simple access to funding for Agency operational or emergency needs. Funding of the Reserve will be recommended by Agency Staff and determined by action of the Board of Directors and can be determined under the following guidelines:

**Current Year Set Aside Review:** At least once during the current fiscal year the Executive Director and the Chief Financial Officer will determine if available cash balances should be moved to reserve accounts if cash balances accumulate in the Agency checking accounts.

**Target Balance:** The balance of the reserve should be maintained at least 25% or higher of prior annual operating expense or the current year projected operating expenses which ever management deems to be more appropriate, to provide for revenue fluctuation factors.

## AREA AGENCY ON AGING OF PASCO-PINELLAS, INC. FINANCE AND ADMINISTRATIVE POLICIES AND PROCEDURES

### INVESTMENT POLICY

#### **ASSET ALLOCATION OF RESERVE FUNDS:**

The Fund asset allocation ratio will be determined by the Finance Committee to maintain a source of liquid short-term funds for use in operations if necessary and a mix of long-term investment as per the investment-risk established by and related to agency strategy and policy.

#### **USE OF RESERVE FUNDS:**

Reserve funds may be withdrawn at the discretion of the Executive Director and Chief Financial Officer for the following purposes:

- An internal source of funds for situations such as, but not limited to, running the operations of the Agency due to a sudden increase in expenses, one-time unbudgeted critical infrastructure needs, unanticipated loss in funding, or uninsured losses.
- Expenses that will build long-term capacity, such as staff development, research and development, or investment in infrastructure and technology.
- The income received on the investment for the prior year at any time.

Reserve funds may be withdrawn at the discretion of the Executive Director and Chief Financial Officer for the following purposes with the approval of the Board of Directors:

- Seed funding for new initiatives to serve seniors that the Agency would like to undertake that are not otherwise funded by its current contracts.
- Grants to aging network providers in Pinellas and Pasco Counties who have a contractual relationship with the Agency, are in good standing and have demonstrated a need for such funding.
- A Board designated % of the total investment principal for operations.

#### **RECORDING AND REPORTING OF INVESTMENTS:**

The Agency Management will maintain records and transactions for all the reserve funds on the Statement of Financial Position appropriately classified as required by Generally Accepted Accounting Principles, adhering to the board-approved policies, providing for proper internal controls of investments and accounting procedures.

The Executive Director is responsible for ensuring that the Reserve Fund is maintained and used only as directed by Agency policy. Upon approval for the use of Reserve Funds, the Executive Director will maintain provisions that affect the creation, sufficiency, and management of the Reserve(s).

The Board of Directors and its committees provides for governance over management to ensure all regulatory, legal, accounting standards and reporting requirements imposed by federal, state, and local governments relating to nonprofit organizations; and restrictions imposed by donors on the use of donations are followed.



## AREA AGENCY ON AGING OF PASCO-PINELLAS, INC. FINANCE AND ADMINISTRATIVE POLICIES AND PROCEDURES

### INVESTMENT POLICY

The Executive Director is responsible for ensuring that the Reserve Fund is maintained and used only as described in this Policy. Upon approval for the use of Reserve funds, the Executive Director will maintain provisions that affect the creation, sufficiency, and management of the reserve funds.

The Reserve Fund will be recorded in the financial records as the Investment Fund, funded by available cash or investment as designated. The funds will be transferred to a separate bank account or investment fund in accordance with investment policy and asset allocations determined by the Finance Committee.

#### **POLICY REVIEW AND REVISION:**

The investment policy may be reviewed and revised by the Finance Committee and Board of Directors, and their assigned committees, at any time. In the event changes to the policy are required the Finance Committee will provide content of the revision and recommendation to the Board of Directors of the Agency to approve the change according to the Bylaws and process of governance of the Agency.

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## AREA AGENCY ON AGING OF PASCO-PINELLAS, INC. FINANCE AND ADMINISTRATIVE POLICIES AND PROCEDURES

### INVESTMENT POLICY

**POLICY:** RESERVE POLICY  
LONG-TERM RESERVE FUND

**Policy Number:** AF -1032

**DEPARTMENT:** ADMINISTRATION

**PROGRAM:** EXECUTIVE / FINANCE

#### **BACKGROUND:**

In the event the Agency determines that undesignated surplus operating funds are not needed immediately for operations the excess cash balances should be reviewed for investment in appropriate securities, liquid, or long-term, in alignment with the values and mission of the Agency. Long-term reserves are meant to be invested for the growth of the invested assets while providing a stable annual distribution of a percentage of the total fund value, which the Agency may choose to use or reinvest.

#### **PURPOSE:**

The policy is to ensure proper use and stewardship of Agency assets to provide current as well as future operations and projects.

The policy communicates guidelines for investment of long-term reserve funds. It is meant to be consistent with the Agency's overall investment policy (AF-1030) while providing greater details on the investment of long-term reserve funds.

#### **SPENDING POLICY:**

##### **Funds Available for Distribution**

- The Board will review and designate funds on an annual basis.

##### **Spending Rate**

- The staff will present a recommended spending rate annually.
- Regardless of the suggested annual spending rate, the Board may elect to reinvest any funds which would be made available for distribution.

#### **INVESTMENT OF FUNDS:**

The investment policy for long-term reserve funds will consist of investment objectives and permitted investment types as follows:

- **OBJECTIVE:**
  - **Growth:** the goal of the invested funds is capital appreciation

## AREA AGENCY ON AGING OF PASCO-PINELLAS, INC. FINANCE AND ADMINISTRATIVE POLICIES AND PROCEDURES

### INVESTMENT POLICY

- **PERMITTED INVESTMENT TYPES:**
  - Cash and on demand deposits
  - Treasury Bills issued by the federal government and its agencies
  - State or Municipal issued bonds
  - Exchange traded funds
  - Mutual Funds
  - Stocks
  - Bonds
  
- **PROHIBITED INVESTMENT TYPES:**
  - Non-bank issued Asset-Backed Commercial Paper
  - Electronic Currency
  - Any investment not specifically permitted by this Policy
  
- **PERFORMANCE BENCHMARKS**
  - Standard and Poor's (S&P)
  - Moody's
  - Bloomberg

The total benchmark represents the long-term asset allocation that the Board believes gives the Agency the best chance to meet spending policy needs while maintaining an acceptable level of risk within the long-term investment reserve fund.

#### **POLICY REVIEW AND REVISION:**

This policy may be reviewed and revised by the Finance Committee and Board of Directors, and their assigned committees, at any time. In the event changes to the policy are required the Finance Committee will provide content of the revision and recommendation to the Board of Directors of the Agency to approve the change according to the Bylaws and process of governance of the Agency.

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