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A Division of First Citizens Bank

Information prepared for:

Non-profit Financial Managers

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Thatcher Freeborn

Managing Director

Non-profit Banking Group

tfreeborn@svb.com

617-913-8184

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Cash Investment Policy Discussion

What is Cash Investment Policy

Cash Investment is a set of policies and procedures to establish a holistic program for the investment of an organization's cash balances.

Objectives:

1. Find the optimal balance among safety, yield and liquidity.
2. Meet cash flow obligations as they come due.
3. Avoid any mismatch between an investment's maturity and budgeted liquidity needs.
4. Account for potential unanticipated or surprise events.
5. Build in accountability and risk management.

First Steps

1. Review Cash Flows and Create a Cash Forecast
    a) Consider your types of A/R (reimbursement, grants, pledges, etc.) and any potential risks (i.e. government shut down, stock market decline impacting funders/sponsors).
    b) Incorporate other potential uses of cash.
2. Segment your Cash into categories based on time horizon of liquidity needs and purpose.
    a) Operating: same day liquidity to fund operating needs.
    b) Goals Based: Capital: 6 months + liquidity depending on capital budget or
       Program Reserve: 6-12 month liquidity for growth/expansion.
    c) Excess Reserves: Greater than 1 year; undesignated reserves.
3. Clearly state the investment objectives.
    a) Key Items: Liquidity (how much of a potential wait or "hold" on accessing an investment is your organization comfortable with), total returns (capital appreciation + interest + dividends) goal, Risk tolerance – safety (potential changes in value), performance to benchmark, permissible investments.
4. Consider the implementation and oversight apparatus
    a) Who approves? What are the individual responsibilities? Who is monitoring? How to handle Exceptions? Who has final approval?
    b) In-house or outside manager. Think about the internal resources (portfolio management, credit risk, controls). Increase in complexity may require additional infrastructure.

Example Investment Objectives

When thinking about a cash investment strategy the following items, while not exhaustive, may be investment objectives. An organization would work to prioritize the objectives in order of importance.

1. Protecting Principal – Safety: (this is typically a primary cash investment objective for organizations).
2. Maintaining an appropriate daily liquidity level.
   a) Could be based on Days Cash on Hand Target or Monthly Cash Operating Expense or specific reserve targets (x months G&A+ x months staff MTD+ x months Benefits+ x months safety cushion).
3. Providing reliable income for the organization.
   a) Is a consistent income expectation desired? Note: seeking higher yields could correspond with increasing volatility, which should always be taken into account.
4. Obtain returns that beat a benchmark
   a) A good benchmark is straightforward, consistent with the asset allocation and risk/return profile, and available to the public, for example US Treasury Bills Indices.

Risk Tolerance – a Primary Concern

It is important to think through and clearly state your organization's tolerance for the possibility of not being able to raise cash and to also identify any mitigants you have put in place to address any risk that may be prudently taken.

Key Questions and examples of potential risk:

1. How do you feel about the possibility of paying a liquidity fee in times of market stress?
2. How do you feel about potential unrealized portfolio losses due to interest rate changes?
3. What are your credit risk parameters?
4. Can you accept some level of short term volatility?
5. What are acceptable realized gains/losses in a current period?
6. What investments are permissible?
7. What is the time horizon and accompanying investment strategy for each cash segment?
8. Are there any values based screening that should be incorporated?
9. Does currency risk exist (i.e. international organizations).

Governance

It is important to have clearly defined responsibilities incorporated into the policy. A form of the following should be incorporated:

1. Roles and Responsibilities.
2. What are the reporting and monitoring requirements?
3. How often will the plan be reviewed and updated?
4. Who will assess and update liquidity targets and cash segmentation targets?
5. Create a process for dealing with exceptions to the policy.
6. Final approval of the policy and future updates, amendments?

Other Related Considerations

This is a list of some other items that might be directly or indirectly related to your work of preparing a cash investment policy:

1. Fraud Prevention
   a) Fraudsters are increasingly sophisticated and very active.
   b) Items such as Positive Pay; Dual authentication ACH and Wire, Alerts and Daily Monitoring are highly encouraged.
2. Contract Changes
3. Debt / Lease repayment schedules – balloon payments or potential line of credit demand.
4. Major Repairs/Maintenance – Capital Planning
5. Other Revenue or Expense Risk
6. This also may also be an opportunity to review strategies to increase cash levels; i.e. A/P terms, credit card utilization (aka float and statement cycle management), A/R improvements.

Elements of a Cash Investment Policy Statement (1 of 2)

1. Introduction
   a) Statement of purpose for the policy.
2. Delegation of Authority
   a) Who reviews and approves. Who is delegated with responsibility to execute.
3. Scope
   a) Identify various funds governed by the policy.
4. Objectives
   a) List primary investment objectives in order of priority. For example: 1. Preservation of Capital, 2. Liquidity, and 3. Optimize the investment return within the constraints.
5. Standards of Care
   a) Prudence – “prudent person” standard.
   b) Ethics and Conflicts of Interest.
   c) Investment Advisor.
6. Authorized or Permissible Investments
   a) List of various instruments allowed and maximum maturity and credit parameters.
   b) Include any ESG or related initiatives that may be applicable.

Elements of a Cash Investment Policy Statement (2 of 2)

7. Diversification Parameters
   a) Indicate the maximum percentage of total cash governed by the policy that can be invested in certain sectors (can include a sector and/or per issuer maximum).
8. Safekeeping and Custody parameters
   a) Reporting requirements, custodian internal controls requirements (SOC audits).
9. Performance Standards/Evaluation
   a) Benchmark identification and return targets.
10. Reporting
    a) Detail reporting requirements for both internal and investment advisor management of funds.
11. Policy Exceptions
    a) Who can approve, process if applicable.

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Exhibits & Disclosures

Insured Cash Sweep Products

How Does Insured Cash Sweep (ICS) Work

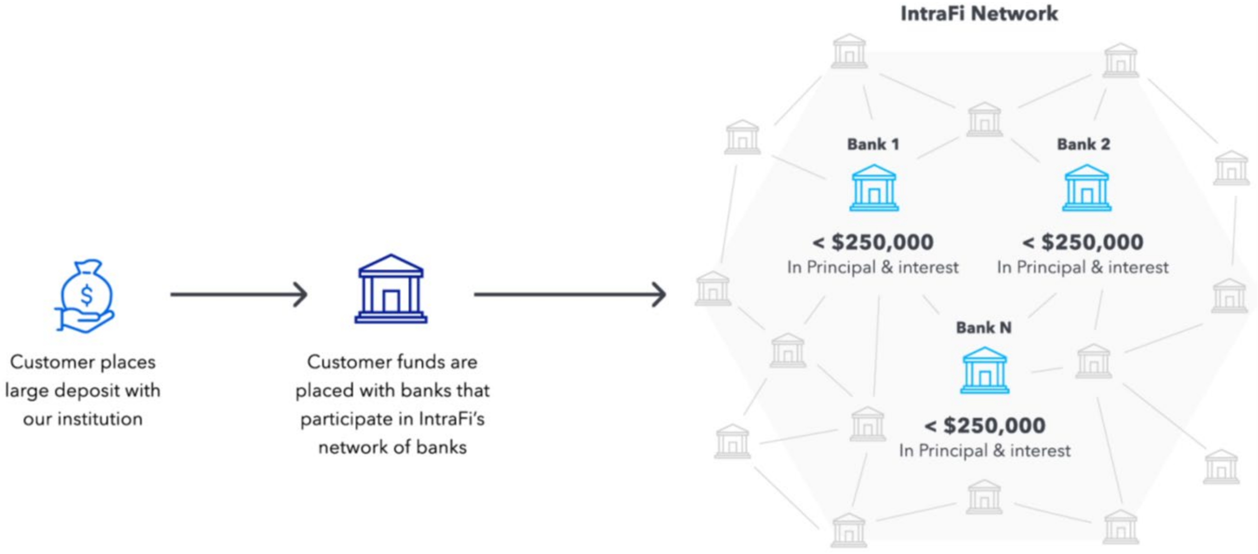
Many banks are members of the ICS network. When a bank uses ICS to place funds, that deposit is divided into amounts under the standard FDIC insurance maximum of $250,000 and housed in deposit accounts at other FDIC-insured banks that participate in the same network.

Clients will typically receive just one monthly statement detailing all of their placements, and, as always, confidential client information will remain protected.

Here is the link to see if your bank participates in the IntraFi services:

https://www.intrafinetworkdeposits.com/find-intrafi-network-deposits/

Through just one bank relationship, organizations can access FDIC-insured deposits from over 3,000 other member network depository institutions.

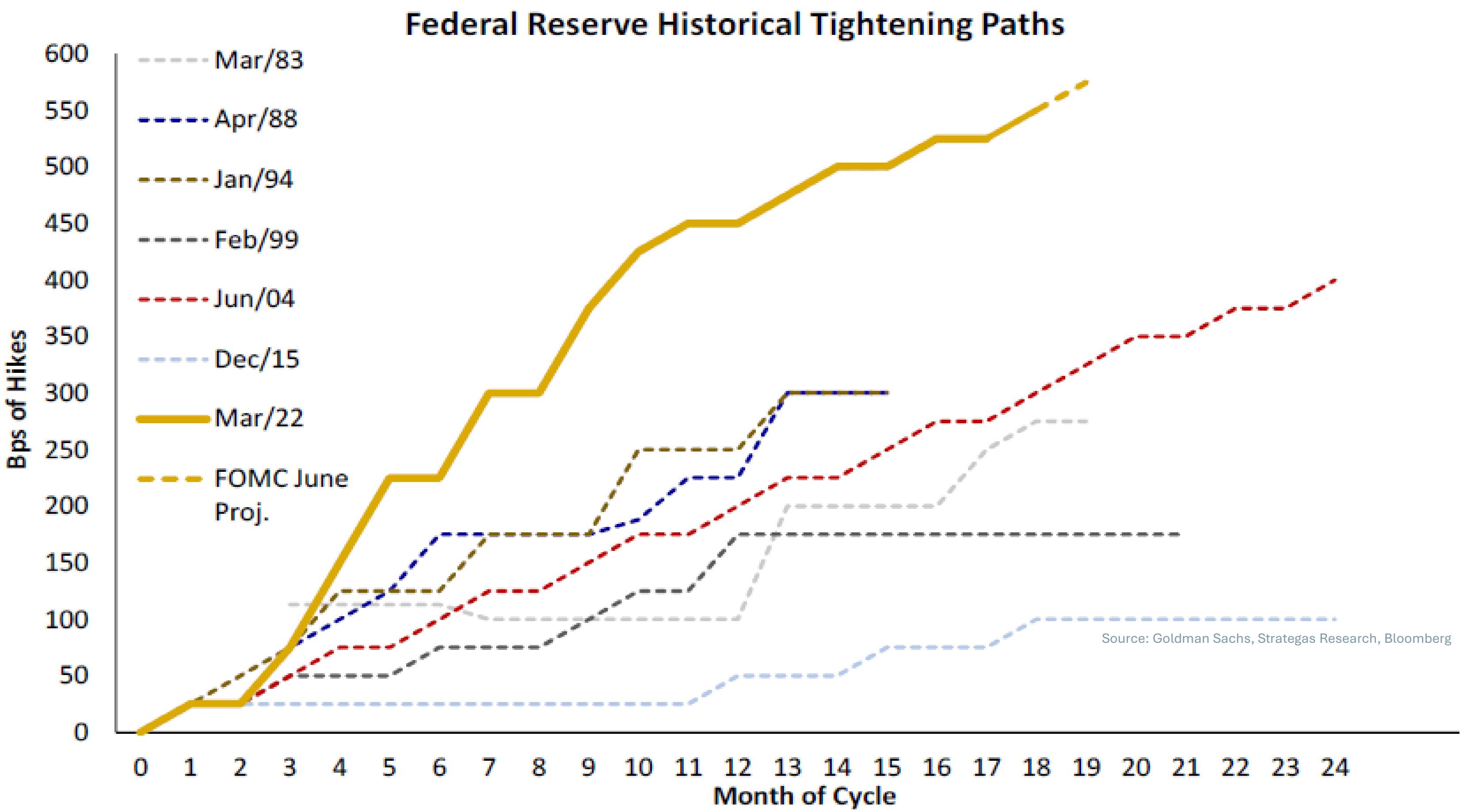


The depositor must have or set up a transaction account with a Bank for the use of ICS.

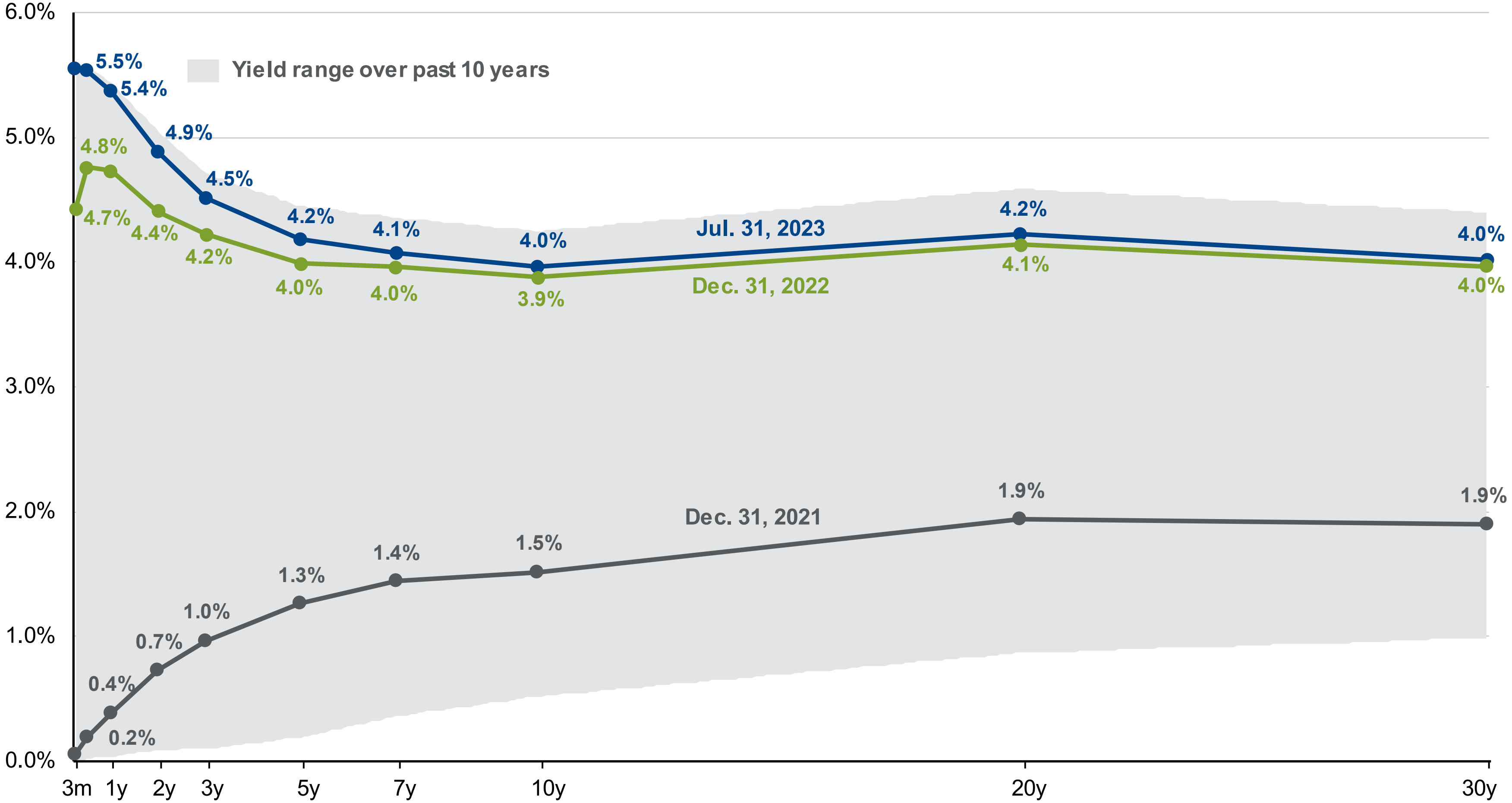
*Placement of your funds through the ICS service is subject to the terms, conditions, and disclosures set forth in the agreements that you enter into with us, including the ICS Deposit Placement Agreement. Limits and customer eligibility criteria apply. Program withdrawals are limited to six per month when using the ICS savings option. ICS, Insured Cash Sweep, and Bank Safe, Bank Smart are registered service marks of IntraFi Network LLC. Withdrawals from certificates of deposit prior to maturity are subject to substantial penalty. Fees can reduce earnings on checking, savings, and money market accounts. Minimum balances may apply. All rates are subject to change without notice and interest rates that apply to variable rate accounts may change after the account is opened. Terms and conditions (including eligibility) provided herein are for illustrative purposes only and may change at any time at SVB, a Division of First Citizens Bank & Trust's discretion without prior notice.
This presentation is not complete without the attached Important Disclosures.

Interest Rates

The largest increase in the Fed Funds rate hike in history also occurred the fastest.



U.S. Treasury yield curve



Source: FactSet, Federal Reserve, J.P. Morgan Asset Management. *Guide to the Markets – U.S.* **Data are as of July 31, 2023**
Information presented is market based data, not performance.

Yield curve: This page shows the U.S. Treasury yield curve as of the most recent date, year-end 2022 and year-end 2021. As the Federal Reserve aggressively hiked interest rates in 2022, the front-end of the curve rose significantly. The back end of the curve rose as well, but has flattened as growth concerns weigh on long rates.

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APY calculation assumes that the deposit and interest remain for one full year. Withdrawals from certificates of deposit prior to maturity are subject to substantial penalty. Fees can reduce earnings on checking, savings, and money market accounts. Minimum balances may apply. All rates are subject to change without notice and interest rates that apply to variable rate accounts may change after the account is opened.

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SVBW classifies assets based on general characteristics such as income generation, underlying capital structure, liquidity, or exposure to certain market sectors.

Investing in equity securities involves volatility risk, market risk, business risk, and industry risk. Volatility risk is the chance that the value of a stock will fall. The price of stocks also fluctuate in response to economic and business developments. Business risk is the chance that a specific company's stock will fall because of issues affecting it, such as the company is managed. Industry risk is the chance that a set of factors particular to an industry group will adversely affect stock prices within the industry. Stocks of small and medium-sized companies entail special risks, such as limited product lines, markets, and financial resources, and experience greater volatility than securities of larger, more established companies.

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Investing in fixed-income securities may involve certain risks, including the credit quality of individual issuers, possible prepayments, market or economic developments and yields and share price fluctuations due to changes in interest rates. There may be less information available on the financial condition of issuers of municipal securities than for public corporations. The market for municipal bonds may be less liquid than for taxable bonds. High yield bonds are considered speculative and involve greater risk of default. Such bonds tend to be more volatile than investment-grade bonds and have a greater risk of price fluctuations and loss of principal and income than US government Treasury bills, notes and bonds.

International investing involves unique risks, including foreign taxation, foreign currency fluctuation risks, risks related with possible variances in financial standards and other risks associated with potential political, social and economic developments. Investing in emerging markets may involve greater risks than investing in more developed countries.

Alternative investments (such as hedge funds) are private investment vehicles restricted to certain qualified and institutional investors. They are often speculative and include a high degree of risk. An investment in derivatives, such as futures and options contracts, involves additional risks that an investor would not be subject to if it invested directly in the securities and commodities underlying those derivatives. The investor may experience losses that exceeds losses experienced by investors that do not use futures contracts and options. Although futures contracts are typically liquid instruments, under certain market conditions there may not be a liquid secondary market always available. Trading restrictions or limitations may be imposed by an exchange, and government regulations may restrict trading in futures contracts and options. Over-the-counter transactions are subject to little, if any, regulation and may be subject to the risk of counterparty default.

Mutual funds and other investments are subject to market volatility and the risks of their underlying securities, which may include the risks associated with investing in smaller companies, foreign securities, commodities, derivatives and fixed income investments. Stock markets, especially foreign markets, are volatile and can decline significantly in response to adverse issuer, political, regulatory, market or economic developments.

Investments in mutual funds and ETFs include embedded investment management fees paid to the investment adviser of the mutual fund or ETF. As such, client accounts that invest in mutual funds and/or ETFs will be subject to two layers of management fees. An explanation of the fees and expenses for each mutual fund and/or ETF is included in that mutual fund's and/or ETF's prospectus.

Certain strategies are managed by unaffiliated third-party managers sourced by SVB Private. SVB Private may invest your assets with such unaffiliated third party managers or funds when such an investment is deemed advisable by its investment professionals. SVB Private chooses such third party managers or funds through its third party search and selection due diligence process. SVB Private has the investment discretion to invest client assets with third party managers or funds and reallocate such assets to SVB Private or any other third party manager or fund at any time as SVBW or SVBIS deems advisable for its clients. SVB, SVBW , and SVBIS, are not affiliated with any of the third party managers or funds that it may select through its search and selection due diligence process.

Risk and control models do not promise any level of performance or guarantee against loss of principal. SVB Private's due diligence process seeks to diminish, but cannot eliminate risk, nor does it imply low risk.

Separate Account Managers

As part of our discretionary investment advisory services, SVBW may recommend the allocation of a portion of your investment assets among one or more unaffiliated independent investment managers ("Separate Account Managers") in accordance with client's investment objectives. SVBW maintains a disciplined research and due diligence process to identify Separate Account Managers who offer proprietary investment strategies that we believe provide opportunities not available through, or more appropriate than, investment vehicles such as ETFs or mutual funds. Factors which our Investment Team considers in recommending Separate Account Managers include the client's designated investment objectives, management style, performance, reputation, financial strength, reporting, pricing, and research.

The Separate Account Manager shall have day-to-day responsibility for the active discretionary management of the allocated assets. SVBW shall continue to render Investment Advisory services to the client through the ongoing monitoring and review of account performance, asset allocation and client investment objectives. SVBW maintains ongoing annual due diligence and review over the recommended firms. Before a client establishes an account with a Separate Account Manager, the client shall also receive the Separate Account Manager's written disclosure statement specifying its fees and services.

SVBW enters into sub-advisory arrangements with the Separate Account Managers it recommends for client portfolios. This means that SVBW Advisors has discretionary authority to hire and/or fire the Separate Account Manager on behalf of Client and also results in some operational efficiencies regarding the opening and closing of accounts as well as communicating transaction details. The Separate Account Manager charges its own advisory fee which is deducted from Client's account at the customary billing intervals and is in addition to the investment advisory fees charged by SVBW. SVBW does not receive any compensation from any Separate Account Manager. The amounts placed with the Separate Account Manager are grouped together with the client's portfolio assets managed SVBW and are billed in accordance with the client's fee schedule. Risk and control models do not promise any level of performance or guarantee against loss of principal. SVBW's due diligence process seeks to diminish, but cannot eliminate risk, nor does it imply low risk.

Portfolio Fixed Income Sample Proposal

The proposed bond portfolio is intended for illustrative purposes only and may or may not reflect the actual allocation at the time of investment. The portfolio attributes shown above are of a sample fixed income portfolio created to your specifications based on bonds that were available at a specific point in time and may or may not be the actual investments SVBW can purchase on your behalf, depending on the prevailing market conditions at the relevant time. Although SVBW manages fixed income accounts with the objective of having specific attributes, there is no guarantee that SVBW will achieve that objective. Actual portfolio attributes, including average quality, maturity, yield to maturity, duration and current yield will be determined based on live market offerings available at the time or times a portfolio is created. Current yields presented do not indicate future performance. The yields presented are not intended to illustrate fixed income portfolio returns, rather, they measure coupon to principal at a point in time and will fluctuate with changes in market value and will be reduced by investment advisory fees

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