Changes are indicated with red font. No other revisions are reflected herein.

Cain Center for the Arts Investment Policy Statement

Original policy adoption: September 2022
Amended: August 25, 2026

1. Introduction

A. This investment policy statement was adopted by the Board of Directors of Cain Center for the Arts ~~in September 2022,~~ to provide guidelines for the management of various funds held by the organization. These policies supersede any and all prior actions regarding investment policies.

B. For the purposes of managing investment risk and to optimize investment returns within acceptable risk parameters, the funds will be managed under separate investment strategies.

(i) Operating Strategy

(ii) Short-term Reserve Strategy

(iii) Long-term Reserve Strategy

(iv) Endowment Strategy

2. Procedures

A. The Finance Committee shall review this investment policy annually.

B. The Finance Committee will recommend any changes in this policy to the Board of Directors for approval.

C. The Executive Director or his/her designee will determine the dollar amounts to be held in the Operating Funds.

D. The Finance Committee will determine the dollar amounts to be held in the Short-term Reserve Funds, Long-Term Reserve Funds and Endowment Funds.

3. Delegation of Authority

A. The Finance Committee is a fiduciary, and is responsible for directing and monitoring the investment management of the various funds' assets on behalf of the Cain Center for the Arts. As such, the Finance Committee is authorized to delegate certain responsibilities to professional experts in various fields. These include, but are not limited to Investment Management Consultant, Investment Manager, Custodian, and additional specialists.

B. It is anticipated that the services of a registered investment manager may be used to manage portions of the Long-term Reserve and/or Endowment Funds. The following procedure shall be followed to select or replace an investment manager:

(i) The Finance Committee will recommend consideration of an investment manager change to the Board of Directors.

(ii) The Treasurer and the Finance Committee will nominate prospective candidates and send a Request for Proposal to each candidate.

(iii) The Treasurer and the Finance Committee will review proposals and interview candidates to determine appropriate investment manager(s).

(iv) The Finance Committee will make the hiring recommendation to the Board of Directors, who shall have the final approval.

4. Operating Strategy

A. **Purpose** - The purpose of the Operating strategy Funds is to provide sufficient cash to meet the day-to-day financial obligations of the Cain Arts Center in a timely manner.

B. **Fund Selection** - The funds managed under the Operating Strategy are listed in Exhibit A attached hereto.

C. **Investment Objectives** - The investment objectives of the Operating Funds are:

(i) Liquidity;

(ii) Preservation of Capital; and

(iii) To optimize the investment return within the constraints above.

D. **Investment Guidelines**

(i) The Executive Director or his/her designee will invest the Operating Funds in the following instruments:

(a) Interest bearing Savings Account;
(b) Certificates of Deposit at insured commercial banking organizations;
(c) Money market funds, and
(d) Interest bearing checking accounts.

(ii) The maturities on investments for the Operating Funds shall be 3 months or less.

(iii) The Executive Director or his/her designee shall prepare the following reports for presentation on at least a quarterly basis to the Finance Committee:

(a) Account balances; and
(b) Interest income year to date.

5. Short-Term Reserve Strategy

A. **Purpose** - The purpose of the Short-term Reserve strategy is to meet the expenses occurring as a result of unanticipated activities and to improve the return on the funds held for expenditure for up to three years. Expenditure of the principal requires Board approval.

B. **Fund Selection -** The funds managed under the Short-term Reserve strategy, along with specific constraints, are listed in Exhibit B attached hereto.

C. **Investment Objectives** - The investment objectives of the Short-term Reserve Funds are:

(i) Preservation of capital;

(ii) Liquidity; and

(iii) To optimize the investment return within the constraints above.

D. **Investment Guidelines**

(i) The Executive Director and Treasurer will invest the Short-term Reserve Funds as follows:

(a) Interest bearing savings account;
(b) Certificates of Deposit at insured commercial banking institutions;
(c) Money market funds that invest in government backed securities;
(d) Interest bearing checking accounts;
(e) Direct obligations of the U.S. Government, its agencies and instrumentalities; and
(f) Mutual funds or Exchange Traded Funds that invest in direct obligations of the U.S. Government, its agencies and instrumentalities.
(g) Mutual Funds or Exchange Traded Funds that are income focused with shorter term duration and potentially higher yield.
(h) Structured Notes from commercial banks that are income focused and moderate to conservative in risk tolerance with fixed coupon payments and shorter duration term maturities i.e. 3 years or less.

(ii) The investments in the Short-term funds shall have a maximum maturity of 3 years.

(iii) The Executive Director or his/her designee shall prepare the following reports for presentation on at least a quarterly basis to the Board of Directors:

(a) Schedule of Investments;
(b) Income year to date; and
(c) Current yield.

6. Long-term Reserve Strategy

A. **Purpose** - The purpose of the Long-term Reserve strategy is to provide secure long-term funding for the mission of the Cain Arts Center. The assets of the Long-term Reserve Funds shall be managed in such a way as to facilitate the organization's goals and objectives as outlined by the Board of Directors. Expenditure of the principal requires Board approval unless otherwise designated by the donor(s) in part or in whole. Also, at the discretion of the Board of Directors, up to 100% of the yearly total return may be utilized for program and capital expenses unless restricted for specific purposes by the donor(s).

B. **Fund Selection** - The funds managed under the Long-term Reserve strategy, along with specific constraints, are listed in Exhibit C attached hereto.

C. **Investment Objectives** - In order to meet its needs, the investment strategy of the Long-term Reserve Funds is to emphasize total return; that is, the aggregate return from capital appreciation and dividend and interest income. Specifically, the primary objective in the investment management of the Long-term Reserve Funds shall be:

(i) Long-term growth of capital – To emphasize the Long-term growth of principal while avoiding excessive risk. Short-term volatility consistent with the volatility of a comparable market index is anticipated, though management should strive to contain it.

(ii) Preservation of purchasing power – To achieve returns in excess of the rate of inflation plus spending over the investment time horizon in order to preserve purchasing power of assets. Risk control is an important element in the investment of Long-term Reserve assets.

D. **Investment Guidelines**

(i) Investments shall be made solely in the interest of Cain Arts Center and Long-term Reserve Funds.

(ii) Cain Arts Center may employ one or more investment managers of varying styles and philosophies to attain the Funds' objectives.

(iii) The goal of the investment manager shall be to meet or exceed the market index selected and agreed upon by the Finance Committee.

(iv) Cash is to be employed productively at all times by investment in Short-term cash equivalents to provide safety, liquidity and return.

(v) Investment management of the assets of the Long-term Reserve Funds shall be in accordance with the following asset allocation guidelines:

Asset Class	Minimum	Maximum
Equities	20%	60%
Fixed Income	30%	70%
Cash Equivalents	0%	20%

(vi) The Finance Committee may employ investment managers whose investment disciplines require investment outside the established asset allocation guidelines. However, taken as a component of the aggregate portfolio, such disciplines must fit within the overall asset allocation guidelines established in this statement.

(vii) On an annual basis, the Finance Committee will review and evaluate investment allocation in reference to the Long-term Reserve Funds Asset classes.

(viii) The Long-term Reserve Funds strategy requires that all investment assets be invested in marketable securities, defined as securities that can be traded quickly and efficiently for the Long-term Reserve Funds, with minimal impact on market price.

(a) Cash Equivalents
- Treasury bills;
- Money market funds;
- Commercial paper;
- Banker's acceptances;
- Repurchase agreements; and
- Certificates of deposit.

(b) Fixed Income Securities
- U.S. Government and Agency securities;
- Corporate notes and bonds (investment grade, at least BBB-/Baa3);
- Exchange Traded Funds
- Structured Bank Notes
- Mortgage-backed bonds; and
- Preferred stock.

(c) Equity Securities
- Common stocks;
- Convertible notes and bonds;
- Convertible preferred stocks;
- Structured Bank Notes; and
- American Depository Receipts of non-US companies (ADRs).

(d) Mutual Funds that invest in securities as allowed in this statement.

(ix) To ensure marketability and liquidity, equity investments shall be executed through nationally recognized exchanges such as the New York Stock Exchange and NASDAQ.

(x) The specific Long-term Reserve Funds will be evaluated at least semi-annually on a total return basis. The evaluation will be based on the stated investment goals. Comparisons will show results for the year-to-date. The report will be prepared by the Treasurer and will be presented to the Finance Committee at least semiannually. The Finance Committee will present a report to the Board of Directors at least annually.

7. Endowment Strategy

A. **Purpose** - The purpose of the Endowment strategy is to provide permanent funding for the mission of Cain Arts Center. The assets of the Endowment shall be managed in such a way as to facilitate the organization's goals and objectives as outlined by the Board of Directors. The principal is permanent and irrevocable; thus it can never be spent. At the discretion of the Board of Directors, up to 100% of the yearly total return may be utilized for program and capital expenses unless restricted for specific purposes by the donor(s).

B. **Fund Selection** - The funds managed under the Endowment strategy, along with specific constraints, are listed in Exhibit D attached hereto.

C. **Investment Objectives** - In order to meet its needs, the investment strategy of the Endowment Funds is to emphasize total return; that is, the aggregate return from capital appreciation and dividend and interest income. Specifically, the primary objective in the investment management of the Endowment Funds shall be:

(i) Long-term growth of capital – To emphasize the Long-term growth of principal while avoiding excessive risk. Short-term volatility consistent with the volatility of a comparable market index is anticipated, though management should strive to contain it.

(ii) Preservation of purchasing power – To achieve returns in excess of the rate of inflation plus spending over the investment time horizon in order to preserve purchasing power of the assets. Risk control is an important element in the investment of Endowment assets.

D. **Investment Guidelines**

(i) Investments shall be made solely in the interest of Cain Arts Center and Endowment Funds;

(ii) Cain Arts Center may employ one or more investment managers of varying styles and philosophies to attain the Fund's objectives.

(iii) The goal of the investment manager shall be to meet or exceed the market index selected and mutually agreed upon by the Finance Committee.

(iv) Cash is to be employed productively at all times by investment in Short-term cash equivalents to provide safety, liquidity and return.

(v) Investment management of the assets of the Endowment Funds shall be in accordance with the following asset allocation guidelines:

Asset Class	Minimum	Maximum
Equities	50%	90%
Fixed Income	20%	50%
Cash Equivalents	0%	20%

(vi) The Finance Committee may employ investment managers whose investment disciplines require investment outside the established asset allocation guidelines. However, taken as a component of the aggregate portfolio, such disciplines must fit within the overall asset allocation guidelines established in this statement.

(vii) The Finance Committee will meet annually, between February and April, to monitor and reevaluate investment allocation in reference to the Endowment Funds Asset classes.

(viii) The Endowment Funds strategy requires that all investment assets be invested in marketable securities, defined as securities that can be traded quickly and efficiently for the Endowment Funds, with minimal impact on market price.

(a) Cash Equivalents
- Treasury bills and/or funds that hold treasuries;
- Money market funds;
- Commercial paper;
- Banker's acceptances;
- Repurchase agreements; and
- Certificates of deposit.

(b) Fixed Income Securities
- U.S. Government and Agency securities;
- Corporate notes and bonds (investment grade, at least BBB-);
- Structured Bank Notes;
- Mortgage-backed bonds; and
- Preferred stock.

(c) Equity Securities
- Common stocks;
- Convertible notes and bonds;
- Convertible preferred stocks;
- Structured Bank Notes; and
- American Depository Receipts of non-US companies (ADRs).

(d) Mutual Funds that invest in securities as allowed in this statement.

(ix) To ensure marketability and liquidity, equity investments shall be executed through nationally recognized exchanges such as the New York Stock Exchange and NASDAQ.

(x) The specific Endowment Funds will be evaluated at least semi-annually on a total return basis. The evaluation will be based on the stated investment goals. Comparisons will show results for the year-to-date. The report will be prepared by the Treasurer and will be presented to the Finance Committee at least semiannually, in the first quarter and third quarter of each fiscal cycle. The Finance Committee will present a report to the Board of Directors at least annually.

Exhibit A

Operating Funds

Fund	Strategy	Manager	7/31/26 Balance	Distribution Policy	Notes
~~United Community Bank (UCB)~~ First National Bank (FNB) Checking	Operating	Cain Center Management	$282,051	As needed	IntraFi Sweep account used to ensure FDIC limits are not exceeded
~~UCB~~ FNB Capital MMA	Operating	Cain Center Management	$627,702	For Sculpting the Future project	Considerations will be made to ensure FDIC limits are not exceeded

Exhibit B

Short-Term Reserve Funds

Fund	Strategy	Manager	7/31/26 Balance	Distribution Policy	Notes
Operating Reserves - Spendable	Short-Term	Merrill Lynch		Management Team submits expenditures for Board approval.	
Other Reserves - Spendable	Short-Term	Merrill Lynch		Management Team submits expenditures for Board approval.	

Exhibit C

Long-Term Reserve Funds

Fund	Strategy	Manager	7/31/26 Balance	Distribution Policy	Notes
Building Reserves - Spendable	Long-Term	Merrill Lynch		Capital expenditures and capital investments that may be required for facilities.	

As per Section 2D, management and Finance Committee will update the amounts shown in the above-listed reserve funds in accordance with current operating size/activities; the building maintenance needs of the main location, as well as the addition of the Goodrum and Puckett houses; restricted net assets; and future debt service requirements. Until this analysis is complete later in FY27, management suggests all Merrill Lynch funds, which total $2,382,060 as of 7/31/26, be invested in Short-Term Reserve Funds.

Exhibit D

Endowment Funds

Fund	Strategy	Manager	Principal	7/31/26 Balance	Distribution Policy	Notes
Endowment Fund	Endowment	Morgan Stanley	$550,000	$584,113	No official policy. All earnings are currently reinvested.	