LifeRing Investment Policy

Purpose

This investment policy is set forth by the Finance Committee of the Board of Directors of LifeRing. It applies to funds LifeRing keeps on hand for operating costs ("Excess Cash") as well as funds LifeRing may invest ("Investment Funds"). Its purpose is to:

- Define and assign responsibilities.
- Establish a clear understanding of the investment goals and objectives.
- Offer guidance and limitations to LifeRing staff and Board members regarding the investment of assets.
- Establish a basis for evaluating investment results.
- Manage the assets according to financial management best practices.

Unless otherwise described, this Policy is intended to apply to Excess Cash and Investment Funds held by LifeRing. In general, the purpose of this statement is to outline a philosophy and attitude that will guide the investment management of the assets toward the desired results.

Delegation of responsibilities

The Board of Directors has a direct oversight role regarding all decisions that impact LifeRing's Excess Cash and Investment Funds. The Board has delegated supervisory responsibility for the management of our Excess Cash and Investment Funds to the Finance Committee. Responsibilities of the various bodies and individuals responsible for the management of our Excess Cash and Investment Funds are set forth below:

Board of Directors

The Board shall ensure that its fiduciary responsibilities concerning the proper management of LifeRing's Excess Cash and Investment Funds are fulfilled through appropriate investment structure, management, and portfolio performance consistent with all policies and procedures. Based on the advice and recommendations of Finance Committee, the Board shall:

- select, appoint and remove members of the Finance Committee.
- approve investment policies and decisions that reflect LifeRing's risk objectives.

Finance Committee

Members of the Finance Committee are not held accountable for less than desirable outcomes. Members are responsible for adherence to procedural prudence, or the process by which decisions are made in respect to Investment Funds. The Finance Committee is responsible for the development, implementation and maintenance of all policies related to LifeRing's Excess Cash and Investment Funds and shall:

- Develop and/or propose policy recommendations regarding Excess Cash and Investment Funds.
- Convene regularly to evaluate whether this policy, investment activities, risk management controls and processes continue to be consistent with meeting the goals and objectives set for the management of Excess Cash and Investment Funds.
- Determine the need for any necessary investment managers and/or other outside professionals, if any.

Investment goals

The Board of Directors believes that future expenses of LifeRing are as important as current spending. The objectives are to:

- Fund LifeRing's mission.
- Maintain sufficient cash reserves during economic downturns.
- Grow the portfolio of Investment Funds at or above the rate of inflation.

To reduce the likelihood of underperformance and excessive deterioration of real principal during periods of volatility, LifeRing must employ a "conservative" investment strategy.

Definition of risk

The Finance Committee defines risk as: “The probability of not maintaining purchasing power over a specified investment time horizon.”

Investment considerations

All individuals responsible for managing LifeRing’s Investment Funds must do so in good faith and with the care that an ordinarily prudent person in a like position would exercise under similar circumstances. In making any decision relative to administering Investment Funds, each of the following factors must be considered, and properly documented, in the minutes or other records of the applicable decision-making body:

- General economic conditions
- Possible effect of inflation or deflation
- Expected tax consequences, if any, of investment decisions or strategies
- The role that each investment or course of action plays within the portfolio of Investment Funds
- Expected total return from the income and appreciation of investments
- Other LifeRing resources
- LifeRing’s needs for spending and preserving capital
- An asset’s special relationship or special value, if any, to LifeRing’s mission

General investment principles

- Investments shall be made in the interest of sustaining LifeRing and furthering its mission.
- Investments must be sufficiently liquid, allowing flexible withdrawal and spending.
- Investments shall be diversified to minimize the risk of large losses.
- Investments must be cost efficient with minimal administrative fees.
- Cash is to be employed productively, by investment in short-term cash equivalents to provide safety, liquidity, and return.
- The Finance Committee may employ one or more investment managers of varying styles and philosophies to attain the Fund’s objectives.

Guidelines for Excess Cash management

Checking and savings accounts

The LifeRing checking and savings accounts must carry the minimum balance imposed by the bank to avoid monthly fees. It is recommended the minimum balance exceed the bank's requirement, and that the checking and savings each carry a minimum balance equaling three months of expenses as averaged over the prior year.

Money market fund

Excess cash up to three years of expenses will be invested in a money market fund. This will preserve capital for the annual operating budget regardless of market fluctuations. This investment will maintain liquidity and produce moderate growth. The fund must meet the following requirements:

- The fund must be custodied, managed, and administered by a reputable investment firm.
- The fund must have a triple A rating from at least two credit rating agencies such as S&P, Moody's, or Fitch.
- The fund must have a low expense ratio relative to comparable funds.
- The fund must track the federal funds rate.
- LifeRing must have the ability to liquidate a portion of the money market investment and transfer the cash to a spending account within a period of three business days.

Summary of recommended balances

Account	**Target Minimum**	**Target Maximum**
Checking	3 months' expenses	3 months' expenses
Savings	3 months' expenses	3 months' expenses
Money market fund	Excess of 6 months' expenses	3 years of expenses
Investment portfolio	Excess of three years' expenses	None

Guidelines for investing

Investment portfolio

Cash exceeding three years of expenses will be invested in a conservative portfolio. The Investment Funds are expected to achieve a total return (income and appreciation) of 5% after inflation, over a full market cycle (3-5 years). Full investment guidelines are detailed in Addendum 1 – Investment Portfolio Requirements.

Investment policy review

To ensure continued relevance of the guidelines, objectives, financial status and capital markets expectations as established in this statement of investment policy, the Finance Committee plans to review this policy at least annually. Any changes to this policy must be approved by the Board of Directors.

Decision-making protocol

Certain decisions (such as asset allocation guidelines, policy recommendations, the recommendation for the hiring/firing of investment managers and consultants, etc.) will be made by the Finance Committee and will be consistent with this Investment Policy. The decision will then be passed on to the Board of Directors for final approval. The basis for any dissenting opinions will be documented and provided (so that the Board has all necessary information to conduct an informed final vote).

Reporting to the Board of Directors

Formal written reporting will be provided to the Board of Directors on an annual basis. This reporting will include documentation of all performance and asset allocation data. The Finance Committee (and/or any investment manager) will provide an oral and written presentation to the Board of Directors not less than annually.

Addendum 1 – Investment portfolio requirements

A conservative portfolio allocating 30% to equities and 70% to fixed income is recommended. The Board of Directors will retain authority regarding selection of securities. For example, LifeRing may opt to exclude investments in businesses profiting from the production or distribution of addictive substances.

Equities

In the interest of diversification and cost efficiency, the equity component of the portfolio will consist of high-quality exchange-traded funds (ETFs) traded on the New York, NASDAQ, or American stock exchanges. The funds must meet the following requirements:

- All funds must be custodied, managed, and administered by a reputable investment firm.
- The fund must have a three star or higher rating by the Morningstar rating service.
- The fund must have a low expense ratio relative to comparable funds.
- Passively managed index funds are preferred over actively managed funds.

Investments in mutual funds and individual stocks must be approved by the Board of Directors.

Fixed income

In the interest of stability and diversification, bond investments will consist of taxable, fixed income exchange-traded funds (ETFs) traded on the New York, NASDAQ, or American stock exchanges. The funds must meet the following requirements:

- The fund must be custodied, managed, and administered by a reputable investment firm.
- The fund must have a three star or higher rating by the Morningstar rating service.
- The fund must have a low expense ratio relative to comparable funds.
- Passively managed index funds are preferred over actively managed funds.

Performance Measurement: Standards and Reporting

The benchmarks to be used in evaluating the performance of the two main asset classes will be:

- **Equities:** *S&P 500 Index*. Goal: meet or exceed the average annual return of the index over a full market cycle (3-5 years)
- **Fixed Income:** *Bloomberg U.S. Aggregate Bond Index*. Goal: exceed the average annual return of the index over a full market cycle (3-5 years).

It will be the responsibility of the Finance Committee to regularly review the performance of the investment account and investment policy guidelines, and report to the Board of Directors at least quarterly with updates and recommendations as needed.

Withdrawals and expenditures of Investment Funds

Each year, LifeRing is authorized to withdraw from the Investment Funds account for operating purposes. The Finance Committee will recommend the withdrawal amount for Board approval. Market value is calculated as the three-year average of the December market value. The dollar amount and timing of any withdrawals from the investment account will be left up to the discretion of the Finance Committee.

Addendum 2 - donor restrictions and endowments

In all instances, donor intent shall be respected when decisions are rendered concerning the investment or expenditure of donor restricted funds and endowments.

If a donor, in the gift instrument, has directed that appreciation not be spent, LifeRing shall comply with that directive and consider it when making decisions regarding the management and investment of the fund. Any attempt to lift restrictions on any fund shall be conducted in full compliance with the law.

The **Uniform Prudent Management of Institutional Funds Act (UPMIFA)** was adopted by California (Senate Bill 1329) effective January 1, 2009. It applies to funds created after that date, and to decisions made after that date for existing endowments (i.e., it is “retroactive”). UPMIFA allows a charity to appropriate for expenditure, or accumulate, so much of an endowment fund as the charity determines is prudent for the purposes for which the fund was established (subject to written restrictions by the donor).

The charity must consider:

- The duration and preservation of the fund
- The purposes of the charity and the fund
- General economic conditions
- Effects of inflation and deflation
- Expected total return from income and appreciation
- The charity’s other resources and
- The charity’s investment policy

California’s UPMIFA includes the optional provision stating that an appropriation of greater than 7% of the average Fair Market Value of an endowment (averaged over the last three years) is presumptively imprudent.

In any given year, the Finance Committee may recommend, and the Board of Directors may approve, spending which is less than the maximum allowable amount per policy and applicable law, including the decision not to take a draw from invested assets.

This Investment Policy was adopted, subject to minor revisions, on June 6, 2026 by the Board of Directors of LifeRing and approved as final by LifeRing's Finance Committee, Chaired by Monica Foy, Board Director and Treasurer on July 30, 2026.