



# NMEAF INVESTMENT & CASH MANAGEMENT POLICY

## BANK SELECTION

Banks will be selected based on solvency, liquidity and financial performance.

The types of investments permitted by the New Mexico Educational Assistance Foundation (Foundation) are listed below:

## INVESTMENT OF BOND PROCEEDS

The trust indentures include detailed investment agreements for all bond-related investments. These investments represent funds held by guaranteed investment contract providers (i.e. banks, bank holding companies, financial institutions and insurance companies) and U.S. government money market accounts. The bond trustees initiate all transfers of funds directly to and from the bond investment vehicles upon direction from NMEAF. Criteria for selecting and approving guaranteed investment providers is done for each bond issue prior to when funds are available for lending. The selection criteria and risk diversification is addressed in each individual request for proposal process. The overall risk is low because the guaranteed investment providers must maintain a rating on unsecured long-term debt of "Aa2" (or equivalent) or higher if rated by Moody's and of "AA" (or equivalent) or higher if rated by Fitch, and the money markets must maintain a rating of "Aa2" (or equivalent) or "P-1" (or equivalent) by Moody's and if rated by Fitch, "AA" (or equivalent) of "F-1+" (or equivalent), as required per the trust indentures.

## GENERAL FUND INVESTMENTS

The New Mexico Educational Assistance Foundation may invest in the following asset classes:

- overnight repurchase agreements linked to operating accounts;
- direct purchase of US Government securities and investment vehicles that purchase US Government securities;
- secured certificates of deposit and investment vehicles that purchase such certificates of deposit;
- secured money market accounts and money market accounts investing in U.S. Government securities;
- New Mexico State Treasury investment pool. Funds are invested in the Local Government Investment Pool (Pool-4101);



- FFELP, and other private educational loans made by New Mexico Educational Assistance Foundation which are secured by promissory notes executed by the student borrower.
- Investments in endowments established to support the organization and/or its programs. All investments made from NMEAF assets must be approved by the board.
- Other investments that have a direct or indirect relationship with the strategic goals of NMEAF. Investments included are those that are intended to capitalize on the capabilities and skills of NMEAF, are related to training/education and educational attainment, and are focused on growing the economy of New Mexico thereby providing opportunities to educated and skilled New Mexico residents. The total of these other investments are not to exceed 20% of the total investable assets at the time of purchase. The nature of these other investments will tend to carry higher risk up to and including loss of the total invested. All other investments must be approved by the board.

## AUTHORIZATION FOR INVESTMENT TRANSACTIONS

The following personnel can initiate funds transfers to and from investment accounts:

- President
- Assistant Vice President of Finance
- Controller

Approval by the Board chair documented via electronic mail is required for any withdrawal of more than \$1,000,000 that is not immediately invested in another approved investment vehicle. All such transfers will be reported to the Board at the next scheduled meeting following such transfer(s).

## FUNDS TRANSFERS

All funds transfers from Foundation accounts to outside parties or to other Foundation accounts (“book transfers”) are initiated using internet banking systems. The Assistant Controller, Finance Supervisor and Senior Accountants are authorized to approve transfers from accounts. All transfers require dual authorization. The primary administrator for each banking website will have no direct accounting responsibility over the associated bank accounts.

## “STALE” OUTSTANDING CHECKS



All uncashed checks over 90 days old are reviewed and resolved on a monthly basis. Unclaimed borrower refund checks are handled in accordance with the New Mexico Educational Assistance Foundation's escheatment policy.

## CASH FLOW ANALYSIS

On a quarterly basis, the General Ledger Accountant prepares a cash flow statement, which shows the net cash provided or used by the Foundation for Operating, Investing and Financing activities and provides an explanation for the change in cash balances.

## RECONCILIATIONS

Most bank accounts are reconciled daily, and all accounts are reconciled at month-end. The Senior Accountants review the reconciliations monthly.