

**Finance Committee Recommendation for Approval  
Transfer and Subsequent Investment of \$250,000  
Board of Directors Meeting  
February 24, 2024**

**Recommendation:** Transfer \$250,000 cash from Security Bank to Morgan Stanley to be invested in US Treasury of 6-month duration. This allows AFIA to take advantage of higher interest rates, comply with regulations governing the safekeeping of public funds, and maintain reasonable liquidity. *While subject to change, current interest rates at the time of this writing range from 4.9% to 5.1%.* Prior to maturity, Finance Committee will recommend whether or not to reinvest some or all of this amount in another US Treasury based on existing forecast data and prevailing interest rates.

**US Treasury Risk:** US Treasuries are considered very safe. But no investment is completely risk free.

- Government shut down – in this case, interest payment may be delayed.
- Fed interest rate increase –market value of our Treasury could go down. That is, if we had to sell the Treasury to raise cash before it matured, we could lose some of our original investment.

**Mitigating these risks:**

- \$600,000 in Treasury investments mature by April
- highly unlikely these funds will be needed for operations in the next 6 months.

**Background:** AFIA began pandemic in a strong financial position and remains so today due to:

- unprecedented Federal funding (Covid)
- state funding increases
- significant multi-year grants
- prudent expense management including the measured implementation of the team-teaching model

**Current Analysis** as of February 15, 2024

- Checking/money market approximately = \$940,000
- Treasuries maturing in < 3 months = \$600,000
- monthly cash balance forecast to be quite steady
- forecast cash on June 30, 2024 = \$2.1M or 150 “days cash”
- expect the strong financial position to last through most of SY25

**More information follows:**

- Detailed cash and cash equivalent balances
- For reference – Safekeeping of Funds memo presented in November 2023.

## AFIA Cash and Cash Equivalents as of February 15 2024

	Interest Rate	Maturity Date	Security Bank	Community First	Morgan Stanley	Total
Checking	-	-	\$0			\$0
Money Market	5.00%	-		\$150,000	\$250,000	\$400,000
Repurchase Agreement Account**	1.15%	-	\$538,600			\$538,600
US Treasury Note	5.22%	Mar 2024			\$100,050	\$100,050
US Treasury Note	5.26%	Apr 2024			\$500,525	\$500,525
Certificate of Deposit	5.50%	Feb 2025		\$150,000		\$150,000
			\$538,600	\$300,000	\$850,575	\$1,689,175

\*\* February monthly payment (\$230k) from Missouri won't be received for another week or so.

<b>Liquidity</b>			<b>Security Bank</b>	<b>Community First</b>	<b>Morgan Stanley</b>	<b>Total</b>
On Demand			\$538,600	\$150,000	\$250,000	\$938,600
Matures < 3 months					\$600,575	\$600,575
Matures in 1 year				\$150,000		\$150,000
			<b>\$538,600</b>	<b>\$300,000</b>	<b>\$850,575</b>	<b>\$1,689,175</b>

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## Safekeeping of Funds

Obviously, banks are regulated as to what they can do with your funds. But the fact of the matter is this: the money in your bank account is essentially a loan you have made to that bank. Like any lender, you want assurances you will be repaid. In other words, you want to be sure your money will be there when you need it. Because AFIA receives public funds, state law governs how we must protect those funds.

Strong Financial Institutions AFIA's funds are held at:

- Security Bank of Kansas City – Established in 2017 by the consolidation of several smaller banks. April 2022 Kansas City Business Journal named Security Bank first in their “KC’s Five Strongest Large Banks of 2021” article.
- Community First Bank – Oldest bank in Kansas City, Kansas. Loaned AFIA Holding over \$1M for school renovations. Partner in the New Market Tax Credit program.
- Morgan Stanley – Global bank and financial services company

Federal Deposit Insurance Corporation (FDIC): Agency that provides deposit insurance to protect funds in the event of bank failure. Deposits are automatically insured up to \$250,000. With total cash near \$2M, AFIA would have to make deposits at 8 different banks to be fully insured by the FDIC. This is not practicable.

Repurchase Agreement Account: The bank “sweeps” funds in excess of \$250,000 each night into an account that is collateralized by safe investments (eg. US Treasuries). This is a more convenient option for a checking account that has a lot of activity and a daily balance that can fluctuate above and below the \$250,000 threshold often.

Direct Pledge of Security: Bank pledges to you a safe security they own as collateral for amounts on deposit in excess of \$250,000.

Other Approved Investments: There is an extensive list of investments that are considered acceptable for public funds. US Treasury investments are the only one AFIA uses at this point.