American Association of Anatomists  
Investment Policy Statement

1. Introduction

The American Association of Anatomists (AAA, the Association) is a professional organization of biomedical researchers and educators in anatomy and the anatomical sciences as broadly defined. The mission of the AAA is to further the cause of the anatomical sciences in research and education, to publish its journals, to participate as an association in the Experimental Biology (EB) Meeting, to provide services and support for its members and to engage in activities that may benefit society as a whole.

This Investment Policy Statement (IPS) is established by the Finance Committee of the Association, and approved by the Board of Directors, to govern the management of the assets of the Association. The primary asset of the Association is the Journal Trust Fund. Income to the Association includes, but is not limited to, royalties from journals, membership dues, EB meeting revenue, specified donations from the publisher of the Association’s journals, other corporate donations and grants, and dividend income.

Purpose

The purpose of the IPS is to outline a general framework within which the Association can manage its resources to the betterment of its members, programs and overall mission. This includes providing a general framework within which the investment manager of the Journal Trust Fund can be expected to exercise sound investment judgment and structure an appropriate portfolio to meet the mission of the Association. This mechanism also provides a basis on which the investment performance of the Association’s assets, particularly the Journal Trust Fund, can be monitored.

Goal

The goal of the IPS of the Association is to protect the assets of the Association, to maximize returns within reasonable and prudent levels of risk and to seek to conserve and enhance the capital value of the Journal Trust Fund in real terms.

2. General Classification of Funds

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 117—Financial Statements of Not-for-Profit Organizations in June 1993, requiring not-for-profit organizations to classify their net assets as follows:

- Unrestricted: Assets and contributions that are not restricted by donors, or for which restrictions have expired.
- Temporarily Restricted: A donor-imposed restriction that permits the donee organization to use or expend the donated assets as specified and is satisfied either by the passage of time and/or by actions of the recipient organization.
- Permanently Restricted: A donor-imposed restriction that stipulates that resources be maintained permanently, but permits the organization to use or expend part or all of the income (or other economic benefits) derived from the donated assets.
AAA Classification of Funds/Income

Royalty income – unrestricted; may be added to the corpus of the Journal Trust Fund or used, totally or in part, to meet the programmatic needs of the Association.

Dues – unrestricted.

2nd Century Fund – unrestricted; generally used, at the suggestion of the Board of Directors, for programmatic development especially as related to the future of Anatomy as a field.

Wiley Donations – temporarily restricted; designated for specified purposes.

Corporate Donations – temporarily restricted; designated for specified purposes.

Bensley Stock and Income – the Bensley stock is permanently restricted; the income from the Bensley stock is temporarily restricted; it is deposited annually into a separate fund intended to support the R. R. Bensley Award.

Annual Meeting Income – unrestricted; proportionate share of Association income from the annual meeting at Experimental Biology.

Other – unrestricted; this includes income from advertisements in the newsletter, sale of mailing list, etc.

3. The Journal Trust Fund (originally Section 6)

The Journal Trust Fund (JTF) represents the major investment corpus of the Association. The investment guidelines for the JTF are based on an investment horizon of greater than five years, so that interim fluctuations should be viewed in an appropriate perspective. Similarly, the JTF’s strategic asset allocation is based on this long-term perspective.

The Finance Committee recognizes the difficulty of achieving the JTF’s investment objectives in light of uncertainties and complexities of contemporary investment markets. They also recognize that some risk must be assumed to achieve the JTF’s long-term investment objectives. The financial position and future outlook of the Association suggest that the Fund can tolerate some interim fluctuations in market values and rates of return in order to achieve long-term objectives.

Neither the Finance Committee nor the Journal Trust Fund & Investment (JTF& I) Committee will reserve any control over investment decisions, with the exception of specific instances described in this Statement. Investment Managers will be held responsible and accountable to achieve the objectives herein stated.

Investment Managers may not:

- Use margin or otherwise borrow funds for the acquisition of any security.
- Knowingly sell any security not owned by the Fund.
- Use futures or options in the separately managed account. The use of futures and options in a mutual fund is allowed for purposes of currency hedging and/or as unleveraged substitutes for allowable securities.
- Invest in the following asset classes: Venture Capital Funds (Private Equity), Direct Real Estate, High Yield Bonds

While it is not believed that the limitations will hamper the Manager, the Manager should request any modifications he/she deem appropriate.
Investment Guidelines for the JTF
The investment guidelines require a disciplined, consistent management philosophy that accommodates the occurrence of all those events that might be considered reasonable and probable. They do not require a philosophy that represents extreme positions or opportunistic styles.

The JTF shall be diversified both as to fixed income and equity securities. These include U.S. Treasury Obligations, Bankers’ Acceptances, Certificates of Deposit, Repurchase Agreements, Mortgage and Asset Backed Securities, Corporate Bonds, Commercial Paper, Convertible Debentures and Preferred Stocks and Common Stocks of both U.S. and foreign based corporations. Issues shall be researched, and shall be selected on the basis of proven operating records, sound financial conditions, above-average growth potential, good marketability and reasonable market valuations.

Money market investments held in the JTF provide liquidity, stability of capital and a competitive level of income.

Fixed income securities are utilized to provide a consistent, competitive stream of income while working to reduce or stabilize the overall volatility of the JTF.

Equity securities are used to provide long-term growth of principal, and are therefore a method of maintaining or increasing the real purchasing power in the JTF as well as increasing capital value of the Fund over the long-term.

The Long-term Fund should attain an absolute annual rate of return of at least 5% above the rate of inflation over a market cycle (three to five years), after payment of brokerage and management fees. For this purpose, short-term fluctuations in value shall be considered secondary to long-term investment results.

Investments that would be unacceptable or an embarrassment to the Association, to members of the Association, or to health care professionals/educators in general should be avoided.

A. Assets Allocation Guidelines:

<table>
<thead>
<tr>
<th>TYPE</th>
<th>Percentage Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Cash Equivalents</td>
<td>0-15% with 5% target</td>
</tr>
<tr>
<td>Fixed Income Securities</td>
<td>40-55% with 45% target</td>
</tr>
<tr>
<td>Equity Securities</td>
<td>45-55% with 50% target</td>
</tr>
</tbody>
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Should the guidelines be violated due to involuntary action (such as market declines or advances, gifts, bequests, etc.) the JTF may be adjusted as market conditions and outlook for the securities dictate. An annual rebalancing is required.
B. **Cash Equivalent Guidelines:**
The cash portion of the Fund may be invested in U.S. Treasury Obligations, Commercial Paper, other money market instruments rated P-1 by Moody’s or rated A-1 by Standard and Poor’s and money market funds. No issue shall constitute more than 5 percent of the total value of the Fund, except U.S. Treasury Obligations and money market funds.

C. **Fixed Income Guidelines:** (excluding private placements, real estate and convertible securities)
1. Corporate bonds shall be limited to publicly issued, rated BBB or better by both Standard and Poor’s and Moody’s. They shall be debt of the issuers with at least $50 million in original face amount to insure ready marketability.
2. No single industry group, as defined by Standard and Poor’s shall constitute more than 20 percent of the fixed income portion of the portfolio; and, no single company shall constitute more than 5 percent of the total portfolio.

D. **Equity Guidelines:** (including Convertible Securities)
1. Allocation to any one economic sector should not be excessive and should be consistent relative to the broad equity market.
2. No single equity shall represent more than 5 percent of the total Fund or more than 10 percent of the equity portion of the Fund. The minimum number of equities held shall be 20.
3. No purchase of private placement or letter stock.
4. No short sales or trading on margin.

E. The Fund may be invested in foreign securities, mutual funds of U.S. or foreign securities.

4. **AAA Operating Fund**
The Association’s Operating Fund is used to provide sufficient cash to meet daily and ongoing financial obligations. These funds must always be in fixed income and cash equivalents and can only be invested in the following instruments:
- Treasury bills
- Certificates of deposit up to 6 months (not to exceed federally insured limit per institution)
- Checking accounts
- U.S. government and agency securities
- Corporate notes and corporate bonds (rated investment grade or better)
- Repurchase agreements
- Commercial paper (rated A-1/P-1 or better)
- Agency discount notes
- Money market funds whose investments are restricted to the financial instruments contained in this section
5. Review and Reporting (originally Sections 3 & 5)

The Association’s Journal Trust Fund & Investment Committee (JTF&I) and the Executive Director will receive a monthly report from the Investment Advisor. In addition, quarterly written reports will be prepared by the Investment Advisor and will be submitted to the JTF&I Committee and the Executive Director. These reports will show performance of each investment manager’s portfolio along with the aggregate performance of all managed funds. Performance will be measured on the total rate of return on a trailing 12-month basis, and the rate of return since the inception of account management. The report will relate performance versus overall objectives and in comparison to capital market returns as evidenced by various market indices. In addition, the review will relate performance to personalized composite indices, designed to replicate the composition of each managed portfolio.

The JTF&I Committee meets with the advisor via quarterly conference calls, at minimum, to:

- Review the past, present, and prospective economic climate in relation to the investment strategy of each investment manager;
- Review the investment strategies being used to fulfill the stated objectives;
- Evaluate the risk levels of the securities represented in the portfolios;
- Review trends in performance levels in relation to stated objectives; and
- Review quarterly written reports prepared by the investment advisor.

The Finance Committee of the Association will review the IPS annually, the success of the investments over the past year, and the overall financial status of the Association to determine if modifications and/or revisions are necessary to maintain or improve the financial health of the Association. An important aspect of this analysis will be the overall program needs of the Association. The Finance Committee will also request that the JTF&I Chair provide a detailed assessment of the Journal Trust Fund at the spring and fall meetings of the Association’s Board of Directors. Recommendation for any revisions or modifications to the investment policy will be submitted by the Finance Committee to the Board of Directors for their approval.

The Executive Director reports to the Board twice annually on the status of the Association’s operating budget and discusses this information with the Secretary-Treasurer on a regular basis, as appropriate; additional reports may be requested by the Board from time to time. These reports may include information on income and expenditures (as broadly defined) and a general review of income from short-term investments.

The Chair of the JTF&I Committee reports to the Finance Committee and the Board twice annually on the status of the Fund and discusses this information with the (Secretary-Treasurer on a regular basis, as appropriate; additional reports may be requested by the Board from time to time. These reports provide an ongoing analysis of the status of the Journal Trust Fund, based on the review outlined above.
All deliberations of the Finance Committee are reported to the Board for appropriate consideration or action.

4. **Sources of Income and General Asset Location (updated based on 2006 data)**

The sources of income to the Association are approximately as follows:

- Journal Royalties 75%
- Dues 12%
- Corporate Sponsors 6%
- EB Meeting 7%
- Other <1%

The majority of the Association assets are held in 1) a checking account and in 2) the Journal Trust Fund.

Recommendations for short-term investment of money in the Operating Fund are developed by the Executive Director and the Secretary-Treasurer, are made to the Finance Committee, and are then implemented through the mutual cooperation of the Executive Director and Secretary-Treasurer.

The assets of the Journal Trust Fund are managed through the cooperative efforts of the JTF&I Committee, which oversees the Fund for the Association, and representative(s) of the investment house through which these funds are invested. The JTF&I Chair, a voting member of the AAA Finance Committee, communicates regularly with the Finance Committee and with the Secretary-Treasurer of the Association.

### Use of Journal Trust Fund

AAA’s Board-designated endowment was established in 1901 for “the purpose of publishing a journal devoted to original investigations in anatomy and allied science.” In 1946, the Trustees turned over the assets of the Trust to AAA. This fund has been called the Journal Trust fund since that time. The corpus, change in market value of the fund, and interest and dividends earned, are invested with Merrill Lynch and are managed by the Journal Trust Fund & Investment Committee of AAA’s Board of Directors.

The Journal Trust Fund (JTF) represents the major investment corpus of the Association. Monies in the JTF are considered to be the Association’s “rainy day fund” and, based on policies to be established from time to time by the Board of Directors, are unrestricted and may be used to meet any need identified by the Association.

AAA policy in effect since April 2002 provides that, in establishing an operating budget for the association each year, the Finance Committee may include as revenue a sum equal to five (5) percent of the trailing three (3)–year average of the Journal Trust Fund. The figures to be used in determining this average should be the Journal Trust Fund balance as of June 30 annually, unless some anomaly makes use of another date more prudent. The amount so calculated may be used for non-permanent program development, as much as reasonably possible.

This policy, affirmed in November 2011, supersedes policies set in March 1999 and October 2000 related to the use of “excess” revenue, the use of 50% of investment gains, and the recommended baseline value of the Journal Trust Fund.
October 29, 2000:  Approved by AAA Board of Directors
April 2002:  Amended by AAA Board of Directors
January 2006:  Fixed Income Securities allocation changed from 10-50% to 20-70%
November 2007:  Revisions approved by AAA Finance Committee
April 2008:  Revisions approved by AAA Finance Committee & Board
November 2011:  Revisions approved by AAA Finance Committee & Board, adding
last section for clarification