

Helping Charitable Dollars Grow

Investment and Spending



Investment Philosophy *As a long-term investor, the following issues are significant factors in the allocation of the Grand Rapids Community Foundation's assets:*

- In order to achieve a rate of return that supports the spending policy while protecting the assets from inflation, the Community Foundation is willing to take some investment risk.
- The Community Foundation believes that the most effective way to establish an appropriate risk level for the portfolio is through its asset allocation.
- The Community Foundation has adopted a strategic, long-term asset allocation. Over time, the portfolio will remain invested in percentages that are fairly close to those called for in the strategic allocation.
- The Community Foundation strongly believes in the long-term benefits of diversifying its portfolio into a number of different asset classes and investment strategies. Each asset class and strategy is carefully selected. The focus of the investment process is always on the overall portfolio.
- To achieve the long-term benefits of a widely diversified portfolio, the Community Foundation has adopted strategic targets for each asset class that it utilizes. It expects that the portfolio weight for each asset class will remain within the percentages range.
- Within each asset class, the Community Foundation seeks to earn the most efficient rate of return possible (after investment expenses). Investments will be well diversified by investment style and strategy. Diversification will increase the probability over three to five year time periods that the Community Foundation will achieve its investment goals and reduce volatility.

By the Numbers

Total assets: \$250 million
One-year rate of return: 21.3 percent
Gifts received: \$12 million
Number of funds: 531
Grants and projects: \$10 million
Total grants and scholarships: 1,568

Year ended June 30, 2011

Investment Review Committee

Michael Rosloniec, chair
Jason Brinks
R. Jack Frick
Benjamin Irwin
Bonnie Miller
Bob Roth
Kerby Wallick
Lynne Black, staff
Kevin Harmelink, staff
Diana Sieger, staff



Grand Rapids

community foundation

For **good.** For **ever.**

www.grfoundation.org

Benchmarks:

Assets are expected to exceed benchmarks (net of fees) over a full market cycle of three to five years. Investment managers are expected to achieve their objectives while consistently adhering to their investment style.

Total Fund:

Consumer Price Index (CPI) + five percent
 Benchmark investment in the Long-term Optimal Asset Allocation.

U.S. Equity Large/Mid Cap:

S&P 500 Index
 Russell 1000 Indexes
 Russell Mid Cap Indexes

U.S. Equity Small Cap:

Russell 2000 Indexes

International Equity:

MSCI EAFE Indexes

Domestic Fixed Income:

Barclays Indexes

Alternative Assets:

Multiple benchmarks are used depending on the specific investment strategy. Please contact our vice president of finance at 616.454.1751 for a detailed explanation.

Objectives, Guidelines and Restrictions

Grand Rapids Community Foundation is entrusted with the investment and management of its endowment and with carrying out the wishes of its donors in the best interest of the Grand Rapids community.

Our investment objective is to preserve the real purchasing power of the assets after all withdrawals by earning a total rate of return over full market cycles (net of fees), which will support the spending policy. We invest assets in order to maximize the long-term return while assuming a reasonable level of risk.

Our spending rule is set at five percent of a 16-quarter rolling average market value. The level of spending will always be between 4.0-5.75 percent of the current market value. A detailed explanation can be found on the back page of this pamphlet.

Corporate Asset Allocation Parameters

	Long-Term Optimal
U.S. Equity Large Cap/Mid Cap	22%
U.S. Equity Small Cap	8%
International Equity and Emerging Markets	25%
Domestic Fixed Income	14%
Alternative Investments	31%
(Long/short equity 7%, multi strategy 11%, timber 1%, commodities 4%, real estate 3% and private equity 5%)	

Corporate Assets

The asset allocation for the corporate assets, in total, will be in-line with the approved asset allocation above. The Community Foundation treats the corporate assets as one large pool for asset allocation decisions.

However, the Community Foundation tilts the assets among its managers to expose the corporate asset base to the desired investment styles and performance requirements.

Each investment manager that currently manages corporate assets is given a separate asset allocation for those assets specifically under their advisement.

It is the Community Foundation’s responsibility to rebalance the corporate pool to maintain alignment with the long-term optimal asset allocation.

New Gifts Investment Policy

If a contribution over \$1 million is given to the Community Foundation in collaboration with an investment manager with whom we do not currently work, we will consider keeping the funds invested with that manager. To do so, they must have top quartile performance in their asset class and comply with our policies and fee structure.

If a contribution of \$50,000 or more is made through the donor’s broker, the broker can utilize American Funds’ no-load Balanced Fund 12b-1 compensation program. Your investment manager or broker can call our finance or development department for details at 616.454.1751.

Administrative Fee Schedule for Funds

Investment Manager Fees are assessed as a percentage of total market value (M/V), generally less than one percent. All administrative fund fees are per the fee schedule or a minimum of \$250 per year, whichever is higher. Funds are also charged for direct costs incurred by the fund, such as appraisal fees, legal fees and probate costs.

Type of Fund	Description	Fee
Named Fund for Community Good	As community needs change, so will the programs that the fund supports. Minimum gift: \$50,000	1% of M/V
Field of Interest	Donors select a specific area of interest, such as the arts, environment, children or health, and establish a fund to benefit it. Minimum gift: \$50,000	1% of M/V
Legacy Donor Advised	Allows individuals, families or businesses to recommend nonprofits and programs to receive grants while growing the principal. Minimum gift: \$50,000	First \$1,000,000=1% of M/V Next \$1,000,000=.75% of M/V Next \$1,000,000=.50% of M/V Balance=.25% of M/V
Dynamic Donor Advised	Established with a gift of \$250,000 or more, \$50,000 is endowed with the remaining balance available for immediate grantmaking. Minimum gift: \$250,000	First \$1,000,000=1.5% of M/V Next \$1,000,000=1.25% of M/V Next \$1,000,000=1% of M/V Balance=.75% of M/V
Scholarship	A board-approved volunteer committee reviews applications for the scholarship and selects the recipients based on your criteria. Minimum gift: \$50,000	1-2% of M/V: \$250,000+ and >50 apps=2% <\$250,000 and >50 apps=1.5% <\$250,000 and <50 apps=1% Separate application form/process=.5% additional
Nonprofit Endowment	Provides endowment funding for a specific nonprofit organization, and can be set up to allow the organization to continue to build the fund over time. Minimum gift: \$50,000	.5% of M/V +\$15 per gift processed if over 10 per year
Charitable Gift Annuity	Donors who establish a charitable gift annuity receive a life income in exchange for their charitable gift. Minimum gift: \$10,000	.25% of M/V

TEN REASONS TO GIVE THROUGH THE COMMUNITY FOUNDATION

one

We are a **local organization** with deep roots in the community.

two

Our professional program staff has **broad expertise** regarding community issues and needs.

three

We provide highly **personalized service** tailored to each individual's charitable and financial interests.

four

Our funds help people **invest in the causes** they care about most.

five

We accept a wide **variety of assets**, and can facilitate even the most complex forms of giving.

six

We partner with **professional advisors** to create highly effective approaches to charitable giving.

seven

We offer maximum **tax advantage** for most gifts under federal law.

eight

We **multiply the impact** of gift dollars by pooling them with other gifts and grants.

nine

We build **endowment funds** that benefit the community forever and help create personal legacies.

ten

We are a **community leader**, convening agencies and coordinating resources to create positive change.

Five Percent Spending Rule

Grand Rapids Community Foundation utilizes a spending rule in determining its spendable budget each year. The spending rule, along with the Foundation's investment objectives are designed to preserve the original gift, help the fund grow and provide funds for grantmaking.

The following formula is used to determine the spendable amount each fiscal year:

- If the fund has been in existence for 16 quarters or more, the spendable amount is five percent of the average market value for the last 16 quarters.
- If the fund has been in existence for less than 16 quarters, the spendable amount is five percent of the average market value for the actual number of quarters the fund has existed.
- The spendable amount will never be less than a floor amount of 4.0 percent of the current market value or more than a ceiling amount of 5.75 percent of current market value. The floor amount applies when there has been unusually high market growth and is four percent of the June 30 market value. The ceiling amount is applied in periods of significant decline in market value and is calculated as 5.75 percent of the June 30 market value.
- The Community Foundation's administrative fees (listed on the previous page) are deducted from the spendable amount, and are assessed and calculated on a quarterly basis. If the entire grantmaking amount is not distributed in any one year, the undistributed amount may be used in future years or added to the principal.

If you have any questions about the spending rule, please call a member of our development staff at 616.454.1751.

Our mission is to **BUILD** and manage our community's permanent endowment and **LEAD** the community to **STRENGTHEN** the lives of its people.



Grand Rapids
community foundation™

For good. For ever.®

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