Helping Charitable Dollars Grow

OUR INVESTMENT AND SPENDING STRATEGY

GRAND RAPIDS community FOUNDATION

As stewards of the resources invested by our partners, Grand Rapids Community Foundation is committed to long-term, risk-managed returns. Managing our financial stability enables us to respond to community needs today and in the future.

The Community Foundation believes the following issues are significant factors in the allocation of its assets:

In order to achieve a rate of return that supports the spending rule (which the Community Foundation uses to determine its spending budget each year) 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 with the majority of the portfolio invested in the Balanced Plus investment pool. Over time, the portfolio will remain invested in percentages that are within a reasonable range to those called for in the asset allocation target.

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.

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 a five-year time period that the Community Foundation will achieve its investment goals and reduce volatility.

BY THE NUMBERS

Total assets: $562.76 million
Funds managed: 875
One-year rate of return: +18.4%
Investment returns: $82.29 million
Gifts received: $20.29 million
Grants and scholarships awarded: $20.9 million

Three-year rate of return (annualized): +14.6%
Five-year rate of return (annualized): +7.9%

INVESTMENT CONSULTANT

NEPC, LLC

INVESTMENT REVIEW COMMITTEE

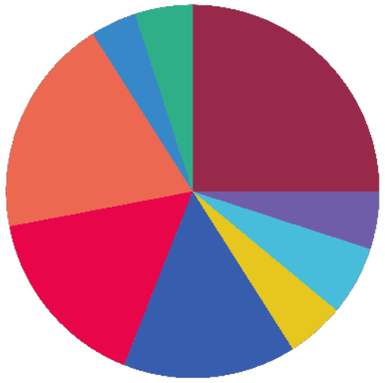
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Laura Radle, Varnum

Community Foundation Staff
LaSandra Gaddy, president and CEO
Danielle R. Brown, vice president and CFO

Strategies to Guide Growth

As a fund holder, you have the opportunity to select the investment pool for your fund. Most fund holders choose the **Balanced Plus Pool (our main pool)**, which is designed to achieve our investing goals while minimizing volatility of the portfolio. Because it is actively managed, this pool also has the highest investment management fees. The asset allocation target for the Balanced Pool Plus is 72% equity, 19% fixed income, 4% real assets and 5% multi-asset funds.

ASSET ALLOCATION TARGET: OUR BALANCED PLUS POOL



- U.S. Equity Large/Mid Cap (25%)
- U.S. Equity Small Cap (5%)
- International Equity - Developed (6%)
- Emerging Markets (5%)
- Global Equity (15%)
- Private Equity (16%)
- Global Fixed Income/ Credit (19%)
- Real Assets (4%)
- Multi-Asset (5%)

CORPORATE ASSETS

The total allocation of the Community Foundation's assets will be in-line with the approved asset allocation above. The Community Foundation treats the corporate assets as one large pool for allocation decisions. It is the Community Foundation's responsibility to rebalance the corporate pool to maintain alignment with the long-term optimal asset allocation.

BENCHMARKS

The asset allocation model does allow for a small range around each target to maximize current market opportunities. Assets are expected to exceed benchmarks (net of fees) over a full market cycle. Investment managers are expected to achieve their objectives while consistently adhering to their investment style.

OTHER INVESTMENT POOL OPTIONS

GIFT PRESERVATION POOL- Designed for minimal investment risk and invested in a money market fund. This pool is designed for those who do not want to take either equity or long-term investment rate risk.

BALANCED POOL- Designed for long-term investing, this pool is invested 60% in Vanguard Total Stock Market Index Fund and 40% in PIMCO Total Return Fund with no exposure to alternative investments.

SOCIALLY RESPONSIBLE POOL- Designed to consider both financial return and social good. Designed for long-term investing, this pool is invested 60% Vanguard FTSE Social Index Fund and 40% TIAA-CREF Social Choice Bond Fund with no exposure to alternative investments.

Fund Fees and Types

FUND TYPE	MINIMUM GIFT	FEE (% OF MARKET VALUE)
FUND FOR COMMUNITY GOOD As community needs change, so will the programs that the fund supports.	$10,000 recognition fund; grants pooled $50,000 named fund; grants made in donor's name	1.5%
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.	$10,000 recognition fund; grants pooled $50,000 named fund; grants made in donor's name	1.5%
DONOR ADVISED Individuals, families or businesses recommend grants to nonprofit programs.	$25,000 endowed or non-endowed; can be built over 5 years	First $1,000,000=1% Next $1,000,000=.75% Next $1,000,000=.50% Balance = .25% Minimum $500
SCHOLARSHIP Scholarship funds help students on their path to a degree or credential. The Community Foundation manages all details—from announcing availability to processing applications and awarding funds.	$10,000 recognition fund $150,000 named fund; can be built over 5 years	Fees vary by fund type. Please connect with a staff member for the most up-to-date information.
NONPROFIT ENDOWMENT (FASB 136 FUNDS) 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.	$50,000	.75%
DESIGNATED An endowment fund created by an individual to support a specific nonprofit organization.	$50,000	.50%
CHARITABLE GIFT ANNUITY Donors who establish a charitable gift annuity receive a life income in exchange for their charitable gift.	$25,000	.50%

Additional Policies

The 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 Greater 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.

INVESTMENT MANAGEMENT FEES

The Community Foundation aims to maintain reasonable fees for all investment pools based on the strategy employed. The Gift Preservation Pool has no investment fees. The Balanced Pool has very low fees because it is an unmanaged pool. The Socially Responsible Pool has slightly higher fees than the Balanced Pool because there is some management of the investments. The Balanced Plus Pool carries the highest fees because it is very diversified and uses alternative asset classes to increase the expected returns of the portfolio.

Investment Manager Fees are assessed as a percentage of total market value, generally less than one percent. Funds are also charged for direct costs incurred by the fund, such as appraisal fees, legal fees and probate costs.

FIVE PERCENT SPENDING RULE (APPLIES TO ENDOWED FUNDS ONLY)

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

This is the formula we use to determine the spendable amount each fiscal year:

- If the fund has been in existence for 16 quarters or more, the spendable amount is 5% 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 5% of the average market value for the actual number of quarters the fund has existed.

- The level of spending will always be between 4% and 5.75% of the current market value. The floor amount applies when there has been unusually high market growth and is 4% 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% of the June 30 market value.

- The Community Foundation's administrative fees (listed on the previous page) are deducted from the endowed amount, and are assessed and calculated on a quarterly basis. The spending rate is less estimated fees for the fiscal year. 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.

NEW GIFTS INVESTMENT POLICY

If a contribution over $1 million is given 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 be approved by our Investment Review Committee and comply with the policies and procedures of our Community Foundation.