

# Helping Charitable Dollars Grow

## OUR INVESTMENT AND SPENDING STRATEGY

*As long-term investors, entrusted to grow the community's endowment in perpetuity, Grand Rapids 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 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.

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: \$349 million

Funds managed: 729

One-year rate of return: 7%

Investment returns: \$23.4 million

Gifts received: \$12.9 million

Grants & scholarships awarded: \$12.5 million

Year ended June 30, 2018

### INVESTMENT REVIEW COMMITTEE

Kathy Vogelsang, *Van Andel Institute, chair*

Jason R. Brinks, *Oxford Financial Group, Ltd.*

Bill Darooge, *Baudville, Inc.*

Joan Garety, *community volunteer*

Benjamin Irwin, *Louis Padnos Iron & Metal Co.*

Edward Mikolay, *Municipal Employees*

*Retirement System*

Michael Rosloniec, *Graystone Consulting*

Bob Roth, *RoMan Manufacturing Inc.*

Diana Sieger, *staff*

Stan Vander Roest, *staff*

Lynne Black, *staff*

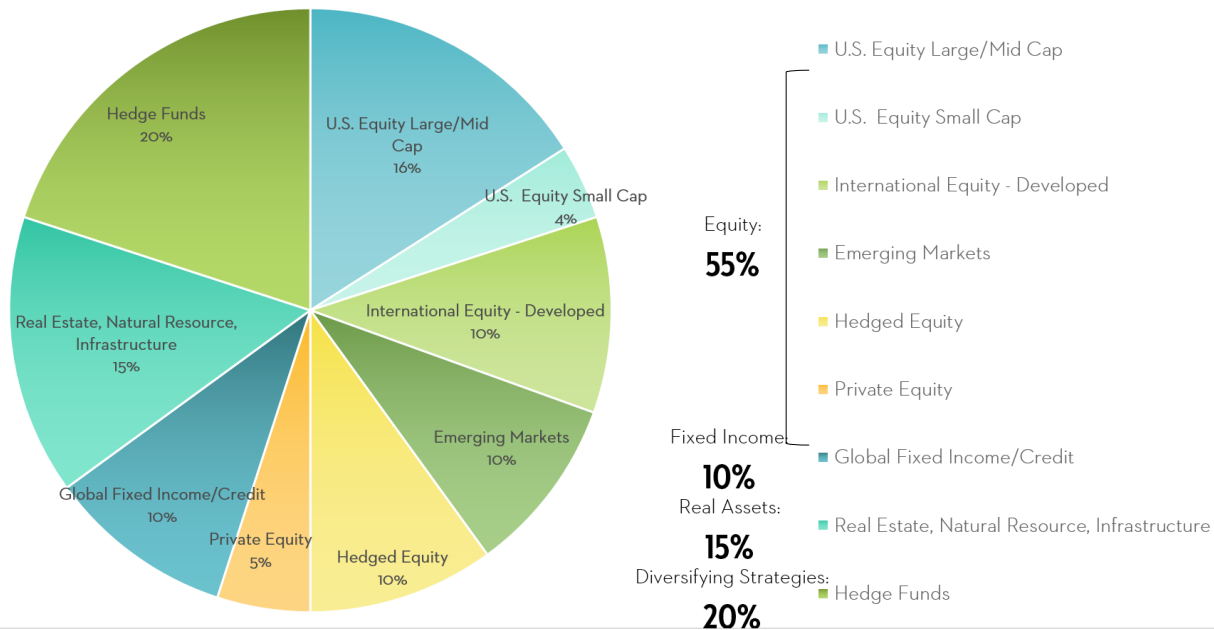
### INVESTMENT CONSULTANT

Fund Evaluation Group

GRAND RAPIDS  
*community*  
FOUNDATION

# STRATEGIES TO GUIDE GROWTH

## ASSET ALLOCATION TARGET\* - BALANCED PLUS POOL



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

## BENCHMARKS

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

### PRIMARY BENCHMARK - TOTAL FUND

Consumer Price Index (CPI) + 5%

### U.S. EQUITY LARGE/MID CAP

Russell 1000/Russell Mid Cap

### U.S. EQUITY SMALL CAP

Russell 2000

### INTERNATIONAL EQUITY-DEVELOPED

MSCI EAFE

### EMERGING MARKETS

MSCI Emerging Markets

### HEDGED EQUITY

HRFI Equity Hedge

### PRIVATE EQUITY

Thomson One All Private Equity

### GLOBAL FIXED INCOME/CREDIT

Bloomberg Barclays Global US Aggregate

### REAL ASSETS

CPI + 3%

### DIVERSIFYING STRATEGIES

HFRI Fund of Funds

\*The asset allocation model does allow for a small range around each target to maximize current market opportunities.

## OTHER POOL OPTIONS

### GIFT PRESERVATION POOL

Designed for minimal investment risk and invested in a money market fund, the Gift Preservation Pool is designed for those who do not want to take either equity or long-term interest rate risk.

### BALANCED POOL

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

### SOCIALLY RESPONSIBLE POOL

Designed for donors who feel that societal concerns should be an important part of their investment focus, this pool is invested 60% Domini Social Equity Fund and 40% Calvert Bond Fund with no exposure to alternative investments.

# FUND TYPES AND FEES

FUND TYPE	MINIMUM GIFT	FEE (% of M/V)
<p><b>FUND FOR COMMUNITY GOOD</b> As community needs change, so will the programs that the fund supports.</p>	<p>\$10,000 recognition fund; grants pooled \$50,000 named fund; grants made in donor's name</p>	<p>1.5% Minimum \$500</p>
<p><b>FIELD OF INTEREST</b> Donors select a specific area of interest, such as the arts, environment, children or health, and establish a fund to benefit it.</p>	<p>\$10,000 recognition fund; grants pooled (no minimum) \$50,000 named fund; grants made in donor's name</p>	<p>1.5% Minimum of \$500</p>
<p><b>DONOR ADVISED</b> Individuals, families or businesses recommend grants to nonprofit programs.</p>	<p>\$25,000 endowed or non-endowed; can be built over 5 years. Donor services are tiered based on fund balance.</p>	<p>First \$1,000,000=1% Next \$1,000,000=.75% Next \$1,000,000=.50% Balance=.25% Minimum \$500</p>
<p><b>SCHOLARSHIP</b> A board-approved volunteer committee reviews applications for the scholarship and selects the recipients based on donor criteria.</p>	<p>\$50,000</p>	<p>\$250,000+ and &gt;50 apps=2.5% &lt;\$250,000 and &gt;50 apps=2.0% &lt;\$250,000 and &lt;50 apps=1.5% Separate application form/ process=.5% additional Minimum \$500</p>
<p><b>NONPROFIT ENDOWMENT (FASB 136 FUNDS)</b> 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.</p>	<p>\$50,000</p>	<p>.75%</p>
<p><b>DESIGNATED</b> An endowment fund which is created by an individual to support a specific nonprofit organization.</p>	<p>\$50,000</p>	<p>.50% Minimum \$500</p>
<p><b>CHARITABLE GIFT ANNUITY</b> Donors who establish a charitable gift annuity receive a life income in exchange for their charitable gift.</p>	<p>\$25,000</p>	<p>.25% Minimum \$500</p>

*NOTE: Investment Manager Fees are assessed as a percentage of total market value (M/V), 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.*

## 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.

*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.

## Five Percent Spending Rule (applies to endowed funds only)

Grand Rapids Community Foundation utilizes a spending rule to determine its spending 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.

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 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 4.0 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.