



Investment & Fee Policy

Adopted August 2022

I. DEFINITIONS & OBJECTIVES

1. PURPOSE

- a. The Yellow Springs Community Foundation (YSCF) has established this Investment and Fee Policy for the following purposes:
 - i. To ensure the safety of the YSCF funds while investing in a portfolio of diversified securities
 - ii. To produce income to assure liquidity and provide funds for operating expenses and grants
 - iii. To establish Investment Guidelines for asset allocation for each of the separate funds
 - iv. To ensure proper administrative fees are assessed to each fund

2. RESPONSIBILITIES OF THE FINANCE COMMITTEE

- a. To establish and update this policy and guidelines and provide to the YSCF Trustees for Trustee approval of any recommended revisions to the Investment & Fee Policy and Guidelines
- b. With the approval of the Trustees, to select the Investment Manager and to monitor performance in accordance with this policy. (See paragraph 5 for Investment Managers)
- c. The Finance Committee will meet periodically with the Investment Manager to review performance, portfolio, competitive fee comparisons and policy.
- d. In the absence of an active Finance Committee, the YSCF Trustees will carry out the responsibilities (defined in items a – c above).

3. FUND OWNERSHIPS WITHIN THE YELLOW SPRINGS COMMUNITY FOUNDATION:

- a. **YSCF Funds** – Funds owned and reported by the YSCF and on the YSCF's books
- b. **Agency Funds** – Acts as a long-term savings account for the nonprofit; the funds are on the nonprofit's books, not the YSCF's books
 - i. The Agency invests their funds through the YSCF to benefit from the YSCF's pooled investment accounts and for minimal fees, which are paid to the YSCF, rather than to an investment service, potentially outside of our community; a form of local impact investing (Often referred to as Pseudo Endowment Funds, as the Agency may call the funds back per the agreement)

4. FUND TYPES

- a. Endowment – Permanent fund with the distribution based on this policy or as specified in the Fund Agreement
- b. Spend Down – Distribution based on the Fund Agreement document; distributions can take the Fund to a zero balance

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- c. Pass-Through – All money is to be provided and used by the identified field of interest for purposes consistent with their mission

***There are Field of Interest funds in all three above types of funds. (FOI)*

***There are Scholarship funds in all three above noted types of funds. (Scholarship)*

5. INVESTMENT MANAGER(S)

- a. The Investment Manager(s) for the **Balanced and Growth Balanced Funds**, as defined below, was selected to operate as a Managed Agency to execute this policy and invest YSCF assets in accordance with this policy while exercising judgments concerning relative investment values. The Investment Manager is accorded prudent discretion within policy limits to select Exchange-traded Funds, mutual funds, and individual securities while making periodic adjustments to the proportions of equity and fixed income securities and to diversify YSCF assets, all within the limits of the Investment Guidelines and Investment Strategies. The scope of the Manager's responsibility is outlined in the Agency Client Information form & Agency Account Instructions form, both signed June 4, 2021. and can be updated from time to time.
- b. **Socially Responsible Balanced Fund** is managed using Vanguard's Green Century Balanced Fund Institutional Class (GCBUX), which has been selected by the YSCF Board, with the recommendation of the Treasurer.
- c. **Local Impact Investment(s)** are administered by the Yellow Springs Federal Credit Union or other designated financial institution as determined for the project, which extends lines-of-credit to qualifying, local nonprofits that are secured by individual, Board approved agreements with the borrower and the YSFCU.

6. PERFORMANCE

- a. Performance of the Growth Balanced and Balanced Funds will be measured through the following means:
 - b. The minimum objective is to grow the invested assets (excluding set-aside cash) by an average annual percentage that exceeds that of the Personal Consumption Expenditures Price Index (PCEPI) and the weighted average of the indicated Benchmark Indexes by 3%. Such measurements will be over a period of a typical business cycle, nominally a rolling 12-quarter average and employ a weighted average of the indicated Benchmark Indexes.
 - c. The annual face-to-face review will include comparing percentage change, not including uninvested and new contributions, compared to the principal market value on December 31 of the preceding year, or of any other one-year period selected. Each fund will be reviewed separately.
 - d. The annual review will include comparing the performance of the equity portfolios to both the S&P 500 Index and the benchmarks indicated below. The bond portfolio's performance will be compared to an appropriate fixed income index selected by the Investment Manager and the Bloomberg Aggregate Bond Index.
 - e. There shall be quarterly reports of both performance and transactions provided to the YSCF. These reports may be subject to clarifying queries.

II. INVESTMENT GUIDELINES

Cash: Cash will be invested in cash equivalents including treasury bills.

Common Stocks: As to equities, the Investment Manager is authorized to invest in common stocks and, to further diversification and lower cost, institutional class Mutual Funds and indexed Exchange-traded Funds (ETFs) may be held in the portfolio.

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Bonds: U.S. Government Issues, well-rated Corporate Issues, and Fixed Income Mutual Funds may be used at the discretion of the Investment Manager. Bond issues ordinarily will not have a maturity to exceed that of the BBARC US Aggregate Bond Index. Laddering bond portfolios is encouraged. Appropriate bond fund instruments could be in insurance-linked securities (ILS), Treasury Inflation-Protected Services (TIPS), high-yield bonds, investment grade bonds, impact bonds, environmental, social, and governance (ESG) bonds, and funds with floating interest rates. Individual bonds that fall below investment grade credit rating will be analyzed by the Investment Manager for appropriate actions to be taken, and communicated with the Investment Committee at the next regular meeting.

Real Assets: At the discretion of the Investment Manager, they may invest in ETFs and mutual funds investing in domestic and foreign Real Estate Investment Trusts (REIT), commodities, and infrastructure.

1. INVESTMENT STRATEGIES:

- i. **Growth Balanced Fund** - Fund Advisor: US Bank Wealth Management; this is defined as providing a moderate amount of current income with moderate growth of capital. Investors should have sufficient tolerance for price and return volatility and substantial periodic declines in investment value with a time horizon of five to ten years. The performance objective shall be measured as defined above with a goal of 3% growth above inflation using the PCEPI and also exceed the weighted average of the indexes indicated.
- ii.

Asset Class	Purpose	Target	Range	Benchmark Index
Global Equity	Capital Appreciation	70%	50-80%	MSCI All World Index
Fixed Income	Capital Preservation	20%	15-45%	BBARC US Aggregate Bond Index
Real Assets Infrastructure	Inflation Protection	5%	0-10%	50% S&P REIT / 50% Global Infrastructure
Cash	Liquidity	5%	0-10%	3-month T Bills

- i. **Balanced Fund** - Fund Advisor: US Bank Wealth Management; this is defined as designed to provide a moderate amount of current income with moderate growth of capital. Investors

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should have sufficient tolerance for price and return volatility and substantial periodic declines in investment value with a time horizon of five to ten years. The performance objective shall be measured as defined above with a goal of 3% growth above inflation using the PCEPI and also exceed the weighted average of the indexes indicated.

ii.

Asset Class	Purpose	Target	Range	Benchmark Index
Global Equity	Capital Appreciation	60%	50-80%	MSCI All World Index
Fixed Income	Capital Preservation	30%	15-45%	BBARC US Aggregate Bond Index
Real Assets Infrastructure	Inflation Protection	5%	0-10%	50% S&P REIT / 50% S&P Global Infrastructure
Cash	Liquidity	5%	0-10%	3-month T Bills

- iii. **Socially Responsible Balanced Fund (SRI)** - Fund Advisor: Vanguard; the YSCF has selected Vanguard's Green Century Balanced Fund Institutional Class (GCBUX), a domestic, actively managed, balanced fund, with 50-70% equity. When initially establishing this SRI Fund, the Board specified that no more than 10% of total YSCF assets will be allocated to it at any one time. The YSCF Board approved this investment strategy and vehicle on May 24, 2017.
- iv. **Local Impact Investment** - Fund Advisor: YS Federal Credit Union (YSFCU); the Local Impact Investments are secured by YSCF assets; these monies are used as collateral for lines-of-credit at the YSFCU for selected local nonprofits. Each of the lines-of-credit is subject to an individual, three-party agreement, which is subject to review and approval by the YSCF Board of Trustees.
- v. **Cash** - Fund Advisor: US Bank - savings / checking; liquid assets available for prompt use.

2. INVESTMENT ELECTION:

The Funds of the YSCF will be managed in accordance with this investment policy as approved by the Board of Trustees. The Founding Contributor(s) to a fund may suggest an investment preference from the approved investment strategies. By way of the individual Fund Agreements, the Founding Contributor(s) acknowledges that the final and exclusive authority to select and retain the investment manager and to make investment decisions rests with the YSCF. The Founding Contributor(s) may suggest an investment preference.

3. FUNDS RECEIVED AND INVESTED

Within all normal efforts, donations will be received and accounted for to a specified fund within 48 hours of receipt to the YSCF. Within all normal efforts, month-end close will include the reconciliation of all donations to corresponding accounts and transfer to the appropriate investment election. Liquid assets received of whatever nature (i.e., cryptocurrency, appreciated stock, etc.) shall be promptly liquidated and the proceeds credited to one of the Fund Investment Strategies 1 through 3 as defined

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above. Any exception to this 'prompt liquidation' policy shall be in accordance with the YSCF Gift Acceptance Policy.

EXEMPTIONS TO INVESTMENT POLICY

Upon recommendation by the Finance Committee and approval by the Trustees, the YSCF may grant an exemption to the stated policy for investments that fall outside of the investment strategy defined by the investment policy. These investments may include, but are not limited to, stock or bond portfolios, real estate, and long-term financial agreements or contracts.

ADMINISTRATIVE AND SPENDING POLICY (EXHIBIT B)

Subject to gift instruments and statutory requirements, the spending policy is determined by a total return system. The following applies unless otherwise stated in the individual fund agreement.

DISTRIBUTION TIMING:

Distributions will be reviewed and approved by the YSCF Trustees annually during the January Board meeting, unless otherwise stated in the Fund Agreement.

DISTRIBUTION CALCULATION:

The calculation is based on the market value of the total fund, multiplied by a percentage or amount to be determined by the Trustees, annually based on the performance of the fund. Absent specific fund provisions to the contrary, the YSCF anticipates distributing 4% of the 20-quarter average fund balance annually. This amount shall not exceed 5% of the most recent quarter's ending balance.

1. Distributions in excess of net annual pay-out of pure endowment funds will not be made except in accordance with the individual endowment agreements.
2. Distributions will be made from the total return of the portfolio, including interest, dividends, realized and unrealized gains. Interest and dividends payments will be reinvested as they are earned.
3. The Trustees will determine annually a pay-out rate to be distributed within each fiscal year.
4. Investment performance data will be freely disclosed upon request, after individual trustees and investment managers have had an opportunity to review data on their own performance and request corrections of any possible errors.
5. Generally, funds that are new to the YSCF, created after January 31, will have a distribution the first January after a full year elapses, unless otherwise stated in the

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agreement provisions. Funds that have significant value (Greater than \$25,000) within the first 12 months due to donations may be considered for a January distribution in the 12-month window.

6. EXCEPTIONS to this policy as noted in the individual fund agreement will be included with an explanation in Exhibit B.

FEE POLICY

The YSCF, like all community foundations, is known for its low administrative fees on donors' charitable funds.

Currently, annual administrative fees for Endowment Funds range from 0.50 percent to 1.5 percent depending on size, activity, and mission; fees for funds that are not endowments are determined by size, activity, mission and fund agreement.

YSCF ADMINISTRATIVE FEES (Exhibit B)

For donations that carry a fee, such as credit card transactions, fees from the processor apply unless noted otherwise in the fund agreement.

Generally, fees are assessed based on the quarter end balance of a fund; in the case of a significant reduction of total fund assets, the fee may be based on daily average over the quarter.

Tier 1: Actively managed Endowment Funds (generally Non-Agency Funds): An annual Fee of 1.50% of market value assessed on a quarterly basis (.375 % per quarter)

Tier 1a: Actively managed Spend-Down Field of Interest Funds: A one-time fee of 1.5% per donation assessed at the time of the donation

**Actively managed funds are those from which funds are distributed (ie. grants) more often than one time annually. Grant funds are generally actively managed.*

Tier 2: Investment-Only Agency Endowment Funds (meaning not actively managed): An annual Fee of .50% of market value assessed on a quarterly basis (.125% per quarter)

Tier 2a: Investment Agency Spend-Down Funds (meaning not actively managed): A one-time fee of 0.5% per donation assessed at the time of the donation

Tier 3: Donor Advised Funds: A one-time set up fee of \$500; An annual Fee of .5% of market value assessed on a quarterly basis (.125% per quarter)

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Tier 4: Advised Field of Interest, Fiscal Sponsorships & Restricted Pass-Through Agreement Funds: Generally, a processing fee of 7.5% of the donated amounts (gifts) to the fund at the time of the donation; a negotiated rate based on activity level and funding practice may be appropriate; a signed memo of understanding (MOU) will be the governing document regarding fees for long-term agreements.

Tier 4a: For-Profit Pass-Through Agreement Funds created during COVID-19: Generally a processing fee of 7.5% of the donated amounts (gifts) to the fund at the time of the donation; 20% goes to the Business Rainy Day Endowment Fund at time of donation; this 20% is tax deductible

Tier 5: Temporary Restricted Scholarship Funds: No fees

Tier 5a: Endowment Scholarships: A one-time set-up fee of \$250.00 applied at time of opening: An annual Fee of 1.50% of market value assessed on a quarterly basis (.375 % per quarter)

Tier 5b: Spend-Down Scholarships: A one-time set-up fee applied at time of opening; fund \$1,000 - \$4,999: \$250.00; fund \$5,000 or greater: \$500.00; one-time fee of 2% per donation is assessed at the time of the donation

Tier 6: Legacy Gifts: A one-time fee of 1.00% assessed at the time of the donation

Tier 10: Funds without fees due to agreement and / or purpose

EXHIBIT A:

Investment Objective Descriptions as Defined by US Wealth Management¹

Cash Equivalents is designed for investors who wish to have minimal volatility and a current return similar to very short-term fixed-income obligations such as treasury bills, commercial paper and money market funds and short-term fixed-income investments up to one year in maturity. – US Bank

Income is designed to provide a moderate level of current income. Although fixed income investments comprise the largest share of the portfolio, an equity component is included to help keep pace with inflation and provide a source for potential increases in income over time. Income investors should have sufficient time and tolerance for some price and return volatility and periodic declines in value and a time horizon of at least three to five years.

Conservative Balanced is designed to provide current income and low to moderate growth of capital. Investors should have sufficient tolerance for moderate to substantial price and return volatility and periodic declines in investment value with a time horizon of five to seven years.

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Balanced is designed to provide a moderate amount of current income with moderate growth of capital. Investors should have sufficient tolerance for price and return volatility and substantial periodic declines in investment value with a time horizon of five to ten years. – US Bank Wealth Management

Growth Balanced is designed to provide capital growth with a low to moderate level of current income. This portfolio can provide relatively high allocations to various equity categories including small company and international company equity securities. Investors should have sufficient time and tolerance for substantial price and return volatility and relatively large declines in investment value. – US Bank Wealth Management

All Fixed Income is designed for investors who wish to have no equity exposure or who hold equities in separate portfolios.

Aggressive Growth is designed to provide a relatively high level of capital growth. Investors should have sufficient time and tolerance for substantial price and return volatility and relatively large declines in value. This portfolio may employ high allocations to various equity categories including small company and international company equity securities.

All Equity is designed for investors who wish to have no fixed income exposure or who hold fixed income securities in separate portfolios.

Investment Objective Descriptions as Defined by Other Management²

Socially Responsible Fund (SRI) – Vanguard

The SRI Fund offers a way to invest in funds that consider environmental, social, and governance issues.

Local Impact Investment -YS Federal Credit Union

Impact investments are investments made with the intention to generate positive, measurable social and environmental impacts within Yellow Springs and Miami Township alongside a financial return.

This policy may be amended from time to time at the discretion of the Yellow Springs Community Foundation Board, current version as noted in footnote.

¹ These descriptions are taken from the US Bank Private Client Group form, "Investment Objective Statement," undated.

² These descriptions are provided by the YSCF Treasurer