

# Grove Rotary Foundation Inc Financial Investment Policy

Membership and Trustee Approved 12/14/2022

## Grove Rotary Foundation Financial Investment Policy (the Policy”)

### **Section 1: Grove Rotary Foundation Financial Investment Policy Purpose**

This Policy provides direction for the long term security of the Foundation’s financial assets (the “Fund”) and guidance for investment objectives, policies, guidelines and eligible securities related to all assets held by Grove Rotary Foundation, Inc. (the “GRF”) of Grove Oklahoma. In doing so, the Policy:

- Creates the GRF Investment Committee (the “IC”) responsible for managing and reporting on the financial assets of the GRF.
- Clarifies the delegation of duties, responsibilities and expectations concerning the management of all GRF funds.
- Identifies the criteria against which the investment performance of the Foundation’s investments will be measured.
- Communicates the objectives to the Board, the Club, staff, investment managers, brokers, donors and funding sources that may be involved.
- Confirms policies and procedures relative to the expenditure of funds.
- Serves as a review document to guide the ongoing oversight of the management of the organizations’ assets.

### **Section 2: GRF Financial Asset’s Purpose**

The financial assets (the “Fund”) of the GRF are to be used as specified by the Foundation By-Laws (Article I, Section 2) supporting the approved charitable programs and annual operating costs of the GRF. Current charitable programs include, but are not limited to: college scholarships; Vo-Tec scholarships, annual Charitable Giving grants, Community grants and other charitable projects approved by the GRF Board of Trustees.

### **Section 3: Delegation of Responsibilities**

The GRF Board of Trustees, (the “Board”) is responsible for managing all assets of the GRF. The Board approves the overall investment policy, including the investment objectives and asset allocation strategy and approves any changes to the Policy. Board approved changes to the investment policy must then be presented and approved by a majority vote of the Foundation members attending an official Foundation meeting.

The Board is to create and appoint the GRF Investment Committee (the “IC”) to:

- Manage the Policy
- Manage the Funds of the GRF
- Manage the external investment managers
- Recommend investment strategies for the GRF
- Report on the performance of the Fund

The Chair of the IC will be an ex officio board member (non-voting member, not a Trustee) of the GRF Board. The Chair and the IC members will take direction from the Board and implement the Policy.

#### **Section 4: Responsibilities of the Board**

The Board sets the direction for the IC. The Board is responsible for reviewing and approving any disbursements from the financial accounts housing the Fund. The Board may choose to pre-authorize withdrawal of approved limits and assets to meet the financial commitments of the GRF in a timely manner. The approved withdrawals may include, but not be limited to: approved budgeted line items, regular monthly operating expenses, annual scholarship awards, annual charitable grants, annual community projects and other charitable projects brought to the GRF for review and approval.

#### **Section 5: Responsibilities of the Investment Committee (the “IC”)**

The IC will take direction from the Board and the Policy. The IC, including the Chair, will consist of 3 qualified Rotarians with the appropriate education and investment and/or banking experience. To be considered for the IC, Rotarians must have one year of active Club membership and be in good Club standing. Committee members will be committed to responsibly managing the assets of the Foundation as specified by the Board and the approved financial investment policy (the “**Policy**”).

Each IC member will serve a term of 3 continuous years. The initial IC may use stagger terms (1yr, 2yr, 3yr) to ensure rotating members over the course of three years.

The IC Chair is appointed by the Board to a 3-year term. The current GRF Treasurer will serve as a Board Liaison to the IC. The IC will work with any external investment managers, contracted by the Board, to actively manage the GRF asset accounts. The IC is solely accountable to the Board.

The IC Chair will report asset performance to the Board monthly and attend any scheduled and/or special meetings of the Board. The IC Chair will also immediately alert the Board if critical performance issues arise.

The IC is responsible for recommending investment policies and guidelines for the GRF portfolio, monitoring investment results, and acting in a consultative capacity for the Board. The IC is charged with ensuring the Fund is managed in compliance with the approved Policy.

The IC will meet separate of the Board to ensure they are able to successfully carry out the assigned duties. At a minimum, the IC will conduct quarterly reviews of the Funds and associated investment criteria to ensure the fund strategy is still on track.

#### **Section 6: Responsibilities of External Asset Management (i.e. Wells Fargo Advisors)**

The Board may choose to use an outside asset manager and/or management company in addition to the asset management provided by the companies where the financial assets are banked and/or invested. The Board maintains and owns accountability for the management of the relationship. The IC may recommend external investment management as an option. The Board may delegate the daily management of the external relationship to the IC. The IC does not have contractual authority with any asset management or deposit firm engaged by the Board.

## **Section 7: Investment Objectives**

The investment objectives of the Fund are to generate sufficient earnings to enable the GRF to meet the cash requirements of the annual operating budget, fulfill awarded scholarship commitments and grow specified funds as defined in the Policy. The rate of return shall be consistent with the expected risk, return and time horizon as specified in the Policy. The Policy allows for new deposits, as specified by the Board, into any of the Funds.

The Fund may provide capital for (1) the annual Operating Fund; (2) a Short Term Reserve fund; (3) the Scholarship Fund; and (4) the Giving Fund. Each sub-fund will have their own appropriate investment objective, risk tolerance and time horizon. The Board and IC can recommend additional funds as required.

## **Section 8: Annual Operating Fund**

The annual Operating Fund needs will be met with unrestricted cash and liquid assets. This fund may be housed in the bank of record for the GRF. Should there be insufficient unrestricted cash, the Board can instruct the GRF Treasurer to arrange for cash withdrawals from the Short Term Reserve Fund to be deposited into the Operating Fund. Liquidity is needed for monthly operating expenses and near term scholarship and charity grant commitments. The primary investment objective is liquidity, with interest earned where possible. The time horizon is monthly within the 12-month budget year.

## **Section 9: Short Term Reserve Fund**

The Short Term Reserve Fund may be invested in interest bearing deposits and instruments. This fund may be housed in the bank of record for the GRF or other financial institutions. Period liquidity is needed for annual expenses like the January charitable grants cycle, the new scholarship awards each May and the existing scholarship payments made each July/August. The Short Term cash reserve target shall be developed annually by the Board as part of each fiscal year budget process. The primary investment objective is interest earned with the ability to make withdraws as needed. The time horizon is annually within each budget fiscal year.

## **Section 10: The Scholarship Fund**

The Scholarship Fund investment objective shall be long-term growth of capital while minimizing significant downside risk. The long term goal of the fund is to produce the necessary income and/or gains to be used to fund scholarships. In order to increase the scholarship fund, the aggregate amount that can be withdrawn annually from the fund will be set as part of each fiscal year budgeting. The time horizon is long term over 3-5 years.

## **Section 11: The Giving Fund**

The Giving Fund investment objective shall be long-term growth of capital while minimizing downside risk. The long term goal of the fund is to produce the necessary income and/or gains to be used to fund the charitable giving budget. The time horizon is long term over 3-5 years.

### **Section 12: Automated Internal Performance Measurement and Reporting of the Fund**

An automated reporting capability shall be created and provided to the Board to enable real time monitoring and end of period reporting (i.e. external fund site, ex: Wells Fargo Advisors account page). At a minimum, the IC and the GRF Treasurer will have access to the automated reporting.

### **Section 13: Annual Review of Investment Objectives**

The achievement of investment objectives of the Policy will be reviewed, at a minimum, on an annual basis or more frequently as needed. The review will focus on the continued feasibility of achieving the objectives and the continued appropriateness of the investment strategies for each Fund and the Policy in its' entirety. It is not expected that the Policy will change frequently; in particular, short-term changes in the financial markets should generally not require an adjustment in the Policy.

### **Section 14: Annual Review of External Investment Managers**

As specified within the Policy, and with a perspective toward one-year and three-year time horizons, the external managers will be evaluated to determine if a manager has:

1. Performed satisfactorily when compared with the specific objectives for the portfolio
2. Produced results that compare favorably to other investment management organizations managing similar portfolios (i.e. benchmarks)
3. Investment expenses both direct and indirect are reasonable and appropriate
4. Made portfolio management decisions that were reasonable and effective in view of capital market developments
5. Adhered to the relevant policies and objectives
6. A FINRA report will be performed on each external investment manger before selecting and annually thereafter.

### **Section 15: External Reporting Requirements for External Managers**

Within 30 days after the end of each calendar quarter, each external Manager shall prepare a report containing information on the investment performance of the Fund under their management. The report shall cover, at a minimum:

1. Review of investment performance (net of fees) for the quarter, fiscal year-to-date (July 1-June 30) and since-inception of the account with comments on any policy or strategy changes, which contributed either positively or negatively to that performance
2. Comments on any material change in personnel, investment strategy or other pertinent information potentially affecting performance
3. Recommendations for changes to the investment strategy for funds under management
4. List of the securities in the portfolio and percent of total portfolio at the end of the quarter
5. List of all requested expenditures and sources of funds used.
6. Amount of management fees collected and source of funds used

**Section 16: Expenditure of Funds**

The Board is responsible for reviewing and approving any disbursements from the financial accounts containing assets of the Fund. As defined in Section 4, the Board may choose to pre-authorize withdrawal of funds.

The IC will be informed of any and all distribution needs and review the Policy and Fund for the best asset to utilize. All decisions relative to the disbursement of funds must abide by the uses, benefits, purposes, and duration for which the fund was established. For each disbursement, an appropriate contemporaneous record shall be kept and maintained describing the nature and extent of the requirement and the source of funds used.

**Section 17: Conflict of Interests on Investments and Restrictions on Investments**

It is the policy of the GRF that officers, Trustees and committee members shall act in a manner consistent with their responsibilities to GRF and Rotary International and avoid circumstances in which their financial or other ties to outside persons or entities could violate any Rotary code of conduct or conflict policies. Conflicts include presenting an actual, potential, or the appearance of a conflict of interest or impair the reputation of the GRF and/Rotary International.

GRF, IC and Trustee Committee members representing GRF on the Policy and Fund are required to abide by GRF Conflict of Interest Policy.

**\*\* note: the IC will complete this section \*\***

## **Grove Rotary Foundation Financial Investment Policy - Fund Specific**

### **Section 18: Investment Risk Tolerance, Asset Allocation and Diversification**

The Policy sets forth the specific investment goals and objectives for each class of Funds. The Policy expresses the specific direction regarding risk tolerance and the asset allocation of the Funds. The IC will use the Policy to ensure each Fund's assets are invested within the parameters. The IC will work with the external investment managers to implement the Policy.

Total assets managed by any single entity should not exceed **XX%** of total investments for the GRF at the time of purchase, and should not exceed **XX%** of total investments for GRF at any time.

The Fund is to be diversified so as to limit the impact of large losses in individual investments of the Fund unless it is reasonably determined that there are special circumstances indicating that the organization is better served not to diversify the investment.

Each sub Fund and the Fund in Total shall have a Strategic Asset Allocation (the "**SAA**"). Each sub Fund and the Fund in general will have an accompanying benchmark fund for performance comparison and scoring (i.e DJIA index)

Example of a SAA:

	<b>Percent</b>	<b>of XXXX</b>	<b>Fund</b>		
	<b>Target</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Time Horizon</b>	<b>Risk Tolerance / Comments</b>
<b>Cash</b>	xx%	xx%	xx%		
<b>Cash Equivalents</b>	xx%	xx%	xx%		
<b>Stocks - US</b>	xx%	xx%	xx%		
<b>Stocks - International</b>	xx%	xx%	xx%		
<b>Bonds - US</b>	xx%	xx%	xx%		
<b>Bonds - International</b>	xx%	xx%	xx%		
<b>Other</b>	xx%	xx%	xx%		
<b>Total (=100%)</b>	100%	100%	100%		