

# Grand Rapids Jaycees Foundation Policy

Revised 11/03/2011

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## Introduction

This Policy consists of general rules of operation which experience has proven necessary for the prudent operation of the Foundation consistent with its traditions, philosophies and charitable purposes.

### **I. Administration**

#### **A. Annual Report**

The Chairman of the Board of the Foundation shall be responsible for preparing and publishing to the Foundation's membership the Foundation's annual report of finances and activities no later than August 1<sup>st</sup> of each year. The Chairman of the Board shall provide each member with the copy of the annual report.

#### **B. Plan of Action**

At the annual Board of Trustees' planning session, the Foundation President shall be responsible for presenting the Board of Trustees approval the Foundation's Plan of Action for that fiscal year utilizing the Chairman's Planning Guide format. The President shall also prepare the Foundation's final report of activities of that fiscal year also in the Chairman's Planning Guide format for Board of Trustees approval by April 1<sup>st</sup>.

#### **C. Donor History**

The Foundation Board of Trustees shall maintain a permanent donor history of all donations to the Foundation.

### **II. Deviations/Amendments**

#### **A. Deviation**

Any provision or provisions of this Policy may be deviated from only upon an affirmative vote of two-thirds (2/3) of members of the Board of Trustees then in the office (whether or not in attendance) on specific issue of each Policy involved.

#### **B. Amendments**

Any provision or provisions of the Policy may be amended only upon an affirmative vote of two-thirds (2/3) of the members of the Board of Trustees in office (whether or not in attendance) provided written or electronic notice of the Board of Trustees meeting at which such proposed amendment (together with the text of such amendment) shall be considered has been sent to each member of the Board of Trustees at least one week prior to such a meeting.

#### **C. Board of Trustees Meeting Dates**

Board of Trustees meeting times and dates shall be determined by the trustees at the beginning of the fiscal year.

### **III. Foundation Finances**

#### **A. Accounts**

All funds received by the Foundation shall be immediately deposited in an appropriate account to be withdrawn only at the direction of the Board of Trustees. Withdrawals (not including transfers between Foundation accounts) shall require co-signatures of individuals approved by the Board of Trustees. Checks in the amount of \$1000.00, or greater shall require two-signatures.

## **B. Dishonesty Policy**

The Board of Trustees shall at least annually review the status and level of Dishonesty bonds covering Foundation and Chapter officers.

## **C. Investments**

All Foundation funds shall be maintained in common accounts or investments as directed from time to time by the Board of Trustees unless the Board of Trustees specifically authorizes separate accounts and/or investments. The Board of Trustees shall appoint an investment review committee who shall annually review all Foundation investments.

## **D. Specific Purpose Funds**

All donations to the Foundation, which are accepted by the Board of Trustees for specific purposes or special funds, shall be separately maintained on all Foundation financial records and reports regardless of whether such funds are in separate accounts or investments. The Board of Trustees may charge fees for maintaining these specific purpose funds equal to the income generated by them.

## **E. Reserve Fund Policy**

The Foundation shall maintain a Reserve Fund under the following guidelines.

1. **Purpose.** The purpose of the Reserve Fund shall to be to provide a financial reserve for large capital expenditures and substantial, non-recurring expenses related to the operations of the Foundation and its projects. By way of example, but not limitation, potential Reserve Fund expenditures could include:
  - a. Construction of a facility for storage of Foundation assets related to the operations of Foundation projects.
  - b. Seed money to cover expenses related to the launching of a new Foundation project before that project begins generating revenue (substantial, non-recurring expenses).
2. **Size.** At the time of the adoption of this Policy, the balance of the Reserve Fund shall be set at \$500,000. Whenever the balance of the Reserve Fund shall fall below \$500,000 due to expenditures from the Fund under Paragraph 4 below, contributions to the Reserve Fund shall be made as outlined in Paragraph 3 below until such time as the Reserve Fund balance returns to \$500,000.
3. **Contributions.** Whenever the Reserve Fund balance shall be less than \$500,000, the Foundation shall make an annual contribution to the Reserve Fund. The contribution shall be reflected on the Foundation's year-end financial statements. The amount of the contribution shall be the lesser of (1) the amount necessary to bring the Reserve Fund balance to \$500,000 or (2) 25% of the Net Operating Surplus of the Foundation that year (exclusive of investment income or gains and rounded to the nearest \$5,000). For purposes of this Policy, "Net Operating Surplus" shall be the total revenues of the Foundation less the total expenses; however, revenues shall not include interest income on any account nor investment income or gains and expenses shall not include grants made by the Foundation and investment losses.
4. **Expenditures.** Expenditures from the Reserve Fund shall be made only with the approval of two-thirds (2/3) of the voting members of the Foundation's Board of Trustees. Although the Board of Trustees may approve lesser amounts, it is anticipated that expenditures from the Reserve Fund would typically be in excess of \$100,000. Furthermore, no expenditure from the Reserve Fund shall be made if it would reduce the balance of the Reserve Fund below \$250,000.

5. Investment and Accounting of Reserve Fund. The Reserve Fund shall be commingled with the Foundation's other financial assets and need not be held in a separate account. However, the Foundation's financial statements shall include a separate line item for the Reserve Fund and designate its balance. Investment income on the Reserve Fund, along with any investment gain or loss (realized or unrealized), shall be accounted for as part of the Foundation's general (unrestricted) funds (i.e., the balance of the Reserve Fund shall change only due to contributions made under Paragraph 3 above or expenditures made under Paragraph 4 above).
6. The Foundation shall each year make a minimum contribution to the Endowment Fund of 25% of the Net Operating Surplus of the Foundation (as defined in Paragraph 3 above) less any amount paid that year to replenish the Reserve Fund under Paragraph 3 above.

**F. Check Requests**

Completed Check requests shall be delivered to the Foundation Treasurer within 90 days of the date of the receipt with any and all receipts attached. Any check request submitted by an account signatory shall be approved by the Chairman of the Board prior to being processed.

**IV. Donations and Fundraising**

**A. General Funds**

Donations to the Foundation for its general funds may be accepted by the President or Treasurer without prior approval of the Board of Trustees except for donations from categories of donor designated by the Board of Trustees from time to time. At each Board of Trustees meeting, the Treasurer shall report on the status of all donations received and/or pledged, and the purpose of such donation. All donations shall be deemed accepted by the Foundation unless the Board of Trustees then determines to reject or place conditions on such donation. A record of all such donations shall become a permanent part of the minutes.

Only unrestricted donations shall be considered (except donation to specified restricted funds of the Foundation which restrictions allow substantial Board of Trustees discretion in the application of the funds shall be considered unrestricted donations for this purpose) for purposes of determining donor status.

**B. Acknowledgement of Donations**

All donations received by the Foundation shall be acknowledged by an appropriate letter from the President, or their appointee.

**C. Fundraising**

Except upon approval by the Board of Trustees, no individual or entity shall be authorized to actively solicit any pledge, donation or contribution of any kind on behalf of the Foundation.

**D. Specific Purpose**

Donations to the Foundation for a specific purpose shall be accepted only upon a prior authorizing majority vote of the Board of Trustees. Any Board of Trustees resolution authorizing the acceptance of donations for specific purposes shall consider whether a time limit on such acceptances is appropriate and include a formal contact entered into with the donors and/or others regarding the use of those funds.

**E. Classes of Donors**

Donors to the foundation shall be classified, with each class to be entitled to such rights and privileges as established from time to time by the Board of Trustees, as follows:

1. *Sponsor* – for any donation in an amount of \$25.00 to \$99.00
2. *Patron* – for any five year aggregate donations totaling \$100.00 to \$249.00
3. *Sustaining* – for any five year aggregate donations totaling \$250.00 to \$499.99
4. *Benefactor* – for any ten-year aggregate donation totaling \$1000.00 or more
5. *Other* – for any special donations in excess of an amount determined by the Board of Trustees (but not less than twice the donation required by the Benefactor donor status) with the Board of Trustees to designate such other donor status.

**F. Definition of Donor for Election Purposes**

For purposes of the by-laws provision that donors to the Foundation are entitled to vote in Foundation elections, a donor is defined as any person who makes an unrestricted cash donation of \$25 or more to the Foundation’s General Fund or Endowment Fund, or who makes an unrestricted in-kind donation with a fair market value of \$25 or more for the Foundation’s general use. Donation- to a specific Foundation project or restricted fund (other than the Endowment Fund) does not qualify as a donation for purposes of being entitled to vote in Foundation Elections. A person’s status as a donor for a particular election shall be determined based upon donations made in the period of October 1 to September 30 preceding each election (e.g., to be eligible to vote in the 2012 elections, donations made between October 1, 2011, and September 30, 2012, shall be considered).

**G. Event Receipts**

The event chairperson and Foundation Treasurer shall have joint authority for the handling and reporting of funds received. Either the chairperson or Foundation Treasurer may delegate their tasks to another member. However, the chairperson and Foundation Treasurer retain co-responsibility of ensuring the funds raised are accounted for and deposited into the appropriate account(s). All cash funds are to be deposited within 72 hours of receipt; checks no later than seven (7) business days of receipt.

**V. Grants**

**A. Grant Guidelines**

The Grand Rapids Jaycees Foundation needs to maintain a flexible attitude in its grant making guidelines in order to better effectuate its purpose as set forth in its Articles of Incorporation. However, this flexibility must be maintained within the bounds of interest areas to the Trustees and to the Foundation members to ensure a consistent approach to achieving those purposes. The following guidelines shall be used in determining the granting of any grant request:

1. Grants shall be awarded to qualified 501(c)(3) tax-exempt organizations or to other nonprofit organizations, which will utilize the grant proceeds for generally recognized charitable purposes consistent with the Foundation’s tax-exempt status.
2. Grants shall be awarded to organizations in Western Michigan with the predominate use of grant proceeds to be within Western Michigan. The Foundation may make exceptions *only* for the Grand Rapids Jaycees who may undertake programs benefiting people outside of Western Michigan.
3. Grants shall be made for charitable 501(c)(3) purposes allowed by the Internal Revenue Code. The Foundation will look most favorably upon projects that impact children and youth. The Foundation will also look most favorably upon projects that impact the greatest number of people, consistent with Jaycees’ philosophy. The Foundation will be more likely to consider projects which are capital in nature (bricks and mortar, equipment) and/or that serve to improve the efficiency and productivity (technology) of nonprofits.

4. The Foundation will also make grant requests for Special Projects in conjunction with the Grand Rapids Jaycees – in recognition of our special relationship. These programs or projects must meet the tax-exempt definition of charitable purpose.
5. The Foundation will not rule out, but does not generally consider the following to have high priority in granting decisions:
  - a. Contingency funds or operational funds
  - b. The Foundation will not make grants for religious or political purposes, or direct use by individuals.
  - c. The Foundation is not likely to fund an organization year after year, except in rare circumstances, and considers once in three years to be reasonable.

## **B. Grant Monitoring**

Every approved grant request shall include a mechanism by which the Foundation will be reasonably informed of the appropriate use of the grant proceeds. It is the duties of the Foundation to follow up and ensure that the proceeds are utilized properly. To insure the receipt of accurate reporting, the grant proceeds payment may be conditioned upon satisfactory proof of the appropriate expenditure of funds equal to at least the grant proceeds paid.

As a recipient of funds granted, the Grand Rapids Jaycees Foundation will request the following provisions from the organization(s) accepting these funds to insure proper recognition for and use of funds:

1. The Grand Rapids Jaycees Foundation name will be included in any internal and/or external advertising or public relations as a financial sponsor of the project benefiting from Foundation funds.
2. A Grant outcome form must be completed and returned within three (3) months after receipt of funds. If the partner organization's project(s) are not completed by this date, a preliminary report will still be required. If an outcome report or interim outcome report is not received, the organization will not be considered for any future grants.
3. If for any reason, the project(s) are cancelled, the amount of the funding by the Grand Rapids Jaycees Foundation will be immediately returned to the Foundation.

## **C. Grant Application Process**

The Grants Committee shall consist of the following:

1. Grants Administrator;
2. President of the Foundation;
3. Community Vice-President of the Chapter;
4. Two (2) general members of the organization (Life Member, Member of the Foundation, or member of the Grand Rapids Jaycees Chapter)

The Grant Committee shall then solicit grant applications from the community. Utilizing the guidelines set forth by those policies, the Grant Committee shall recommend qualifying organizations' requests in order of preference to the Foundation. The Foundation Board of Trustees must approve the recommendation by a two-thirds (2/3) vote.

## **D. Grand Rapids Jaycees**

Because of the Foundation's relationship and familiarity with the Grand Rapids Jaycees and its activities, grant requests from that organization may be considered outside of the Foundation's normal grant process, however such grants may be approved only by an affirmative vote of two-thirds (2/3) of

the members of the Foundation Board of Trustees then in office (whether or not then in attendance). The Grand Rapids Jaycees shall verify the appropriate use of the grant proceeds by submitting to the Foundation President a completed Chairman's Planning Guide, which has received approval of the Grand Rapids Jaycees Board of Directors. All granted funds approved shall be announced at the following Grand Rapids Jaycee General Membership meeting, and a press release submitted, by the Membership Liaison, or another appointee of the Foundation President.

#### **E. Grand Rapids Jaycees and other Organizations**

The Foundation shall make no grant to the Grand Rapids Jaycees for a project, which provides anything of value to a third-party organization, unless the following conditions are met:

1. A Chairman's Planning Guide (CPG) has been approved which specifically states the goals of the project, what commitments are being made by the Chapter to the third-party organization, and what conditions, if any, are imposed to obligate the Chapter's performance.
2. A copy of the CPG shall be delivered to both the Foundation and the third-party organization.
3. No revisions to the CPG, which affect the obligations of any of the parties, shall be made without written acceptance of those changes by all the parties.
4. An agreement shall be signed by the Foundation, Chapter and third-party organization which specifically sets forth the following terms:
  - a. The obligations, and any conditions, of the Chapter;
  - b. The obligations, and any conditions, of the third-party organization;
  - c. The provisions from the minutes of the Foundation reflecting the approval of the grant and the conditions thereof;
  - d. The third-party organization acknowledges that no member of the Jaycees or the Foundation may obligate the Jaycees or the Foundation to anything not contained in the agreement, grant approval, and the approved CPG.

This policy shall not apply to grants, which only reimburse the Chapter for expenses incurred in carrying out a project of the Jaycees.

#### **F. Other Organizations**

The Foundation will consider requests to organizations without a 501(c)(3) designation in rare instances. These grant applicants must fill out a Jaycees Chairman's Planning Guide to verify that the purposes for the grant are charitable. Further, a completed Chairman's Planning Guide MUST be submitted after the project is completed with receipts attached as substantiation. Such a grant may be approved ONLY by an affirmative vote of two-thirds (2/3) of the members of the Foundation Board of Trustees.

#### **G. Grant Outcome Report**

The Grant Outcome Report (Exhibit A) form must be completed prior to applying for another grant. If the project or projects are in process, you must submit an interim outcome report to assess progress and usage of funds. The Grand Rapids Jaycees Foundation must receive this information within three (3) months of receipt of funds.

The Grant Outcome Report Form shall be found at the end of this document.

### **VI. Project Operations Policy**

#### **A. Purpose**

The purpose of the Project Operations Policy ("Policy") is to establish guidelines for the operations of projects, especially with respect to those run in conjunction with the Grand Rapids Jaycees. This Policy is designed to ensure compliance with the Internal Revenue Code and to detail the responsibilities of each entity or individual involved.

## **B. Types of Projects**

The following types of projects are covered by this Policy:

1. Approved Jaycee Projects: These are projects run by and in the name of the Grand Rapids Jaycees (“the Chapter”), but for which the Foundation has granted its permission to the Chapter to solicit donations in the Foundation’s name.
2. Joint Projects: These are projects that are jointly run by and in the name of both the Foundation and the Chapter.
3. Jaycee Managed Foundation Projects: These are projects run in the name of, and for the benefit of, the Foundation, but for which the Chapter will run the operations of the project.
4. Foundation Projects: These are projects run by and in the name of the Foundation.

## **C. Charitable Purposes**

In all cases, any Approved Jaycee Project or Joint Project must be run for the benefit of the Foundation, another IRC § 501(c)(3) organization, or for a charitable purpose as defined under the Internal Revenue Code. No such project shall be approved by the Foundation if it will benefit a person or entity under circumstances in which the Foundation would be precluded by law from making a grant to that person or entity.

## **D. Receipt of Donations**

The following procedures apply to all four types of projects unless otherwise indicated.

1. All checks should be made out to the Grand Rapids Jaycees Foundation.
2. All contributions shall be receipted by means a standard Foundation receipt letter.
3. The issuance of the receipt letter and a “Thank You” letter shall, in the case of an Approved Jaycee Project or a Joint Project, be the responsibility of the Project Chair. These letters shall be issued within 30 days of the receipt of the donation and a copy shall be supplied to the Foundation Development Director (or, if the position of Development Director is vacant, to the Foundation Treasurer).
4. In the case of Jaycee Managed Foundation Projects and Foundation Projects, the Foundation Treasurer shall be responsible for the issuance of receipt and thank you letters.
5. Unless otherwise provided, the proceeds of any project, which inures to the benefit of the Foundation, shall be deposited into the Foundation’s General Fund.

## **E. Payment of Expenses**

1. The Chapter shall be responsible for the payment of all expenses related to Approved Jaycee Projects. The Foundation will reimburse the Chapter for allowable expenses up to the amount of donations received by the Foundation which were designated to the benefit of the project
2. In cases of Joint Projects and Jaycee Managed Foundation Projects, it shall be determined in advance whether the Chapter or the Foundation shall be responsible for the payment of expenses. The Foundation may reimburse the Chapter for reasonable expenses incurred and paid by the Chapter in running such projects.

## **F. Project Approval**

1. For Approved Jaycee Projects, Joint Projects and Jaycee Managed Foundation Projects, the Chapter shall submit an Initial CPG before the project begins and a Final CPG after the completion of the project. The Foundation's approval of the Initial CPG shall be the grant of permission to proceed and the Foundation's approval of the Final CPG shall be its acceptance of the completion of the project in all respects.
2. Foundation Policy shall be deemed to be terms included in all projects. If there is any provision in a CPG which is inconsistent with Foundation Policy, Foundation Policy shall control unless the Foundation Board shall, by separate vote, override Policy. A vote to approve a CPG shall not be construed as a vote to override Policy.

## **G. Disbursement of Project Proceeds to Other Organizations**

1. No proceeds from any project shall be disbursed to any other organization unless the Foundation shall have on file that organization's IRC § 501(c)(3) Determination Letter.
2. The Foundation may require the submission of a formal Grant Application on behalf of the third-party organization, which is to receive proceeds from a project.

## **H. Restricted Donations**

1. Unless a donor indicates intent to make a restricted donation, all donations to the Foundation, including those received as the result of a specific project, shall be treated as general contributions to the Foundation and need not be expended solely to the benefit of a particular project.
2. If one or more donors make a donation restricted to the benefit of a particular project, those donations shall be accepted and put to use only for the benefit of that project. In the event that the amount of such restricted donations shall exceed the amount needed by a project, the excess amount shall either be held by the Foundation in a restricted fund for the next time that the project shall be conducted or refunded to the donors (unless the donor indicates a willingness to remove the restriction on the donation).
3. If the Foundation makes a grant to the Chapter for an Approved Jaycee Project, in addition to granting approval to solicit in the Foundation's name, such grant shall be deemed either "inclusive of donations" or "exclusive of donations".
  - a. If a grant is deemed "exclusive of donations," the amount paid by the Foundation under the grant to the Chapter the lesser of (1) the amount granted and (2) the amount of the project's approved expenses less the amount of donations made to the project (this grant is designed to be in addition to any donations received for the project, but with any excess monies being returned to the Foundation);
  - b. If a grant is deemed "inclusive of donations," the amount paid by the Foundation under the grant to the Chapter the lesser of (1) the amount granted less the amount of donations made to the project and (2) the amount of the project's approved expenses less the amount of donations made to the project (this grant is designed to ensure that a minimum amount be committed to the project, with the grant guaranteeing the difference between that minimum amount and the amount of donations received);
  - c. If the type of grant is unstated in the motion approving the grant, it shall be deemed to be made "exclusive of donations."

[Example 1: The Foundation makes a \$2,000 grant to the Chapter for an Approved Jaycee Project. The project incurs expenses of \$2,500 and received \$1,300 in donations. If the grant is deemed "inclusive of donations," the Foundation would pay the Chapter \$700 under the grant

(the \$2,000 grant less \$1,300 in donations). If the grant is deemed “exclusive of donations” the Foundation would pay the Chapter \$1,200 (\$2,500 in expenses less \$1,300 in donations) under the grant.

Example 2: The Foundation makes a \$2,000 grant to the Chapter for an Approved Jaycee Project. The project incurs expenses of \$3,500 and received \$1,300 in donations. If the grant is deemed “inclusive of donations,” the Foundation would pay the Chapter \$700 under the grant (the \$2,000 grant less \$1,300 in donations). If the grant is deemed “exclusive of donations” the Foundation would pay the Chapter \$2,000 (the \$3,500 in expenses less \$1,300 in donations equals \$2,200, which exceeds the amount of the grant, so only the grant amount is paid) under the grant.]

#### **I. Management Fees**

With respect to Joint Projects and Jaycee Managed Foundation Projects, the Foundation may pay the Chapter a reasonable Management Fee for the Chapter’s operation of the project. The Management Fee shall not exceed an amount for which the Foundation would pay an unrelated entity in for similar services.

#### **J. Use of Foundation Letterhead**

1. Foundation Letterhead shall be used to receipt all donations to the Foundation.
2. Foundation Letterhead may not be used in conjunction with Approved Jaycee Projects other than for the receipting of donations to the Foundation made in connection with that project.
3. The Chapter shall not use Foundation Letterhead in conjunction with any Joint Project or Jaycee Managed Foundation Project unless the Foundation President, Supervising Trustee, or the Development Director approves each specific use in advance.

#### **K. Supervising Trustee**

For each Joint Project, Jaycee Managed Foundation Project and Foundation Project, there shall be a Supervising Trustee appointed by the President. The Supervising Trustee shall be responsible for ensuring compliance with this Policy and for keeping the Foundation President and Board informed of the project’s progress.

### **VII. Building Policies**

The Operating Expenses, including utilities and maintenance, of the building shall be paid as stipulated in the Office Lease Agreement between the Foundation and the Chapter. The Office Lease Agreement shall be reviewed by the Foundation and the Chapter on an annual basis.

### **VIII. Written Contracts**

To be effective any written contract must be signed by the President of the Foundation.

### **IX. Investment Policy**

See Exhibit B: Investment Policy

**Exhibit A:  
Grand Rapids Jaycees Foundation  
Grant Outcome Report**

This form must be completed prior to applying for another grant. If the project or projects are in process, you must submit an interim outcome report to assess progress and usage of funds. The Grand Rapids Jaycees Foundation must receive this information within three (3) months of receipt of funds.

Name of Organization:

Contact Person:

Phone Number:

Name/Description of project(s) that utilized funds:

- 1) Please state the objectives of the project (s) and if the project(s) objectives were met.
- 2) What was the timeframe of the project(s), and was the timeframe met or is it on track to be met?
- 3) How did you measure the results of the project(s)?
- 4) How many people were served by the project(s)?
- 5) Did the cost exceed the projected costs? If yes, please explain.
- 6) How did your organization promote the Grand Rapids Jaycees Foundation?
  - (a) Internally
  - (b) Externally
- 7) Provide any additional information that will support your use of the funds received through the Grand Rapids Jaycees Foundation including detailed expenses and variances.
- 8) Please include photos, names, quotes of those involved, responses from your constituency or the populations you serve, etc.
- 9) What is the future plan of the project(s) utilizing the funds provided by the Grand Rapids Jaycees Foundation?
- 10) Are you planning to request additional funds from the Grand Rapids Jaycees Foundation? If yes, please provide a brief description of the proposed usage of additional funds.

\_\_\_\_\_  
Signature Executive Director

\_\_\_\_\_  
Print Executive Director

Mail completed form to: Grand Rapids Jaycees Foundation  
Attn: Grants Administrator  
2774 Birchcrest SE  
Grand Rapids, MI 49504

**Exhibit B:**  
**Grand Rapids Jaycees Foundation**  
**Investment Policy Statement for Grand Rapids Jaycees Investment Account**  
**Revised: 12/02/2010**

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## **OVERVIEW**

The Grand Rapids Jaycees Foundation (GRJCF) investment account was created to provide perpetual financial support to charities local to the Grand Rapids area, including but not limited to the Grand Rapids Jaycees. The intention of the investment policy statement is to establish guidance for the management of the portfolio assets allowing for changing economic, business and investment market conditions. The statement also incorporates accountability standards that will be used for monitoring the progress of the portfolios investment program and for evaluating the contributions of the investment advisor(s) hired on behalf of the portfolio.

## **INVESTMENT PURPOSE**

The portfolio is to be invested with the objective of preserving the long term real purchasing power of the assets while providing a relatively predictable and growing stream of annual distributions in support of the GRJCF's mission.

For purposes of making distributions, the portfolio will make use of a total return based spending policy, meaning that it will fund distributions from net investment income, net realized capital gains, and proceeds from the sale of investments.

The distribution of fund assets will be permitted to the extent that such distributions do not exceed a level that would erode the fund's real assets over time. The GRJCF Board of Directors will seek to reduce the variability of annual distributions by factoring past spending and portfolio asset values into its current spending decisions. The GRJCF Board of Directors will review its spending assumptions annually for the purpose of deciding whether any changes necessitate amending the spending policy, the target asset allocation, or both.

Periodic cash flow either into or out of the portfolio will be used to better align the investment portfolio to the target asset allocation outlined in the asset allocation policy outlined in this document.

Designated assets of the GRJCF shall be treated as available for long-term investment. Income from these assets accumulates tax-free and will be invested in a manner that would achieve the greatest risk-adjusted total return within the investment guidelines using the acceptable investments outlined below.

## **RESPONSIBILITY FOR MANAGEMENT OF FUNDS**

All funds of the GRJCF will be managed by the Board of Directors. At the discretion of the full Board of Directors, an investment advisor(s) may be engaged to manage funds of the GRJCF, in which case, the external investment advisor(s) will be directly responsible to the Board of Directors.

Investment through external programs, facilities, and professionals operating in a manner consistent with this policy will constitute compliance.

## **INVESTMENT GUIDELINES AND ASSET ALLOCATION**

The GRJCF recognizes that the strategic allocation of the portfolio across broadly defined financial asset and sub asset categories with varying degrees of risk, return, and return correlation will be the most significant determinant of long term investment results and portfolio asset value stability.

The GRJCF Board of Directors expects that annual returns and return volatility may vary from expectations and return objectives across short periods of time. While the GRJCF Board of Directors expects to remain flexible with respect to making periodic changes to the asset allocation, it expects only to do so in the event of material changes to the portfolio, to the assumptions of the underlying spending policies, and to the capital markets and asset classes in which the portfolio invests.

Fund assets will be managed as a balanced portfolio comprised of two major components, and equity portion and a fixed income portion. The expected role of the equity investments will be to maximize the long term real growth of portfolio assets, while the role of the fixed income investments will be to generate current income, provide for more stable periodic returns, and provide some protection against a prolonged decline in the market value of the equity portion of the investment portfolio.

Cash investments in the portfolio should only be considered as temporary holdings and will be used for liquidity needs or to facilitate a planned program of dollar cost averaging in either or both of the equity or fixed income asset classes.

The portfolio will be invested using all major asset classes with the goal of minimizing risk (as measured by standard deviation) and maximizing potential return within the following guidelines.

Asset Classes:

- Cash Equivalents
- Fixed Income (Bonds)
- Small, Mid, and Large Cap Domestic Equities\*
- Small, Mid, and Large Cap International Equities\*

Asset Allocation: \*\*

	Target	Acceptable Range
Cash Equivalents Target	5%	0-15%
Fixed Income (Bonds)	45%	40-50%
Domestic Equity*	35%	30-40%
International Equity*	15%	10-20%

\*Domestic and International Equities should utilize both growth and value styles of investing.

\*\* Re-balancing will be done on a semi-annual basis or more frequently if deemed necessary.

**POOLING OF FUNDS**

Except for cash in certain and restricted or special funds, all cash balances will be consolidated from all funds to maximize investment earnings. Investment income will be allocated to the various funds based on their performance and respective participation and in accordance with generally accepted accounting principles.

**ACCEPTABLE INVESTMENTS**

Acceptable investments will typically fall into one or more of three general categories:

- Money Market/Cash Equivalent Funds
- Fixed Income (Bond quality as expressed by the bond rating services as Moody's and Standard & Poor's.)
- Equity Investments (Stocks)

Limits on percent holdings for individual issues, sectors, or mutual funds include:

- Total issues of equity of any one single investment security may not exceed 5% of the market value of the entire portfolio at the time of purchase.
- Fixed income securities of any one issuer, open-end investment company, or bond mutual fund may not exceed 20% of the market value of the entire portfolio at the time of purchase.
- With respect to the fixed income portion of the portfolio, the minimum average credit quality of these investments must be investment grade or above (BBB or Baa).
- While not specifically considered within the above allocation and in this policy, investments to alternative asset classes may comprise not more than 15% of the total portfolio assets, and to the extent that they are owned, will proportionately reduce the allocations to the primary assets classes as itemized above.

**SPENDING POLICY**

For the purpose of making distributions, the Portfolio shall make use of a total return based spending policy, meaning that it will fund distributions from net investment income, net realized capital gains, and proceeds from the sale of investments.

The distribution of Portfolio assets will be permitted to the extent that such distributions do not exceed a level that would erode the Portfolio's real assets over time. The GRJCF Board of Directors will seek to reduce the variability of annual portfolio distributions by factoring past spending and portfolio asset values into its current spending decisions. The GRJCF Board of Directors will review its spending assumptions annually for the

purpose of deciding whether any changes therein necessitate amending the portfolio's spending policy, its target asset allocation, or both.

The GRJCF Board of Directors will awards grants, including approval of its administrative budget, in accordance with the spending policy.

The spending budget for the upcoming calendar year will be determined each year by the closing market value of the portfolio on September 30 (or last market trading day of the third quarter) using a three year (12-quarter) trailing average. Spending will be limited to a rate of up to 4% of the average fair market value, with the absolute maximum being 6% of the current principal value of the fund.

Investment returns in excess of those necessary to support spending will be reinvested in the principal balance, with the exception of those funds earmarked for a reserve fund.

### **REBALANCING**

It is expected that the portfolio's actual asset allocation will vary from its target asset allocation as a result of varying periodic returns earned on its investments in different asset classes and sub asset classes. The portfolio will be rebalanced to its normal target asset allocation under the following procedures:

- The investment advisor will use incoming cash flow and outgoing money movements of the portfolio to realign the current weightings closer to the target weightings for the portfolio.
- The investment advisor will review the portfolio semiannually to determine deviation from target weightings. During each semiannual review, the following parameters will be applied
  - If any asset class within the portfolio is greater than +/- 5% from its target weighting, the portfolio will be rebalanced.
  - If any fund within the portfolio has increased or decreased by greater than 20% of its target weighting, the fund will be rebalanced.
- The investment advisor can provide a rebalancing recommendation at any time
- The investment advisor should act within a reasonable time to evaluate deviation from the outlined ranges.

### **CRITERIA FOR SELECTING INVESTMENT ADVISORS AND MUTUAL FUNDS**

The following criteria will be evaluated when selecting investment advisors and mutual funds:

<p><b>MUTUAL FUND OBJECTIVE OR STYLE --</b></p> <ul style="list-style-type: none"> <li>• Style discipline – current and historical</li> <li>• Average market capitalization of stocks held</li> <li>• Total fund assets</li> <li>• Concentration of holdings</li> <li>• Current &amp; historical cash levels</li> <li>• Sector weightings</li> <li>• Regional weightings</li> <li>• Turnover ratio</li> </ul>	<ul style="list-style-type: none"> <li>• Utilization of hedging strategies</li> <li>• Volatility or risk</li> </ul> <p><b>MUTUAL FUND PERFORMANCE --</b></p> <ul style="list-style-type: none"> <li>• Performance versus appropriate benchmarks</li> <li>• Performance versus funds utilizing the same style discipline or market capitalization</li> <li>• Performance during various market cycles</li> <li>• Expense ratio of fund</li> <li>• Only no-load funds are utilized</li> <li>• Use and percentage 12b-1 fees</li> </ul>	<p><b>FUND MANAGER --</b></p> <ul style="list-style-type: none"> <li>• Manager tenure and relevant experience</li> <li>• Manager style discipline</li> <li>• Length of time fund manager has been in the investment management business</li> <li>• Total assets managed by fund manager</li> <li>• Operational issues related to purchase or redemption restrictions, telephone transaction capabilities, and wire transfer capabilities</li> </ul>
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### **LIQUIDITY**

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This can be accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands. Since all possible cash demands cannot be anticipated, the portfolio should consist only of securities with active secondary or resale markets. A portion of the portfolio may also be placed in bank deposits or repurchase agreements that offer same day liquidity for short term funds.

## **GUIDELINES AND PROCEDURES FOR MONITORING FUNDS**

The investment advisor is responsible for reviewing the investments, their performance, and their managers on a quarterly basis. The review will be performed by applying the above criteria keeping within the allowable investments outlined by this investment policy statement. Performance will be measured by using the comparable benchmark listed in this investment policy statement.

## **PROCEDURES FOR FUNDS AND/OR MANAGERS WHO FAIL TO MEET CRITERIA**

If a fund or investment manager is not meeting the criteria contained within this investment policy statement the following actions will be taken.

*The investment advisor will notify the GRJCF Board of Directors by phone or email, **and** letter to discuss the concerns and make recommendations to improve asset allocation. The GRJCF representative receiving such communications will forward the information to the Finance Committee to discuss the situation and decide whether to meet interim (special meeting) or in tandem with the next regularly scheduled Board of Directors meeting. The Finance Committee will review the situation and make a recommendation. If the situation is urgent, the Finance Committee will direct the investment advisor to reallocate the mutual fund(s). Otherwise, the decision will be approved at the next regular Board of Directors meeting.*

## **PROHIBITED INVESTMENTS**

The GRJCF prohibits investing or holding any portfolio assets in the following types of investments:

- Investments considered to be derivatives
- Letter stocks
- Private placements
- Options/Speculation
- Warrants
- Venture capital
- Hedge funds
- Hard real estate
- Futures or managed future funds
- Margin transactions
- Short sales
- Direct commodities
- Individual high risk bonds, including junk bonds
- Life Insurance contracts
- Tangible assets such as gold and silver

## **BENCHMARKS USED TO REVIEW INVESTMENT PERFORMANCE**

The portfolios composite investment performance will be judged against the following standards:

- The portfolio's absolute long term real return objective
- A composite benchmark consisting of unmanaged market indexes weighted according to the expected target asset allocation stipulated by the portfolios investment guidelines.

Performance review of the investment will be assisted with printed reports that provide benchmarks of comparable character with each class in the portfolio assets. The GRJCF Board of Director recognizes the allocations of the investment may change over time. The benchmarks, therefore, will change to monitor the performance of the particular class of assets.

The following benchmarks will be used for performance measurement in each of the above listed investment categories.

### **ASSET CLASS**

Cash & Cash Equivalents

US Equity

Non-US Equity

Investment Grade Fixed Income

Non Investment Grade Fixed Income

### **BENCHMARK**

U.S. 3 Month T-Bill

Wilshire 5000 Total Market Index

MSCI EAFE Index

Barclays Capital US Aggregate Bond Index

Barclays Capital US Corporate High Yield Bond Index

The performance of professional investment advisors hired on behalf of the portfolio will be judged against the following standards:

- A market based index appropriately selected to the managers agreed upon investment objective and normal investment characteristics of the manager's portfolio.
- The performance of other investment managers having similar investment objectives

In keeping with the long term financial objective, the GRJCF Board of Directors will evaluate the portfolio and manager performance over a suitably long term investment horizon, generally across a full market cycle, or at a minimum rolling 3 year basis.

### **PRUDENCE**

The standard of care to be used by investment advisors will be the prudent person standard and will be applied in the context of managing the overall portfolio. The GRJCF Board of Directors, acting in accordance with written procedures in this investment policy, exercising due diligence, are relieved of personal liability for an individual security's credit risk or market price changes, provided that deviations from expectations are reported in a timely fashion and the liquidity and sale of the security is carried out in accordance with the terms of this policy.

Investments should be made with judgment and care by persons of prudence, discretion, and intelligence, not for speculation but for investment considering the mission of the organization and probable safety of the capital as well as the probable income to be derived.

### **EDUCATION AND INVESTMENT UPDATES**

The investment advisor will take an educational approach to keeping the GRJCF Board of Directors informed concerning its investment. The investment advisor will provide industry newsletters and inform the GRJCF Board of Directors of pertinent seminars, whenever available.

At the semi-annual meetings with the Finance Committee or GRJCF Board of Directors, the investment advisor may provide information and education on:

- Prudent investing
- Investment strategy for a non-profit
- Industry segments where GRJCF portfolio is currently invested
- Measures of investment performance

### **REVIEW OF INVESTMENT POLICY AND PERFORMANCE**

The expectations for statement frequency, activity reporting, and update meetings are as follows:

- Monthly printed performance statement of assets to designated Finance Committee members. The printed reports will be clearly presented and easily understood.
- Quarterly printed performance statement of assets with appropriate blended benchmark to the GRJCF Board of Directors. The printed reports will be clearly presented and easily understood.
- Semi-annual updates at meetings of the Finance Committee or GRJCF Board of Directors to review:
  - Investment policy guidelines
  - Investment performance vs. appropriate benchmarks
  - Evaluation of plan expenses
  - Current market and economic conditions
  - Anticipated changes in the portfolio
  - Anticipated changes in GRJCF needs from the portfolio
  - Any other financial issues

These updates will occur in person to the Finance Committee in August and in January at the GRJCF Board of Directors meeting.

### **OUTLINE OF ROLES AND RESPONSIBILITIES**

Roles and responsibilities of the following people and/or committees are:

- Grand Rapids Jaycees Foundation Treasurer
  - Maintain file of reports and important communication from the investment advisor
  - Communicate with the investment advisor
  - Review monthly performance reports and significant communications from the investment advisor
  - Review and discuss performance reports and significant communications from the investment advisor at Finance Committee meetings.
  - Provide written reports at regular GRJCF Board of Directors meetings.
  - Review monthly performance reports and significant communications from the investment advisor
  - Review, facilitate, and discuss performance reports and significant communications from the investment advisor at Finance Committee meetings.
  - Facilitate recommendations from the Finance Committee at regular GRJCF Board of Directors meetings.
- Investment Advisor (relationship manager)

- Invest designated assets in accordance with this investment policy statement
- Provide regular performance reports and significant communications to identified GRJCF Board of Directors members
- Make recommendations for investment strategy to the Finance Committee
- Meet with the Finance Committee and GRJCF Board of Directors semi-annually to review investment performance, policy, and strategy
- Finance Committee
  - Review quarterly performance reports and significant communications from the investment advisor
  - Critically assess and discuss performance reports and significant communications from the investment advisor at Finance Committee meetings
  - Make recommendations at regular GRJCF Board of Directors meetings
- Board of Directors
  - Review performance reports and significant communications from the investment advisor
  - Review and decide on recommendations from the Finance Committee

### **RECORD RETENTION POLICIES**

Copies, printed reports and important communication are kept by the Grand Rapids Jaycees Foundation Board of Directors in the Grand Rapids Jaycees Foundation office at 2774 Birchcrest Drive, Grand Rapids, MI 49506. Notification to review these files must be received 3 weeks before desired review.